Rethinking Global Market Governance: Crisis and Reinvention?*

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The recent financial crisis and Great Recession have highlighted a number of troubling dynamics in contemporary capitalism. Most obvious is the instability of national economies and the global economy as a whole. This crisis may be rare in its magnitude and geographic scope, but it comes after several decades in which the frequency of serious crises that spill across national boundaries has risen to historically unprecedented levels.[1]

Related to this problem of instability is the way in which powerful decision-makers often assume a decidedly short-term calculation of costs and benefits. The financial sector has been allowed to chase after speculative gains, rather than being placed in the service of longer-term economic and social goals.[2]

The crisis has also drawn attention to long-term trends of rising income inequality. In the United States, wage stagnation at the bottom end of the income distribution helped to fuel the expansion of cheap credit, contributing to the conditions that gave rise to the crisis.[3] In turn, less

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advantaged people across the world have been hit hardest by the ensuing Great Recession, whether through lost employment or scaled back government services on which they disproportionately rely.

These problems point to serious weaknesses in national and global "market governance," defined here as "the institutions, governmental and non-governmental, that constrain market activity."[4] Yet it is also clear that, even if faith in "free" markets has been shaken due to recent events, it has not been broken. Moreover, prevailing institutional realities have not been fundamentally transformed. The burden is still on those who desire meaningful change not only to register criticisms and complaints, but to articulate and push for institutional alternatives.

In late 2009, we convened a series of workshops at Harvard University, the University of Melbourne, and the Max Planck Institute for the Study of Societies-Cologne under the heading of "Re-Embedding the Market: Crisis and Reinvention?" Contributors to these workshops came from a variety of geographical and disciplinary locations, and considered topics ranging from financial reform to industrial policy to labor market regulation. All were oriented around a common question: How might existing market governance arrangements be reformed in ways that would better address the many challenges underscored by the crisis?

In the three pieces that follow in this special section of *Politics & Society,* John Quiggin, Jose Antonio Ocampo, and Robert Wade consider a range of issues that can be placed under the broad rubric of "global governance." They evaluate existing forms of international cooperation and consider the possibility of new ones.

A clear theme in all of these contributions is that powerful countries and economic interest groups play a key role in shaping the international efforts aimed at confronting important challenges of market governance. These pieces suggest that meaningful reform requires not just a certain set of policies that rein in the workings of free markets, but deeper political shifts. The financial crisis amplified concerns about the extent to which certain powerful actors are able to bend market institutions to suit their interests. Ensuring that markets are not "free" of broader-based public and social control is thus an important part of the task at hand. How, we consider, can global market governance be democratized?

RE-EMBEDDING THE MARKET

First, though, we briefly place the current moment in historical perspective, since past experience has heavily shaped both responses to this crisis and ideas about reform possibilities. In *The Great Transformation*, Polanyi gave us perhaps the most vivid account on record of historical shifts in the regulation and governance of markets.[5] For Polanyi, the rise of free markets was a process in which markets became dis-embedded from society's norms and controls, such that the competitive pursuit of short-term profit actually became the primary logic governing social relations.[6] Eventually, however, this provoked a societal response in which markets became re-embedded—at least until a renewed push for free markets emerged again. The process was one that repeated itself in what Polanyi termed the "double movement" of history.

Published in 1944, *The Great Transformation* appeared during a period in which markets were being re-embedded at both the national and international levels. The 1929 stock market crash and ensuing Great Depression set the context for a significant expansion of the social safety net in the US. In turn, the worldwide economic dislocation of the Depression helped to set the conditions for the onset of World War II, and the end of the War saw the establishment of a set of intergovernmental organizations (IGOs) aimed at heading off economic turmoil and violent conflict in the future.[7]

The post-War decades have come to be described as a period of "embedded liberalism"—a time during which international market integration was placed in step with stable, relatively shared growth in national economies.[8] The International Monetary Fund (IMF) administered a system of fixed exchange rates that limited financial volatility, and provided assistance in the event that countries experienced balance-of-payments difficulties. The International Bank for Reconstruction and Development (IBRD)—eventually folded into the World Bank System—supplied capital to support the rebuilding of war-torn Europe, and, over time, extended support for development projects in other regions.

Founded shortly after the IMF and IBRD, the General Agreement on Tariffs and Trade (GATT)—predecessor to the World Trade Organization (WTO)—promoted exchange of goods and services among countries without intruding substantially in domestic policy. At its founding, just thirteen North Atlantic countries were members of GATT. Its membership grew with each round of trade negotiations, though developing countries were afforded significant space to employ a range of trade and industrial policies up until the 1970s.

Shifts in these IGOs that were part of the broader transition from embedded liberalism to "neoliberalism" have received renewed attention due to the recent crisis.[9] The breakdown of the Bretton Woods system of fixed exchange rates in the early 1970s contributed to the increased financial volatility of recent decades. During the Debt Crisis of the early 1980s, the World Bank and IMF suddenly assumed a far more prominent role vis-à-vis much of the developing world, which they leveraged to promote an agenda of deregulation, privatization, and trade liberalization.[10] The role of the IMF in promoting capital account liberalization has been cited as an important factor in the onset of subsequent crises.[11] And, while the IMF and even more so the World Bank have acknowledged the shortcomings of the market liberal agenda in recent years, they have made only limited progress in developing an alternative paradigm.[12]

In the trade arena, today's WTO and patchwork of regional and bilateral trade agreements have extended deeper integration across most of the world, and the promotion of looser capital controls has been part of this project.[13] The terms by which this integration has occurred reveal significant power asymmetries, as economically advanced countries have continued to protect their commodity markets, while ensuring that many of the industrial policies they once used are unavailable to developing countries—a set of dynamics altered little so far by the WTO's Doha "development" round.[14] Also worth noting is the scant attention given to the enormous trade imbalances exemplified by the US-China bilateral relationship, which many have cited as a key background condition leading to the emergence of the recent crisis.[15]

The crisis and Great Recession have raised hopes, for many, that a new round of re-embedding may be afoot, in domestic contexts as well as within the IGOs. Many parallels have been drawn between the current moment and the era that spawned the New Deal and Bretton Woods. The crises that erupted in 1929 and 2007 are similar in that both involved large declines in asset prices and the failure of many financial institutions, and spread from the US to other countries.[16]

However, government responses this time around have been swifter and more effective, informed in no small way by lessons learned from the Great Depression, and this has helped to ensure that conditions are not as bad now as they were then. Absent a collapse on the scale of the Depression, and without the sense of existential threat that came out of World War II, current efforts to re-embed markets do not have the same sense of urgency. It is partly for this reason that reform at the national and international levels has been more limited.

Moreover, from where we stand in early 2011, free market politicians have achieved electoral success in the US, Australia, the UK, the Netherlands, and other countries, interpreting recent economic dislocations in a manner that supports the status quo, or even promotes further retrenchment of public intervention in markets. In this sense, the current climate seems to echo Hayek at least as much as it does Polanyi.[17] Hayek's *The Road to Serfdom* was first published in the same year as *The Great Transformation*, and his skepticism of government decision-making—reflected in the liberalizing trends of recent decades—has continued to find many strong advocates in the post-crisis environment.[18]

Observing these developments, it would be easy to conclude that the time for thinking about serious possibilities for re-embedding has passed. However, we suggest that such a conclusion is shortsighted. The problems of market governance that have been highlighted by the crisis and Great Recession remain unresolved. Even if the political conditions supporting significant reform do not appear promising at the moment, we indicate below some developments that may support change in the future. It is worth remembering, moreover, how patiently Hayek and his Chicago school allies had to wait to see their ideas fully take hold in the corridors of political power. Whether or not the current moment yields a significant counter-movement against the liberalizing trends that these thinkers helped to inspire, the ideas put forth at this moment may yet find institutional expression in the future.

DEMOCRATIZING GLOBAL MARKET GOVERNANCE

The era of embedded liberalism is an important touchstone for those interested in reform of global governance institutions. Even if the world has changed significantly since then, due in part to the unraveling of the post-War institutional settlement, the lessons of embedded liberalism remain highly relevant.[19] International integration can be placed in the service of a shared and durable prosperity, and careful coordination among governments can help in achieving this balance. This spirit is embodied in many of the current efforts to regulate the financial sector, even if the measures enacted so far remain limited in scope.

Still, it is also important to think beyond the understanding of embedded liberalism drawn from our historical past. The complex of IGOs that emerged following World War II was dominated by the North Atlantic world. The developing world attempted to assert a stronger voice on the global stage by bringing the movement for New International Economic Order (NIEO) to the United Nations (UN) General Assembly, and through other related initiatives that came to a head in the 1970s. But, the Third World Debt Crisis quickly halted these efforts. More recently, shifts in the global balance of power toward the BRIC countries (Brazil, Russia, India, China) and certain others have been reflected in important ways within the IGO arena. Yet most of the BRICs are not yet exercising strong voice in these organizations, and the IGOs are still a long way off from being fully inclusive of a larger range of countries from the economic South, whether in their formal structures or informal workings.

Increased country representation could be accommodated within existing conceptions of embedded liberalism, to the extent that we imagine a more inclusive system of intergovernmental coordination being expanded across the globe. However, Polanyi's own normative understanding of embedding suggests a more ambitious agenda of inclusiveness—one that would represent an even more substantial break from the embedded liberalism of the past. For Polanyi, a key aspect of embedding was that broader social participation should help to determine the shape of markets, ensuring that risks would be minimized and benefits widely shared.[20] He observed and envisioned this process as playing out within national spaces. But, as argued in the pages of *Politics & Society* not long ago, it is possible to think about how social re-embedding might unfold in the global arena as well, and to identify developments that move in this direction.[21]

Each of these factors—intergovernmental coordination, country representation, and social participation—represent important ways in which global market governance can be democratized. Given that markets often extend across national boundaries, intergovernmental coordination can play a key role ensuring that market activity serves the public interest. Broad country representation is required so that the interests of different national publics are sufficiently addressed. Wider social participation expands the definition of the public interest both at the national and global levels, allowing a range of social groups to enhance the quality of their representation by governments and IGOs, and to engage more directly in the project of market governance. There is thus a progression here toward successively deeper forms of democratic market governance than we have seen before in the global arena.

In what follows, we engage with the contributions by Quiggin, Ocampo, and Wade to consider the state of progress along the three dimensions we have identified, and contemplate possibilities for future reform.[22]

Enhancing Intergovernmental Coordination

Many important issues related to market governance have global dimensions, including the regulation of finance and the promotion of environmental sustainability. National publics and a broader global public have a large stake in addressing these problems—a set of tasks delegated largely to representatives in government. Yet, no single government acting alone can effectively manage these global problems. Intergovernmental coordination thus plays a key role in enabling national governments to act in the public interest.[23]

Unfortunately, there are obstacles to coordination that stand in the way of such efforts. As Quiggin suggests in this section, one dynamic that hampers progress on financial regulation is a classic collective action problem: Even if there is agreement on the need for greater financial regulation, leaders in different countries fear that others will not be party to agreed restrictions, thereby drawing away lucrative financial activity.

Still, there has been some progress on financial regulation in the post-Crisis period. Quiggin and Ocampo note that the Basel III international regulatory standards—endorsed by the G-20 in late 2010—add some bite to the relatively toothless Basel II accord. Whereas the previous framework did little to curb systemic risk, the increased capital adequacy requirements in Basel III are a notable step forward.

On the other hand, both Quiggin and Ocampo argue that far more must be done to increase public oversight over finance if we are to approach anything like the "discipline" that existed during the post-War era. Quiggin discusses the possibility of a "Tobin Tax" on financial transactions, which would dampen financial speculation and reduce the size of the financial sector, while helping to finance important development objectives (or, as others have suggested, provide insurance against future crises).[24] On taking up leadership of the G-20 in early 2011, French President Nicolas Sarkozy announced that he would be making a renewed push for implementing such a tax, despite a continued lack of support from the US and other countries.

Quiggin's perspective differs from Ocampo's in a way that illustrates a broader rift in thinking about global governance. Quiggin argues that change will have to come through coordination among national governments, without regulatory functions being transferred in a meaningful way to a supranational authority. A Tobin tax, he suggests, could be administered through strictly international coordination, with national governments placing restrictions on both domestic and international transactions.

In contrast, Ocampo's reform proposals entail greater delegation of authority from the national to the global. An important component of Ocampo's vision for reform involves recasting the role of the IMF—an organization whose own prospects have been revived once again by an economic crisis, following a period of identity crisis. Part of what Ocampo outlines would involve an enhanced role for the IMF in macroeconomic policy coordination among national governments, with an eye toward reducing global imbalances. However, in advocating a vastly expanded role for Special Drawing Rights, such that they could function as a global reserve currency, he also sees the IMF operating in a more genuinely global capacity.

Regardless of whether multilateral coordination is international or supranational, another important set of questions concerns the need for inclusion. The discussions of Quiggin and Wade suggest that full inclusiveness may not always be required to ensure the effectiveness of cooperative efforts, and that there may be a tension between these aims.

Quiggin notes, as a practical matter, that support from the US and the EU would go a long way toward making a Tobin tax viable. Wade suggests that the newly empowered G-20, which includes several non-OECD countries, is not a forum in which a great deal of multilateral cooperation has actually been achieved. The countries that comprised the old G-8 seem bent on the "hegemonic incorporation" of newcomers to the scene. The latter often end up exercising their newfound veto power in acts of what Wade terms "Westphalian assertion," instead of putting forward alternative visions for global coordination. This has led some commentators to call it the "G-Zero" after observing a stagnation of economic policy cooperation.

Without dismissing the importance of country representation, Quiggin and Wade indicate some ways in which inclusion may be unhelpful or largely unnecessary in achieving given objectives. Yet, another point that resonates clearly in the contributions of Ocampo as well as Wade is that increased country representation is urgently needed to redefine the objectives of IGOs and global governance more broadly. Thus, in advocating an expanded role for the IMF, Ocampo also suggests that developing countries should have a far greater role in shaping its agenda. Even if greater inclusion makes it more difficult at times to achieve results, these results are more likely to attend to the needs and interests of a broader range of national publics.

Broadening Country Representation

The dominance of North Atlantic countries is evident across a range of powerful IGOs involved in issues of market governance. Since their founding, voting shares in the IMF and World Bank have been largely held by these countries, and the Presidents of these organizations have always been chosen, respectively, by Europe and the US. The WTO is formally more democratic than the Bretton Woods organizations to the extent that it operates on the principle of "one member, one vote," though advanced countries have wielded *de facto* control based on factors such as technical expertise and the sheer size of their negotiating contingents.[25] At times during recent decades, developing countries have asserted greater voice in the WTO and the UN system. Even then, however, North Atlantic countries (together with Japan) have coordinated more informally among themselves, including within the Group of 8 (G-8), established in 1976.[26]

Despite the continued dominance of North Atlantic countries, it is also widely accepted that the global balance of power has begun to shift substantially in recent years—a process accelerated by the crisis. The US, in addition to being struck hard economically by the Great Recession, has suffered a blow to its moral authority due to its role in the crisis. Meanwhile, Europeans are engrossed with the task of solving their follow-on sovereign debt woes, and Japan, though less affected by the crisis, continues to struggle through a fog of economic malaise that will likely deepen following the devastating earthquake and tsunami of March 2011.

At the same time, most developing and middle-income countries have been hit less hard by the crisis, despite declining exports and the substantial employment losses that have ensued—a fact that has further boosted the BRIC countries and others such as Turkey and South Korea that were already raising their profiles in recent years. The rising prominence of these countries has had many important implications. Notwithstanding the attempts by some to apply a standard market liberal narrative to the success of these countries, the role of both market integration *and* carefully tailored government intervention has been well-established.[27] With their increased economic might and reduced aid dependence on rich nations, these countries have also enhanced their autonomy as players on the world stage, and wielded greater power within their respective regions.

The rise of these emerging powers has also been evident in the IGO arena. As discussed by Ocampo and Wade, middle income and large developing countries have seen small but notable increases in their voting shares within the IMF and World Bank, and the US-Europe monopoly on the leadership of these organizations is likely to be broken. It is also significant that the G-20, established in 1999, has officially supplanted the G-8 as the main forum of economic consultation on international issues (despite the obstacles to cooperation described by Wade, and what he identifies as ambiguity in the relationship between the G-20 and the G-8).

Granted, it is important to keep the strides made by the BRIC countries and other emerging powers in perspective. To date, they have been relatively modest. Moreover, smaller developing countries, and the poorest nations, have not seen significant gains in the IGO arena. As Wade notes, African countries have actually lost voting shares in the World Bank due to the recent reshuffling. Both Ocampo and Wade suggest ways in which the Bretton Woods organizations and the G-20 could be made more representative.[28] Ocampo also argues that the G-20, though an improvement over the G-8, should be seen as playing a transitional role, perhaps until a formal and fully representative forum for economic consultation can be established under the auspices of the UN.

Ultimately, increasing voice for developing countries in IGOs is important for two reasons. First, developing countries can help ensure that IGOs actively work to address their needs and interests. Wade recommends reforming the IBRD so that poor and middle income countries that have already undergone substantial industrial development can use it as a sort of banking cooperative. These countries would play a more active role in guaranteeing IBRD bonds and running the organization, and they would also be able draw more resources from the Bank to finance long-term projects (e.g., infrastructure development) for which it is otherwise difficult to find funding.

To the extent that shifting influence in IGOs has tended to reflect, albeit with a substantial lag, changes in the balance of power among countries, the prospects that the world's poorest countries might reconfigure these organizations to better serve their needs and interests are clearly much dimmer. Moreover, faced with a post-crisis environment in which their aid requirements are greater, but donors are less willing and/or able to provide funds, the susceptibility of the poorest countries to restrictive conditionality is likely to be more acute.

This brings us to second main reason why increased influence for developing countries is important. Indeed, as much as they need to make IGOs work *for* them, it is perhaps equally important that IGOs do not work *against* them via intrusions into their policy space. For example, in a post-crisis world where undervalued exchange rates are less accepted due to their role in promoting global imbalances, and the longer-term prospects for export-oriented developing economies are uncertain, industrial policy is all the more important as a tool for promoting development. It is especially crucial for many of the poorest countries that have not yet undergone significant industrialization. It is also important for other developing and middle income countries that are working to further diversify their economies and shift toward increased production for domestic markets.[29]

Here, increased voice for developing countries in carving out policy space vis-à-vis the international trade regime could enable them to better navigate the post-Crisis environment, while also promoting greater balance and stability in the world economy.

Expanding Social Participation

Increased country representation in IGOs would constitute important progress toward democratizing global market governance, but it does not imply that the disproportionate power exerted by certain interest groups over government and IGO leaders would be diminished. Nor would it take us beyond a system in which market governance is administered largely by elites and technocrats.[30] Expanded social participation holds potential for moving global governance in substantially new directions, enabling a wider range of interests to determine its shape.

The neoliberal era is widely noted as one in which large corporate interests have grown in power and influence, working both through and around national governments and IGOs.[31] An important sub-plot has been the increased power exerted by finance capital over "productive" capital and society more generally. Quiggin's discussion in this section aptly captures the way in which the financial sector has been empowered during recent decades, asserting itself as master of the economy, rather than being placed in the service of broader social ends.

Quiggin's analysis suggests that coordination failures can only go part of the way in explaining why governments have not worked together to more aggressively rein in the power of the financial sector. Another important factor is that the financial sector exerts tremendous power over politicians and bureaucrats, especially in certain countries. It is important to remember, however, that these relationships do not always produce the expected results. Despite the status of the City of London as a premier financial center, and its centrality in the UK economy, former Prime Minister Gordon Brown and current Financial Services Authority chairman Adair Turner both came out in support of a Tobin tax following the crisis.

Considering dynamics of social participation and interest representation adds a needed layer of complexity to our understanding of power relations with IGOs, which cannot be sufficiently mapped in simple North-South terms. In IMF loan negotiations, for example, Fund representatives have routinely prioritized the interests of banks based in economically advanced countries over all else. But, another dimension to the problem is that those doing the negotiating on the developing country side have little accountability to the populations they purport to represent. In many cases, engagement with the IMF has actually provided willing government representatives with political cover in pushing through unpopular austerity measures.[32]

Recent years have seen some shifts in these dynamics. The World Bank's poverty reduction strategy paper initiative—for which the IMF has expressed support—has been lauded for bringing poor people into discussions about how their circumstances can be improved. Granted, it is also been criticized for failing to adequately address the broader structural conditions that produce poverty, including the role of market liberal policies.

Social movement actors interested in challenging the broader agendas of IGOs have often decided that the best available course of action is to apply pressures from outside IGOs, rather than trying to work within them. Labor, environmental, and other actors have engaged in social protest activities that have played a role in raising the visibility of their concerns within IGOs, even if these concerns have only been attended to in limited ways.

Recently, as discussed by Quiggin, austerity measures now being considered and implemented in response to the European sovereign debt crisis have been felt disproportionately by those without significant economic means. Popular protests directed at national governments and the EU—an IGO unique in its supranational authority—have raged across the Continent. The impact that these protests have had on policy is open to debate, but the desire of many Europeans to follow a different path of adjustment and reform is palpable.

The question of what kind of real influence non-elite interests can have over IGOs is an important one. The organizations discussed by Wade, Quiggin, and Ocampo in this section are among the most powerful in global economic governance, and it is no coincidence that these are also organizations in which the interests and voices of less powerful groups are generally more marginal. In addition to transforming these organizations, another tack that has been suggested as a way of creating more balance among different interest groups would involve empowering an organization such as the International Labor Organization (ILO) in which the interests of labor are more strongly represented. There have also been calls for establishing a World Environment Organization with a strong mandate for addressing sustainability and other issues.[33]

Of course, increased prominence for these organizations presupposes that the interests standing behind them have been empowered, which points to an even bigger question: What kind of influence can labor, environmental, and other movements exert on the global stage? To the extent that rising corporate power has been central to the story of the last three or so decades, some of the more significant efforts by social movement actors to shape global governance arrangements have not been aimed at IGOs or even national governments, but at pressing multinational corporations (MNCs) to improve labor and environmental standards throughout their supply networks.[34] Even though many of these initiatives have worked in consultation with the ILO, they have shown that, rather than working solely through government or intergovernmental intermediaries, directly engaging with corporations can be effective in changing their behavior.

To be sure, there are significant limitations to what these efforts have been able to achieve. The agreements put in place are often based on voluntary compliance, which seriously detracts from their effectiveness. Still, these “private governance” initiatives—embodying in important ways Polanyi’s broader understanding of social embedding—do mark progress in creating more participatory modes of global market governance.[35] Considering how private and public strategies can be pursued in concert will be a fruitful area of exploration in the future, both in theory and in practice.

WHITHER THE COUNTER-MOVEMENT?

For a brief moment during the depths of recent financial crisis, it appeared that significant re-embedding of markets might be imminent. Mainstream politicians in the economic North seemed to comprehend the fragility of the existing financial system and the problems of corporate power run amok, with Australian Prime Minister Kevin Rudd blaming the crisis on a "political and economic ideology of extreme capitalism" and "a fundamental failure of values."[36] Even the mainstream business press was remarkably reflective. The *Financial Times*, not known as a fount of social criticism, ran a probing series on "The Future of Capitalism."

Since then, however, little has changed. The credibility of market liberalism as an ideology and method for (not) managing markets seemed to be in tatters, and yetwe quickly returned, for the most part, to business as usual. Why?

In introducing this special section on "Rethinking Global Market Governance," we have drawn on the contributions of Quiggin, Ocampo, and Wade to discuss prospects for democratizing market governance in a global context. This discussion has shown that there are many existing problems of coordination, representation, and participation that hinder institutional change. Even as sharp critique and innovative reform ideas have issued forth in abundance since 2008, deeply rooted inequalities and political impasses have placed limits on which ideas have been able to find institutional expression.

Still, it would be wrong to assume that the current moment is bereft of substantial change impulses, and the future entirely foreclosed. Along each dimension of global democracy that we identify, we have touched upon some ways in which emerging political shifts might align with significant reform ideas, if indeed such processes have not begun already.

First, although the fruits of intergovernmental coordination following the crisis have so far been limited, it is undoubtedly the case that the need for concerted action is widely acknowledged. This is no more true than in the area of financial regulation, and it is not insignificant that both the French and (former) British heads of state have pushed for a Tobin tax—an idea that would have seemed far-fetched in the years leading up to the crisis. We are still a long way from seeing such a measure implemented, but the fact that it is even being discussed at the highest levels of government is a development in itself.

Second, despite the continued power exerted by the North Atlantic powers within the domain of IGOs, the rise of the BRIC countries and other emerging powers is clearly beginning to reshape this arena. It seems only a matter of time before these countries broaden the scope of their direct policy influence on the global stage, and the fact that deficiencies in the US system of market governance contributed directly to a crisis of such dire proportions worldwide has only bolstered claims regarding the unfairness of a global system controlled largely by a few established powers.

The expiration date on the US-Europe monopoly over IMF and World Bank leadership reflects this changing climate, as do the frequent mentions of former Brazilian President “Lula” Luiz Inacio da Silva as a possible Bank president. Such organizational changes could herald significant shifts in the extent to which the interests of developing and middle-income countries are addressed in the universe of IGOs, though an important trend to watch is whether and how the world's poorest countries will factor in these developments.

Third, there are some signs of gathering resistance against government policies that further privilege large corporate interests and those with economic means. Right and center-right parties have made inroads in many OECD countries, in part by channeling popular dissatisfaction with enormous bailouts of financial institutions. But, from Wisconsin to London, large numbers of people have protested the distributional implications of recent austerity measures.[37] Until now, these mobilizations—some in Europe marred by unfortunate violence—have been aimed largely at mounting rearguard defenses. It remains to be seen whether they might eventually translate into something more.

Also worth noting in this context are the labor protests that swept across China last year. Among the forces driving Chinese workers—many of them working for MNCs or MNC suppliers—were a rejection of state-run unions, and a demand for greater workplace democracy. While the immediate gains were modest, the potential importance of this development for Chinese labor and for organized labor's role in the governance of global supply chains should not be underestimated.[38] To the degree that the unrest in China has been aimed at least in part at a right to consume a greater share of the country's burgeoning output, its relationship to global imbalances and the stability of our economic system should not be lost on us either.

All of these developments suggest that there may be a more substantial re-embedding of markets still to come, even if it does not unfold right away. Limits in the democratic character of global market governance have constrained the scope of reform, but there are developing shifts in the political landscape that may yet expand the bounds of what is possible. And, why not?

Following a crisis in which the many have paid for the actions of a few, the need for broader-based control over the workings of markets would seem all too evident.

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[5] Karl Polanyi, *The great transformation* (Boston: Beacon Press, 1957).

[6] Rawi E. Abdelal and John G. Ruggie, "The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism," in *New Perspectives on Regulation*, ed. David Moss and John Cisternino (Cambridge: The Tobin Project, 2009). As some interpreters of Polanyi have noted, his work contains two understandings of the embeddedness concept. One understanding is more quantitative, suggesting that the embeddedness of markets differs by degree. According to this understanding, less embeddedness implies that markets are governed more strongly by basic forces of supply and demand, rather than being submitted to the control of different societal institutions. A second understanding is more qualitative, related to Polanyi's contention that market activity is "always embedded" in the social, and implies that differences in kind need to be specified rather than merely distinguishing situations of more or less embeddedness. Both meanings are important, and we refer only to the first sense of the term in the main text largely for purposes of simplicity. See Fred Block, "Introduction," in *The great transformation : the political and economic origins of our time*, ed. Karl Polanyi (Boston, Mass.: Beacon Press, 2001); Kurtulus Gemici, "Karl Polanyi and the antinomies of embeddedness," in *Socioeconomic Review* (2008).

[7] Like the contributions by Ocampo and Wade, this introductory piece is focused largely on IGOs. A more comprehensive discussion of international organizations would devote greater attention than we do to non-governmental organizations (NGOs).

[8] John Gerard Ruggie, "International regimes, transactions, and change: embedded liberalism in the postwar economic order," *International Organization* 36, no. 2 (1982).

[9] Abdelal and Ruggie, "The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism."

[10] J. F. J. Toye, *Dilemmas of development : reflections on the counter-revolution in development economics* (Cambridge, MA: Blackwell, 1993).

[11] Joseph E. Stiglitz, *Globalization and its discontents*, 1st ed. (New York: W.W. Norton, 2002).

[12] Robert Wade, "After the Crisis: Industrial Policy and the Developmental State in Low-Income Countries," *Global Policy* 1, no. 2 (2010).

[13] Kevin Gallagher, "Policy Space to Prevent and Mitigate Financial Crises in Trade and Investment Agreements," G-24 Discussion Paper Series (United Nations Conference on Trade and Development, 2010). The US in particular has pushed for less stringent capitals control in bilateral and regional agreements with other countries.

[14] Ha-Joon Chang, *Kicking away the ladder : development strategy in historical perspective* (London: Anthem, 2002). Kevin P. Gallagher, "Understanding developing country resistance to the Doha Round," *Review of International Political Economy* 15, no. 1 (2008). Gallagher notes there is space for the use of industrial policy within the WTO. In particular the poorest countries are afforded a non-trivial measure of special and differential treatment. However instruments such as export subsidies and local content rules are no longer permissible.

[15] Dani Rodrik, "Growth after the Crisis," in *Globalization and Growth: Implications for a Post-Crisis World*, ed. Michael Spence and Danny Leipziger (Washington, D.C.: Commission on Growth and Development, 2010).

[16] Christina Romer, "Lessons from the Great Depression for Economic Recovery in 2009."

[17] Friedrich A. von Hayek and Bruce Caldwell, *The road to serfdom : text and documents : the definitive edition*, vol. 2, Collected works of F.A. Hayek ; (New York ;London: Routledge, 2008).

[18] Hayek and Caldwell, *The road to serfdom : text and documents : the definitive edition*.

[19] Abdelal and Ruggie, "The Principles of Embedded Liberalism: Social Legitimacy and Global Capitalism."

[20] Polanyi, *The great transformation*; K. Sabeel Rahman, "Conceptualizing the Economic Role of the State: Laissez-Faire, Technocracy, and the Democratic Alternative," *Polity* (2011).

[21] Peter Evans, "Is an Alternative Globalization Possible?," *Politics & Society* 36, no. 2 (2008).

[22] Many have discussed possibilities for greater democracy at the global level. See, for example, Joshua Cohen and Charles F. Sabel, "Global Democracy?," *NYU Journal of International Law and Politics* 37(2006); Anne-Marie Slaughter, "Building Global Democracy," *Chicago Journal of International Law* 1, no. 2; Terry Macdonald and Kate Macdonald, "Non-Electoral Accountability in Global Politics: Strengthening Democratic Control within the Global Garment Industry," *European Journal of International Law* 17, no. 1 (2006).

[23] David Held, Danny Quah, and Mary Kaldor, "The Hydra-Headed Crisis," *Global Policy*(2010).

[24] The Tobin tax idea was originally proposed by economist James Tobin in the early 1970s.

[25] Amrita Narlikar, *International trade and developing countries : bargaining coalitions in the GATT & WTO*, vol. 13, RIPE series in global political economy. Routledge/RIPE studies in global political economy ; (London ;New York: Routledge, 2003).

[26] The G-8 was originally the G-6.

[27] Alice H. Amsden, *The rise of "the rest" : challenges to the West from late-industrializing economies* (Oxford ;New York: Oxford University Press, 2001).

[28] It is worth noting, however, that the principles articulated by Wade could actually take voting shares away from small, poor countries. Wade argues that there needs to be a firmer basis for membership in any grouping such as the G-20, and suggests that region, population size, and economic size as measured by GDP are all criteria that should be considered. Adopting these criteria would make the G-20 more representative in important ways, but it still leaves the G20 as a forum for countries that are already influential and economically well off. This solution does not make space for less powerful countries that otherwise lack a voice in international fora.

[29] Rodrik, "Growth after the Crisis."

[30] Sabeel Rahman, "Conceptualizing the Economic Role of the State: Laissez-Faire, Technocracy, and the Democratic Alternative."

[31] David Harvey, *A brief history of neoliberalism* (New York: Oxford University Press, 2005).

[32] Devesh Kapur, "The IMF: A cure or a curse?," *Foreign Policy*, no. 111 (1998).

[33] Steffen Bauer and Frank Biermann, "The Debate on a World Environment Organization: An Introduction," in *A World Environment Organization: Solution or Threat for Effective Governance*, ed. Bauer Steffen and Frank Biermann (Hants: Ashgate, 2005).

[34] Gereffi and Mayer, "Globalization and the Demand for Governance."

[35] Macdonald and Macdonald, "Non-Electoral Accountability in Global Politics: Strengthening Democratic Control within the Global Garment Industry."

[36] Rudd, 'The Children of Gordon Gecko', The Australian, 6 October 2008, p.8.

[37] Granted, in Greece and other countries, austerity measures have pushed through by left and center-left governments.

[38] Another criticism of many private governance initiatives involving developing country suppliers is that participation by workers is often minimal. The increased mobilization of industrial workers in China and other developing countries could help to alter this situation, raising prospects for new forms of international labor solidarity.