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Woll, C. (2008). *Firm Interests: How Governments Shape Business Lobbying on Global Trade*. Ithaca, NY: Cornell University Press.

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The impact of firms on trade policy outcomes constitutes a core research area in political economy. Existing research in this area presumes that firms' preferences on trade liberalization are determined by economic self-interest and that they are easily deducible from the distributional consequences of liberalization. In *Firm Interests*, Cornelia Woll challenges both these assumptions. She argues that firms do not always know what they want from trade negotiations. Given that firms are socially embedded, their preferences on trade liberalization depend much more heavily on their regulatory and political environments than on sole economic interest. Woll's book is a significant contribution to a growing research agenda that draws on constructivism and sociological institutionalism to explore questions in international political economy.

The book has the following as its central puzzle: How did firms in the United States and the European Union, which were once national monopolies in sectors such as telecommunications and air transport, come to unanimously support liberalization in the 1990s and early 21st century? Woll finds traditional comparative and international political economy approaches unsatisfactory. The consensus in these fields is that firms' trade policy preferences can be deduced from economic theory. The distributional outcomes of trade policy create material incentives that best predict an actor's behavior (p. 25). Yet, Woll argues, different models of trade policy making suggest divergent hypotheses about firm interests. The two dominant models of trade policy making disagree about whether conflicts over liberalization will be along factoral or sectoral lines. Still others suggest that preferences vary with firm size. Given the range of predictions based on different models, deducing firm preferences from economic theories seems far from straightforward.

Woll's suggestion is to focus on the micro-foundations of firm preferences. She proposes a three-stage model of preference formation. First, an actor's general interest is translated into a role-specific interest in an individual situation. Second, the actor fixes an overall strategic goal, a means preference to obtain its interest. Third, the actor develops a concrete strategy for obtaining its strategic goal (p. 33). Detailing these steps in preference formation allows Woll to pin down the sources of variation in firm preferences at each step. In the first step, it is the actor's identity that influences the translation from general interests to role-specific interests. At the second step, the actor's beliefs constitute the source of variation—that is, how the strategic goal will ensure the desired end. Finally, at the third step, the actor's strategy is shaped by the constraints and opportunities in its strategic environment.

Woll's model is innovative in its combination of the role of identities and beliefs and the strategic environment, into a single model of trade preference formation. It provides concrete predictions of firms' preferences when economic interests are too general or ambiguous. The pitfall of this three-stage analysis of preference formation is a tendency to treat these three stages as being distinct and isolated from one another. It is likely that actors move back and forth between these stages and that the factors influencing the translation at one stage influence the others. For example, is the impact of regulatory environment significant only in shaping an actor's strategy, or does it shape the actor's identity and beliefs about how to achieve its interests as well? Fortunately, Woll's case studies treat preference formation as a more integrated process than what the three-stage model implies.

In chapter 3, Woll analyzes how new trade issues, such as trade in services and international regulation, differ from traditional trade issues. Service markets are characterized by heavy domestic regulation. Under such conditions, Woll argues, trade negotiations turn into negotiations over international regulatory reform, which imply a different relationship between governments and business than that of trade negotiations. For firms, lobbying around trade issues focuses on pressuring governments about tariffs, whereas lobbying on regulatory reform involves sharing technical expertise with the government. Thus, firms need to be perceived as legitimate actors proposing solutions for the general interest rather than for their immediate self-interest. As such, this becomes a factor constraining a firm's choice of lobbying strategy.

In chapters 4 and 5, Woll turns to the empirical analysis of the liberalization of the telecommunications services in the 1990s and that of air transport in the 1990s and early 21st century. Regarding telecommunications, Woll seeks to explain the unanimous support of telecom companies for multilateral liberalization of the sector in the United States and the European Union. Domestic deregulation of the sector led the former public monopolies to distance themselves from their governments and start operating as profit-seeking firms on both sides of the Atlantic. The shift was gradual. In Europe, national operators were torn between the desire to develop commercial autonomy from the governments and that to receive privileged treatment (p. 74). In the United States, the regional Bell companies were motivated by a desire to move into international markets but also protect their interests as domestic providers. Woll traces how the identities of these companies shifted from public monopolies that were suspicious of deregulation and liberalization to competitive businesses supporting free trade.

One of the most fascinating aspects of the liberalization process described in this chapter involves firms' uncertainty about what liberalization means. Woll's interviews with firm and government officials demonstrate that firms were often uncertain about whether and how they would gain from liberalization, and that they came to believe in the benefits of liberalization only as a consequence of their interactions with governments, user groups, and competitors. However, uncertainty cut both ways; that is, government officials did not have technical expertise in the telecom sector and so relied on firms to provide it for them.

A similar transformation in firms' identities took place in the air transport sector. Domestic deregulation had started earlier in the United States than in the European

Union; consequently, U.S. firms started lobbying earlier for an international opening in this sector by pursuing bilateral "open skies" agreements. For the European firms, which were gradually making the transition from being national flag carriers to competitive airlines, such bilateral agreements were threatening because they seemed to favor U.S. firms. This strategic environment forced the European airlines to support more radical international liberalization and to pursue it by lobbying the European Commission. The European companies had to adopt a much more pan-European and pro-liberalization stance because they had to lobby at the European Union level to influence the shape of international negotiations.

Woll reaches two conclusions from the empirical analysis of these two episodes of service trade liberalization. First, she concludes that the role of ideas in the formation of firms' preference is constitutive, not causal. Changing identities and new beliefs about international operations helped to shape firms' policy stances, along with changes in the strategic environment—that is, not independently of it (p. 151). Second, the empirical analysis challenges the widely held notion that firms capture governments in trade policy formulation. Government activism is particularly visible in the European Union, where "the European institutions have the power to reorient business demands" (p. 127). The European Commission creates selective incentives for firms to align with it, in exchange for a stable working relationship and access to policy making. Thus, it is not the firms that capture policy making (as traditionally assumed); it is the governments that shape the interests and strategies of firms. Woll is quick to note that this point does not solve issues of democratic accountability in economic policy making, because a government with a liberalization agenda might capture those interest groups that share its viewpoints and so might exclude others.

The book has some shortcomings. Most significant, the case for the role of identities and beliefs, which Woll makes strongly in the theoretical chapters, is not entirely supported through the empirical analysis. The strategic environment has a strong influence on all three stages of preference formation in both the telecom and the air transport sectors, thereby muting the effect of identities and beliefs. Woll defends her initial argument by suggesting that ideas have a constitutive, rather than causal, role in shaping preferences, but this claim is a modification of the initial argument and so needs to be more fully investigated with empirical analysis. Second, the concept of uncertainty developed in chapter 1 completely disappears from the theoretical discussion, only to briefly reappear in the empirical chapters. Woll could have more fully integrated the role of uncertainty in her model of preference formation to specify the conditions under which identities and beliefs may matter. Finally, the case selection is not fully justified. The liberalization episodes in the two sectors (telecom and air transport) proceed in fairly similar ways. This is especially the case for firms' identities and beliefs, which vary through time but not across sectors. Therefore, the added value of the comparison across policy sectors remains unclear.

Nevertheless, these shortcomings do not detract from the valuable insights and sophisticated analysis that the book provides on lobbying and trade liberalization. It is a welcome contribution to the literature on economic policy making that sets itself apart from purely rationalist accounts. Woll joins a number of authors, such as McNamara (1998) and Jabko (2006), who suggest a role for identities and beliefs in a research area traditionally reserved for rationalism. In addition to being valuable to students of political economy, the book may be of interest to those working on the European Union and, more broadly, on regional integration, given that it provides insights into how the multilevel nature of lobbying in the European Union shapes firms' strategies. The empirical chapters are interesting and informative, thanks to the richness of detail and the insights gained from the interviews with company representatives and officials on both sides of the Atlantic. *Firm Interests* will prove to be a useful source for those interested in trade liberalization and lobbying, both inside and outside of academia.

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Foreign direct investment (FDI) is generally not an area in which one imagines social relations being very important—a vast literature on globalization has reinforced the idea that multinational corporations follow unrealized opportunities for profit wherever they may be around the globe. After all, such corporations are supposed to be rational profit-maximizing machines that follow risk-and-return models when choosing their foreign investment projects.

Nina Bandelj's book finds quite the opposite to be true. As an economic sociologist, Bandelj argues that the decision to undertake FDI is not unlike much economic behavior; namely, it is socially rooted and so depends on a foundation of networks and state intervention to take place. Drawing on data from 11 postcommunist countries in Eastern Europe, the Baltic states, and the Balkans, she demonstrates that instead of simply seeking out the most profitable opportunities, FDI flows where two key factors are present. First, it is attracted to countries where host states supply the necessary infrastructure to attract investors. Thus, FDI has been attracted to places where states took an active role in building markets and not where they simply