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Re-thinking Market Governance

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The financial crisis of 2008–9 and the ‘Great Recession’ that it precipitated highlighted a number of troubling dynamics in contemporary capitalism. Rising financial instability has received particular attention (Obstfeld and Rogoff 2009), as have other social problems such as trends of increased economic inequality (Manning 2011). For many observers, these problems have revealed serious weaknesses in systems of national, regional and global market governance that are linked to the rise of market liberal ideology and a set of and associated policies and practices (Abdelal and Ruggie 2009). The crisis has been heralded as an opportunity for change that would ‘embed’ markets in public control, establishing new institutional forms that better embody norms of stability, equality, and justice (Sen 2009).

In late 2009, to consider such possibilities for institutional change, we convened a series of workshops at Harvard University, the University of Melbourne, and the Max Planck Institute for the Study of Societies, Cologne, with the title 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 labour market regulation. All were oriented to addressing a common set of questions. What social problems and related shortcomings in existing market governance institutions has the crisis revealed? How might these institutions be reformed in ways that

better address the abiding challenges underscored by the crisis? And what are the prospects of realizing possible reform trajectories in light of current political conditions?

In this introduction, we consider how the contributions in this volume address these key questions. The first section focuses on the transformations in market governance—defined here as “the institutions, governmental and non-governmental, that constrain market activity” (Gereffi and Mayer 2006)—which helped to produce the crisis, and that the crisis spotlighted in turn. Authors consider the institutional changes that have occurred in the financial sphere and other market domains, and the shifting state-society and international relationships that have been entailed in these transformations. We draw out a recurring theme that appears in many of the contributions, which is that market governance has become ‘disembedded’ from broad-based democratic control, both within societies and in the international arena.

The second section highlights authors’ visions of reform. We asked contributors to propose new ideas for institutional reform without limiting their imagination to proposals that appear politically viable in the current environment. Political conditions quickly shift from right to left and back again. In the meantime, it is the job of visionary thinkers to consider how markets might be more fairly and effectively governed, without the process of imagining alternatives being suffocated by the weight of established practice (see Unger 1998).

Contributors to this volume do just this, formulating a wide range of reform ideas and agendas that would ‘re-embed’ markets in new ways.

There is no shortage of ideas for reforming market governance institutions, as this volume demonstrates. But the ability of these ideas to find institutional expression is another matter. Even though one key motivation for this project was to encourage the articulation of ideas

that transcend the politics of the moment, contributors also take seriously questions of feasibility and transformative agency, analyzing the political struggles through which reform agendas are contested. In the third section, we turn attention to current political dynamics and how they shape the conditions of possibility for new forms of market governance.

THE DISEMBEDDING OF MARKETS

Among observers of the financial crisis, much commentary identifies trends of market liberalization and deregulation as helping to lay the conditions under which the crisis emerged. Polanyi, in his classic account, described the rise of the ‘free market’ in the nineteenth century as a process by which markets became ‘disembedded’ from the kinds of norms and control mechanisms by which they had previously been governed (Polanyi 1944). Shifts in recent decades have often been cast in a similar light. Drawing on this Polanyian conception, the free market logic of ‘neoliberalism’ has been contrasted to a post-War era of ‘embedded liberalism’ that placed greater emphasis on stabilizing markets within national contexts (Abdelal and Ruggie 2009, Ruggie 1982).

Especially in the wake of the crisis, criticisms of market liberalism have often been expressed in hotly ideological terms, and it is useful to break down the substantive claims that lie behind them. Contributors to this volume have analyzed three main dimensions of market disembedding. First, many authors have detailed institutional transformations within the financial sector, and a variety of inter-linked market domains. Second, contributors have highlighted shifts in the role of the state in governing markets, and related changes in the power and influence exerted by a range of competing social interests. Third, authors have

shown how processes of change play out at the local, national, regional, and global levels, and analyzed how dynamics at these different geographic levels interact.

Disembedding within and across Policy Domains

Processes of liberalization have been observed across a range of market arenas in recent decades. The crisis of 2008–9 placed particular focus on how these processes occurred in the financial arena, generating remarkable instability. As Quiggin argues in this volume, the appearance of spectacular panics and crashes in the financial arena due to processes of market disembedding is a long-standing historical phenomenon. However, recent decades have seen the frequency of major financial crises that spill across national borders rise to historically unprecedented levels (Kindleberger 2000).

In chapter 16, Sampford describes how free market thinking found expression in the financial arena. Based on assumptions of rationality and perfect information, the ‘efficient market hypothesis’ postulated that individuals acting freely in the market would produce the most efficient and desirable outcomes possible (see also Fox 2009). This view helped to provide the rationale for financial market deregulation in the United States and other countries. Moreover, as Quiggin argues, the relatively unconstrained development of financial innovations has meant that even the regulatory frameworks which do remain in place are increasingly unable to detect and contain new forms of risk-taking.

Through the creation of sub-prime asset-backed securities, financial innovations have created opportunities for lower-income groups to access cheap credit. Yet, as Conroy suggests in his chapter comparing microcredit in India with sub-prime mortgage lending in the US, the

explosion of cheap credit has also led lower-income groups across a range of national contexts to take on unsustainably high amounts of debt. When asset bubbles have burst, these vulnerable populations often have been hardest hit in relative terms, with their ability to fulfil basic needs thrown in jeopardy.

The growth and liberalization of the financial sector has had far-reaching consequences that permeate through a variety of other sectors. Ross notes in his chapter that financial speculation in agricultural markets has contributed to problems of food insecurity in many parts of the world. Food commodities and finance have become increasingly intermeshed due to rapidly growing markets in commodity-based derivative financial instruments. As the price of food has become subject to financial speculation, it has alternately become too expensive for the poor and even middle class consumers, or so cheap as to rob producers of a living wage.

Such links between finance and other sectors can also flow in the other direction. While financial innovation – enabled by supportive government policies – helps to account for the increased supply of cheap credit in the US, rising economic inequality has been a key factor in increased demand. Gains from economic growth in recent decades have gone largely to the top 1 per cent (Piketty and Saez 2006), while real wages have been relatively stagnant for most US workers, apart from an uptick in the 1990s (Bernstein and Mishel 2007). As noted by Goodman (2009), a contributor to the Harvard ‘Re-embedding the Market’ workshop, this stagnation helps to account for the increased demand for cheap credit. It is in this sense that rising inequality within the US labour market (and society more broadly) helped to fuel the conditions for heightened risk and instability within the financial market.

Disembedding from State and Society

A crucial feature of neoliberalism has been the shifting role of the state (Harvey 2005). In the wake of the crisis, much attention has been focused on the failure of national governments to effectively address problems such as economic inequality and financial instability. As suggested by Gereffi and Mayer (2006), the role of states in 'facilitating the operation of markets' has remained strong or even grown in prominence, especially in many newly industrialized and transitional countries, while their role in 'regulat[ing] the negative externalities of market transactions' and 'limiting and mitigating the[ir] unequal impacts' has been thrown into question (Gereffi and Mayer 2006: 42). To be sure, state regimes still vary substantially across countries (Hall and Soskice 2001, Esping-Anderson 1990), but these broad trends are observable even in countries that have been characterized by less free market-oriented forms of organization historically (Streeck 2009).

Another broad set of shifts with important implications for market governance has to do with changes in the power and mobilization of different interest groups within national societies. As Stewart discusses in her Concluding Note, large corporations have grown in power and influence during recent decades, especially in the Anglo-American world. And, as Quiggin aptly captures in chapter two, large financial firms have become particularly ascendant, asserting increased power over what happens in the 'real' economy.

An important dimension of this rise in corporate power is that countervailing pressures exerted by other groups have declined in many ways. In the economically advanced world, this is especially true in the case of organized labour. To be sure, there are important differences across different sectors and countries. In Nordic countries, for example, unions

and collective bargaining institutions remain quite strong. In other economically advanced countries, however, the trend has been one of steeply declining rates of union density (Pinto and Beckfield 2011). And, as Rogers notes in Chapter 14, these developments have profoundly altered dynamics of power within labour markets. Whereas the capital–labour accord in place under embedded liberalism helped to ensure a mode of governance in which gains from growth were more evenly shared, the erosion of this accord has been an important factor in trends of rising inequality under neoliberalism.

Several contributors to this volume discuss the ways in which these shifts within state and society are related. Sampford notes in chapter 16 that strong actions were taken by Thatcher in the early 1980s to undercut the power of organized labour in Britain. Certainly broader structural shifts including deindustrialization have been important drivers of union decline in economically advanced countries, but actions by conservative governments have accelerated this decline, and countervailing measures by Left or center-Left governments have generally amounted to rearguard efforts.

Conversely, the increasing power of corporate interests has extended deep into the formal political arena (Hacker and Pierson 2010). As Quiggin suggests, the continued power wielded by financial interests can help to explain the relatively limited nature of financial reform following the recent crisis, despite widespread criticism of big banks, ratings agencies and other key actors.

There is thus a strong mutually reinforcing dynamic to these developments in state and society. The growing power of large financial firms and other corporate interests of various stripes goes hand-in-hand with a curtailment of many of the regulatory and redistributive

functions of states. As Cahill suggests, the development of 'free markets' is not, then, a process in which state and society no longer have a role in market governance (see also Block 2008). Instead, as Polanyi argues, it is one in which markets become disembedded from broader-based public control.

Disembedding at the National and International Levels

In addition to looking at changes in governance within societies, several authors consider how the relationship between market governance at the national and international levels has evolved in recent decades. Under embedded liberalism, the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT) promoted a balance between international integration and the national embedding of markets. But, in recent decades, these organizations have more intently promoted liberal agendas and a shrinking of policy space at the national level. Moreover, these and other global governance organizations have proved inadequate in addressing developments such as the increased organization of production on a multinational scale (Gereffi and Mayer 2006), and, as discussed by Buckley, Langmore and Fitzgerald, and Ocampo, the rising volume of international financial flows.¹ It is in this sense that markets have become more 'disembedded' at both the national and international levels.

As shown by Beckfield and Zhou, liberalization has also been promoted by regional organizations. For example, in the European Union (EU), the world's most tightly integrated regional entity, legal and legislative measures concerning labour mobility and other issues have contributed importantly to an increased commodification of labour (see also Höpner and Schäfer 2010). They also note that, overall, economic and political integration within the EU

has been associated with welfare state retrenchment and rising income inequality (see also Beckfield 2006).

While nearly all countries have negotiated increased regional and global economic integration during recent decades, a number of contributors to the volume also underscore the manner in which more powerful countries have been able to dictate the terms of this integration – for themselves and for other countries. For example, Amsden shows that advanced countries and major newly industrialized countries have been able to use ‘subterfuge’ to deploy policies aimed at promoting key industries, finding creative ways to work within and around bilateral, regional, and global trade agreements. Even in the context of broad liberalizing trends, these countries have been able to work – and work around – the rules of the game in ways that suit their interests.

At the same time, major global governance organizations controlled by economically advanced countries have played an important role in promoting liberalization in developing countries.ⁱⁱ Under the regime of ‘embedded liberalism’, the GATT, the IMF and the World Bank were far less relevant to the prospects of developing countries than they are today. Moreover, as Block notes in his Foreword, there was a period during the 1960s and 1970s when developing countries were able to advance their agendas within more inclusive fora such as the United Nations General Assembly.

Since the Third World debt crisis of the early 1980s, however, the centre of gravity in global economic decision-making has shifted decisively to the Bretton Woods organizations and the GATT/WTO. Amsden, Buckley and Durano note how these organizations have intruded ever more deeply into the governance regimes of developing countries, pushing liberalization and

deregulation across a range of areas (see also Toye 1993; Chang 2002). Indeed, Durano points out that IMF dictates on fiscal discipline have played a role in constraining how developing country governments have responded to the recent crisis, even as advanced countries have implemented large bailout packages.

While there is often a tendency to focus on the distinction between advanced and developing countries when characterizing inequalities in the global arena, a number of authors also highlight the importance of addressing the ways in which inequalities within societies intersect with this North-South divide. Buckley notes in his chapter that IMF loan conditions following the 1997–8 Asian Financial Crisis effectively entailed a redistribution from ordinary Indonesians to Northern creditors for transactions over which the former had negligible responsibility. In some such cases, engagement with the IMF has actually provided willing developing country governments with political cover in pushing through unpopular austerity measures (see Vreeland 2003).

VISIONS OF RE-EMBEDDING

Given these processes of dis-embedding, contributors to this volume present a rich and varied set of ideas on how markets might be re-embedded. Many draw inspiration from currently or previously existing forms of practice, considering, for example, how principles or features of institutional design in place under embedded liberalism might be restored.

Many also contemplate hitherto unrealized institutional and social arrangements. For Polanyi, a key aspect of embedding was that broad social participation should shape market

institutions, and a number of contributions consider market governance arrangements that would break new ground in their social inclusiveness.

Most contributors combine these two impulses in some fashion, considering how currently or previously existing forms of practice might be reworked so that they are more inclusive of different interests, and more attentive to key contemporary problems. Having looked at different dimensions of dis-embedding, we now consider how these same dimensions are reflected in contributors' visions of reform.

Reform in Different Policy Domains

Responding to the pressing need to promote greater stability in the financial arena, a number of contributors to this volume, including Buckley, Quiggin, Langmore and Fitzgerald, Ocampo, Ross, and Wade, discuss possible reforms of existing institutions and the development of new ones. In doing so, many harken back to the greater financial discipline of the post-War era.

Quiggin as well as Langmore and Fitzgerald discuss the possibility of a 'Tobin tax' on financial transactions, which could dampen destabilizing financial speculation and constrain the size of the financial sector, while helping to fund important development objectives (and, as others have suggested, to insure against future crises). Like many others, Langmore and Fitzgerald suggest that such a tax should be levied on international financial transactions, but Quiggin argues that it should apply to domestic transactions as well.

For Amsden, Howe and Gallagher, industrial policy has a prominent place in the landscape of possible reforms. In the early 1990s, two contributors to this volume, Amsden and Wade, were central figures arguing against a dominant narrative which suggested that the rapid and sustained growth of several East Asian newly industrialized countries could be explained by international market integration (World Bank 1989). Both pointed to the important role of carefully tailored industrial policy (Amsden 1989; Wade 2004).

Now, in her chapter excavating ‘underground’ practices of industrial policy in today’s environment, Amsden updates her earlier work. As before, her analysis is geared largely towards characterizing in empirical terms the nature of contemporary industrial policy. But, again, she identifies models that leaders in the least developed countries might look to as they try to design policies for promoting economic development.

More far-reaching transformation of the way that markets are governed is envisaged by Rogers in chapter 14. Posing ‘productive democracy’ as an alternative to both neoliberalism and currently and previously existing forms of social democracy, Rogers sets forth a reform program that covers a range of areas including education, social insurance and tax policy. A unifying theme is that, whereas social democracy has promoted equality largely through compensatory redistribution, productive democracy would establish a more equitable distribution of productive assets that fosters broader-based contributions towards socioeconomic output.

State and Non-State Actors as Agents of Reform

Explicitly or implicitly, many of the contributions in this volume assign the state an important role in embedding and re-embedding markets. The financial and industrial policy reforms endorsed by several authors would entail, in important respects, shifts in the regulatory powers exerted by states, and their role in redistributing economic resources. Howe and Ocampo also affirm the importance of countercyclical Keynesian macroeconomic management, both in responding to crises and helping to prevent their emergence in the first place.

In addition to asserting the importance of states in embedding markets, many authors focus on the potential for market embedding to take on a more decisively democratic flavour via the involvement of a wider array of social interests and groups in shaping regimes of governance. Indeed, while there is an important role for state actors in applying Keynesian-style technocratic expertise to address key problems of governance, several contributions advocate reform trajectories that embody Polanyi's more participatory normative conception of embeddedness (see Rahman 2011).

In this vein, given the prevalence of gender inequality within labour markets (Fraser 1997), Durano suggests that deliberative procedures which afford women a greater voice in decision-making processes will be crucial to advancing the kinds of gender-equitable public policies that she advocates. This includes policies to ensure that industrialization strategies in developing countries counteract rather than reinforce gender segregation within labour markets, partly by increasing women's access to technology and opportunities for upgrading their skills.

Similarly, Howe cites the Textile, Clothing and Footwear (TCF) Industry Innovation Council to consider how the formation of industrial policy can be more broadly embedded in deliberative processes. He notes that, while unions have had a voice in workplace issues under traditional corporatist models, the TCF Council afford unions and NGOs a more expansive role in shaping the industry's economic strategy. Such engagement is important not only in influencing the content of the policies, but in conferring legitimacy and facilitating effective policy implementation.

Rogers' vision of productive democracy also features a strong state-society nexus, forged through public deliberation and associational activity. In his conception, these state-society linkages are pursued not just nationally, but through experimentation at a sub-national level. Moreover, he suggests that new arrangements might emerge outside the immediate orbit of the state, perhaps addressing limits in the capacity of local, state or national governments to address key public concerns.

National and International Dimensions of Reform

As the global economy has become more integrated, national and international dimensions of reform have become inseparable. Authors approach this from two angles. First, several contributors argue that policymakers and other actors within countries require greater autonomy with respect to the international environment, including global and regional governance organizations. For example, Rogers argues that international organizations are too often bent upon pushing aggressively for market integration, and that the international rules of the game should be revised to permit greater diversity in national development strategies.

The question of how to ensure that the poorest countries are granted ample room for manoeuvre is one that preoccupies a number of authors. Amsden argues that, in order for these countries to successfully make use of 'new industrial policy' strategies, their policy rights vis-a-vis the World Bank and the WTO must be substantially enlarged. Buckley, for his part, is not optimistic that the IMF will stop intruding on the policy rights of the poorest countries. Given its history of imposing free market-oriented structural adjustment policies even after professing that it would do otherwise, he argues that an important reform imperative is to substantially scale back its mandate.

In contrast to Buckley, others argue that the mandate of the major economic organizations should be enhanced in concert with increased country participation. Ocampo suggests that a more broadly inclusive IMF should take up a central role in macroeconomic policy coordination. Wade recommends reforming the International Bank for Reconstruction and Development (IBRD), which is part of the World Bank Group, 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 to draw more resources from the Bank to finance long-term projects (e.g., infrastructure development) for which it is otherwise difficult to find funding.

At the same time, Ocampo and Langmore and Fitzgerald suggest that efforts should be made to make decisions about economic governance in more fully representative fora. Ocampo argues for the establishment of a 'Global Economic Coordination Council' under the auspices of the UN, which he envisions as a 'democratically legitimate forum for discussion of the

principal issues of global political economy'. Langmore and Fitzgerald agree with this in principle, although they suggest that it would be difficult to establish, possibly involving a change in the UN Charter. As a 'next best' option, they recommend the creation of a mechanism through which the Group of 20 (G20) would consult with the full UN membership prior to its meetings.

While many of the reform proposals revolve around the issue of country participation in inter-governmental organizations, another important question has to do with the role of different non-state actors in international governance. Given the association that they observe between EU regional integration and rising inequality in member countries, Beckfield and Zhou argue that strengthening of union organization at the regional level might help to counteract this trend. Specifically, they regard cross-nationally portable union-run unemployment insurance as one potentially promising idea, even though they do not foresee such participation by organized labour in EU-level governance as likely given the current direction of change.

In certain regards, there are tensions between these calls for greater autonomy vis-a-vis international economic governance organizations, on the one hand, and greater participation, on the other. At least in part, these tensions stem from tactical disagreements concerning, for example, the likely timeline on substantially expanding participation within organizations such as the IMF, which contribute to differing views on the near-term plausibility of significantly changing their agendas.

Still, the various authors who address these matters would likely agree that there is an important sense in which these two principles can be mutually reinforcing. Wider

participation in international organizations could play an important role in helping to ensure that these bodies afford greater autonomy in policy and institutional design to different countries, including the least developed countries. And greater autonomy does imply a retreat from the global economy. Rather, as Rogers suggests, it can ensure that different countries (and localities) are able to engage on their own terms, enhancing the democratic quality of this participation.

THE POLITICS OF REFORM

Politics and power are central to many of the underlying reform ideas discussed above. In suggesting that finance should be placed in the service of the real economy, that market governance should be more inclusive of different social actors, and that international organizations need to give voice to all countries, authors argue that there is an important relationship between what market governance institutions do and the configurations of power and interest in which they themselves are embedded. There is no one-to-one correspondence between the presence of certain groups and the substantive agendas that are pursued in a given institutional context, but patterns of representation do help to demarcate the boundaries of what is possible (Phillips 1995).

In this section, we consider how the political conditions related to reform of market governance institutions have evolved since the crisis. On the one hand, entrenched structures of power and interest have thwarted the realization of many reform ideas such as those discussed in this book. Even if market liberalism as an ideology seemed to be tatters following the crisis, we returned, for the most part, to business as usual. On the other hand,

this crisis, like others, has not only challenged dominant ideas. It has unsettled prevailing alliances and power relations in ways that are still unfolding.

The Politics of Reform in Different Policy Domains

The financial crisis of 2008–9 provoked widespread criticism of existing financial regulations, and seemed to generate substantial momentum for reform. One of the more significant developments in the financial arena has been increasing political support for the ‘Robin Hood’ or Tobin tax idea discussed above. For many years, conversations about the Tobin tax have largely been the preserve of academics such as those writing in this volume, or activist organizations such as the Paris-based Association for the Taxation of Financial Transactions and for Citizens’ Action (ATTAC). Following the crisis, however, French President Nicolas Sarkozy and several other government leaders have endorsed the idea.

On June 29, 2011, the European Commission proposed the introduction of a Tobin-style tax on the EU’s financial sector to generate direct revenue starting from 2014 (European Commission 2011), and the proposal was presented to the G20 Summit in Cannes in November 2011 with the urging of 1000 economists (Stewart 2011), as well as high profile supporters such as Bill Gates. Although the tax was not endorsed at the Cannes meeting of the G20, it was backed by a number of countries, and Sarkozy vowed to continue pursuing the initiative (Wroughton 2011).

Other reforms implemented in the financial arena have so far been limited. For example, Quiggin and Ocampo note that the increased capital adequacy requirements in the Basel III guidelines are a significant advancement over Basel II, but both agree that these and other

improvements still fall far short of developing the kind of new financial architecture that is needed. As Quiggin suggests, the Basel guidelines still do not fundamentally challenge the mastery of the financial sector over decisions in other arenas. Many have also pointed to limits in how well they stand to accomplish even their stated objectives, criticizing their low and imprecise requirements for bank equity holdings (Admati *et al.*), and suggesting that the aim of implementing these guidelines by late 2012 is simply unrealistic (The Economist 2011).

As Ross demonstrates in his chapter, reforms to address the food crisis have also been very slow to materialize. In June 2008, the 180 governments that met in Rome for the UN's food summit had difficulty even agreeing to an agenda. The November 2009 Food Security Summit had a greater sense of urgency and coherence, but, while 60 world leaders were present, notably absent from the summit were the leaders of the G8 countries (AFP 2009b).

Perhaps most alarmingly in light of Ross' identification of financialization as an important factor contributing to the food crisis, the primary response to the food crisis by the World Bank – the Agriculture Price Risk Management (APRM) facility – actually involves deepening the financialization of food commodity markets (BWI 2011). Such initiatives by the World Bank and other top economic governance organizations suggest that, despite the outpouring of public criticism of financial liberalization following the crisis, the political appetite for deeper paradigm shifts within these organizations remains limited.

In the areas of social and labour policy, there have actually been serious cutbacks in spending in many countries during recent times. A number of European countries have pursued particularly drastic austerity measures. For instance, in 2011, Silvio Berlusconi's government

in Italy passed two measures worth a total of €134 billion that entailed, among many other consequences, increased healthcare fees, pay freezes and salary cuts in the public sector. And, in October 2010, Cameron's government in the UK passed spending cuts – including especially large reductions in social service spending – that were the largest seen since World War II (BBC 2011).

Fiscal austerity measures have also been undertaken across many developing countries. In September 2011, the United Nations Children's Fund (UNICEF) released a report showing that spending cutbacks in areas including public sector employment, food subsidies and pensions were having a particularly large effect on vulnerable populations across the developing world (Ortiz *et al.* 2011).

Social Mobilization and the Politics of State Action

While the implementation of austerity measures was a significant trend in many countries during 2010 and 2011, it is worth recalling just how much political conditions have shifted back and forth in the short span of time since the crisis. Initially, of course, the crisis and the economic dislocations that it set in motion led to widespread criticism of free market ideology, even among many mainstream politicians. Then-Australian Prime Minister Kevin Rudd blamed the crisis on a 'political and economic ideology of extreme capitalism' and 'a fundamental failure of values' (Kirchner 2008). As discussed by Howe, governments in Australia and elsewhere implemented significant Keynesian-style stimulus packages. With the crisis relatively contained, it seemed as if the stage might be set for a significant expansion in the redistributive and regulatory powers exerted by states in various market domains.

When bailouts and Keynesian-style stimulus packages in many OECD countries were not followed by quick economic recoveries, however, a view that increased state spending and involvement in resource allocation was the problem rather than the solution gained significant political traction. A ‘pincer movement’ of elite and grassroots mobilizations – the latter exemplified by the rise of the Tea Party in the US – contributed to electoral gains for right and center-right parties in several countries. Conservative governments proceeded to implement austerity programs, joined in some cases and to varying degrees by more centrist or Left governments in a number of countries.ⁱⁱⁱ

By 2011, there were signs that yet another pendulum swing was gathering momentum, galvanized in no small way by the unfolding events of the ‘Arab Spring’ (El-Din Haseeb 2011). As noted by Quiggin, austerity measures implemented in response to the European sovereign debt crisis have been felt disproportionately by those without significant economic means. In turn, protests against the distributional implications of austerity measures have swept across many European capitals (see, e.g., Hewitt 2011; Rainsford 2011), and there have been similar protests against public sector cutbacks in a number of US states (Ariosto 2011), with organized labour playing a central role in many of these mobilizations.

In September of 2011, the ‘Occupy Wall Street’ movement erupted in New York before spreading to many other cities around the world. Initiated largely by tech-savvy, left-of-center young people, local Occupy sites have generally been organized according to principles of direct democracy, encouraging wide participation in conversations about how society might be reorganized.^{iv}

Whereas the Tea Party criticized ‘big government’, the Occupy movement has advanced a critique of plutocracy: the undue influence of a wealthy few – the so-called ‘1 per cent’ – in ways that, as Stewart puts it, ‘distort “democratic” politics’. This movement has contributed in some way to challenging the prevailing political discourse, directing greater attention toward economic inequality and related issues. It remains to be seen, at the time of writing, how this movement might shape the next round of elections in the US and other countries.

Developing and middle income countries have not experienced the same general rightward turn as their economically advanced counterparts in recent years. Indeed, as Stewart discusses, Latin America in particular has moved in the opposite direction. There, many countries have taken a ‘Left Turn’ that entails forms of market governance vastly different from those seen in the 1980s era of structural adjustment, including some far-reaching policies aimed at reducing poverty and inequality (Levitsky and Roberts 2011). Following the recent crisis, a number of Left parties in Latin America have suffered losses at the polls, but most have managed to hold on to power.

It also warrants noting that many developing and middle income countries have seen significant social mobilizations of their own in the years since the crisis. In China, where exports dipped significantly following the crisis, factory workers responded to ensuing layoffs and wage freezes by unleashing a large wave of protests in the summer of 2010. Many condemned not only their employers but the state-run unions, enunciating a desire for greater workplace democracy (Hui and Chen 2011). Indeed, demands for more deeply and broadly embedded forms of democratic control seem to be driving many of the recent citizen movements around the world.

The Shifting International Politics of Reform

With respect to the intergovernmental arena, a number of authors suggest that the crisis has served to reinforce existing configurations of power in important respects. Durano argues that the financial crisis has expanded the legitimacy of the Bretton Woods organizations, while undermining the United Nations as a body for economic coordination. As Langmore and Fitzgerald point out, the UN's broad membership of nation states would afford it greater legitimacy as a more fully representative forum, and yet it has not emerged from the crisis with any significant role.

Despite a consolidation of the power of these organizations, several contributors to this volume also suggest that the growing multipolarity is reshaping the balance of power in the global economy and the organizations that govern it. Gallagher uses World Bank data to show that developing countries have grown faster than industrialized countries since 2000. Moreover, this trend has only been hastened by the crisis, with developing countries posting an average of 5.5 per cent annual growth versus just .46 per cent for their industrialized counterparts.

In turn, the rising economic power of the BRIC countries (Brazil, Russia, India and China) and other major developing middle countries is being reflected even within the Bretton Woods organizations. As discussed by Ocampo and Wade, the BRIC countries (Brazil, Russia, China and India) and other major developing and middle-income countries have seen small but notable increases in their voting shares within the IMF and World Bank in the time since the crisis. There is also growing political agreement across the North-South divide that

the US-Europe monopoly over the leadership of these organizations should and will be broken in the foreseeable future.^v

Outside of the Bretton Woods organizations, the G20 (established in 1999) officially supplanted the G8 as the main international forum for economic consultation on international issues in 2009, taking up a central role in discussions about global recovery. Ocampo suggests that this is an important development, even though he would like to see the establishment of a more formal and fully representative forum for economic consultation under the auspices of the UN. In the WTO, Gallagher notes that large developing and middle income countries have gained increasing confidence to reject the proposals of economically advanced countries. The resulting stalemate has prevented a further constriction of policy space during the 2000s, including the period since the crisis.

Other contributors to this volume are less sanguine about this mounting self-assurance. Wade, for instance, observes that middle income and large developing countries have not so far exercised their new voting clout to push for alternative policy visions in the G20. Such dynamics may be evidence of an increasing tension confronting decision makers within these countries. On the one hand, they desire greater democratic control over international institutions. Yet, they also want to avoid restricted policy autonomy that often results from tighter economic coordination at the international level. According to Wade, these emerging powers wish to be '*at the top table, in global governance, but are wary of more global governance (which might curb their sovereignty) and of proposing initiatives which would put more responsibilities on their shoulders*'.

In addition to questions about how the BRIC countries and other major developing and middle-income countries assert their views and interests in the international arena, it is also far from assured that these countries will continue to exert this power to advance interests of 'developing countries' as a group. Gallagher argues that, as these countries become capital exporters, they may start to have more in common in many respects with countries of the economic North. This development has serious implications for the least developed countries, which may find themselves ever more isolated as they attempt to advance their interests within the major inter-governmental organizations.

Another important set of questions has to do with the degree to which labour, environmental, and other social movement actors are able to exert power and in the international arena.

While Polanyi envisioned processes of embedding playing out in national spaces, what are the possibilities that more broadly participatory forms of governance might extend across national boundaries (Evans 2008)? Here, some of the more significant efforts in recent years have not been aimed at intergovernmental organizations or even national governments, but at pressing multinational corporations (MNCs) to improve environmental and labour standards throughout their supply networks, including in the developing world (Gereffi and Mayer 2006).

To be sure, there are limits to what these initiatives have been able to achieve. Moreover, the mobilizations around labour standards face challenges to their legitimacy, in part because the participation of developing country workers has often been low. However, developments such as the wave of labour protests in China could begin to alter these dynamics, creating new conditions for cross-border labour solidarity.^{vi}

WHAT NEXT?

Despite great expectations in many quarters, reform of market governance institutions has been limited in the period following the crisis. Nevertheless, the political dynamics noted above suggest that there may be a more substantial re-embedding of markets still to come, even if such dynamics do not unfold right away. Many countries have experienced a dizzying succession of political shifts in the short time that has elapsed since the crisis, with a recent surge of activism pushing for broadly democratic forms of market embedding. In the international arena, a changing balance of power among nations, together with strengthening cross-border ties among social movement actors, are beginning to create new conditions of possibility for change, despite the barriers and contradictions that emerge at every turn.

Moreover, while entrenched interests and institutions are difficult to dislodge, it is important to remember that ideas can wield power, too (Blyth 2002). Fresh or newly resonant reform ideas can mobilize new coalitions and movements, which can transform institutions. And, on a shifting political terrain marked by significant uncertainty, it is ill-advised to hazard predictions about the exact parameters of which reforms might be feasible. As Erik Olin Wright (2010: 28) observes, ‘robust projects of emancipatory social transformation must be formulated with relatively thin knowledge of the likely conditions to be faced in the future’. It is precisely this indeterminacy that lends the kinds of ideas discussed by contributors to this book an abiding importance.

ⁱ Of course, as noted by Quiggin, shifts within the IMF played an important role in promoting increased financial instability – particularly the end of fixed exchange rates in early 1971.

ⁱⁱ Since their founding, these countries have held the bulk of voting shares in the IMF and World Bank, and the presidents of these organizations have always been chosen, respectively, by Europe and the United States. 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 (Narlikar 2003).

ⁱⁱⁱ It is important to note, though, that austerity measures have also been passed by Left and center-Left governments in many countries.

^{iv} See the Meerkat Media Collective website <<http://meerkatmedia.org/>>.

^v Even though French lawyer Christine Lagarde was named the new IMF managing director in July 2011, there had been a wide chorus of voices calling for the appointment of someone from a developing country.

^{vi} To the extent that macroeconomic imbalances were a key background condition to the emergence of the crisis, the demand of Chinese workers to consume a larger share of their country’s burgeoning economic output is tied in no small way to the possibility of a more stable economy.