

ONE

Introduction

Power, Social Purposes, and Legitimacy in Global Governance

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THIS BOOK IS ABOUT world order. It comes amidst deep challenges to the institutional and political foundations of the multilateral order created after World War II. Fissures have appeared in the Western alliance that underpinned its power structure, the fracturing of political authority accompanying globalization has put strains on its legitimacy, and growing material and ideological disparities among leaders, followers, and, for lack of a better term, takers of order have revealed the inadequacies of institutions designed to bridge those divides.

Looking back, the immediate post-cold war period marked an interregnum: a brief honeymoon of optimism for a renewed multilateralism and new global bargains among old foes as well as rich and poor. International economic institutions gained in authority, a host of global issues largely buried beneath cold war priorities began to receive a serious political hearing, and a new engagement with civil society in global affairs promised to extend the reach and legitimacy of institutions of global and regional governance.

Cracks in that vision appeared almost from the start. The debacle of Somalia and the failure to prevent genocide in Rwanda, among other failures of collective security and peacekeeping, exposed the limits of multilateral conflict management through the United Nations. The Asian financial crisis of the late 1990s similarly shook confidence in multilateral financial management. And, the rise of a global protest movement targeting international

economic institutions pointed to a deeper systemic crisis of legitimacy.¹ As the transformative capacity of globalization began to crystallize in the collective consciousness of world leaders and ordinary people alike, the strains on institutions designed for another age became more and more obvious. To paraphrase John Ruggie in his contribution to this volume, the postwar order presupposed an *international* world in which sovereign state diplomacy and multilateral innovation could avert crises and manage the most pressing global problems. But a *global* world where transactions, ideas, and even human beings cannot easily be blocked at borders' edges, requires a reconstitution of multilateralism, at a minimum, and perhaps even a shift to a new paradigm of governance altogether.

Just when people began to turn their attention to this challenge, the shock of the September 11, 2001, attacks in Washington and New York jolted the system yet again. The George W. Bush administration responded with a turn away from serious efforts at reform, and toward aggressive initiatives to work through bilateral or coalition arrangements when multilateral institutions were perceived as inimical to short-term US interests. Whether or not this shift in policy reflects a secular trend in US foreign policy, the immediate consequence has been to highlight the precarious balance of norms and power that underlies the architecture of order.

The lessons E. H. Carr drew from an earlier interregnum—the interwar years—resonate very well with the current dilemma. They also capture the philosophical orientation of this volume. Carr's analysis pointed to the flaws in the utopian logic of global liberalism, while at the same time warning of the dismal alternative of pure power politics. This is not merely a matter of perspective, as Robert Kagan (2002) would have it. For Carr, as for the contributors to this volume, realism and utopianism are dialectical poles, in both policy and analysis.² A synthesis is especially needed in times of crisis, including today's when global institutions simultaneously face challenges to their legitimacy and increasing demands to widen their scope and authority in response to material and social forces associated with globalization. As Carr (1946) put it, "[W]here utopianism has become a hollow and intolerable sham, which serves merely as a disguise for the interests of the privileged, the realist performs indispensable service in unmasking it. But pure realism can offer nothing but a naked struggle for power, which makes any kind of international society impossible" (93).

In straddling that line, the contributors to this volume are engaged in what James Mittelman has called "critical globalization studies," anchoring assessments of the prospects for peaceful change with critical realist, historically grounded analysis (Mittelman 2004, 222). Unlike other books that document the breakdown of the old order or focus primarily on the limitations of the available conceptual and methodological arsenals to explain such changes, we pressed contributors to examine the foundations of the emerging global system.

Our starting point is the work of Ruggie, who coined the phrase “embedded liberalism” to describe the grand postwar political compromise of laissez-faire liberalism and domestic political interventionism that legitimated and stabilized a multilateral economic order for some fifty years. Some have predicted that the undoing of embedded liberalism could lead to chaos and disorder, while others expect a necessary adaptation to new global economic and political realities. To avoid simply assembling a collection of ruminations on possible futures of international order, this volume begins with a clearly articulated baseline of what has plausibly for many decades been the constitutive basis for global governance. We then asked contributors to assess what existing conditions suggest for that order and to explore the possibility of a new grand compromise. The volume’s focus on the foundations of political authority at the global level establishes a basis for rigorously imagining the implications of success or failure of a new compromise for international economic order and political stability. Each author examines a different aspect of order or a particular issue area to assess whether the constitutive basis of governance is changing or could be replaced, and the implications of any such changes for political stability, internationally and domestically.

The remainder of this introduction first outlines the core constitutive elements of the embedded liberalism compromise to establish that baseline for the contemporary challenge. This discussion highlights the challenges to multilateralism, as well as responses put forward in contributions to the volume. Much of this discussion foreshadows Ruggie’s own comprehensive statement on the contemporary situation in chapter 2. A second section examines two common themes addressed by contributors, the problem of legitimacy and the role of agency. A final section discusses contributions along two key axes of tension around which the book is organized, and that the original compromise was meant to mediate: authority/power and integration/fragmentation.

THE ORIGINAL COMPROMISE OF EMBEDDED LIBERALISM AND THE NEW CHALLENGE

The post-1945 order described by Ruggie as the compromise of embedded liberalism rested on three pillars: US power projection sufficient to provide security guarantees and arrest the expansion of the communist bloc, multilateralism in collaborative institutions required to build a sustainable international economy, and a commitment shared by the United States and its key European and Asian allies to the political autonomy required by each of them to intervene in internal markets and promote domestic social stability. Ruggie’s formulation, building on the work of Karl Polanyi (1944), recognized that national autonomy was not an end in itself, but a necessary mechanism to embed more open markets in the broader values of still-distinct political communities. Over time, the willing deference of most citizens in

those communities to the new global order would provide the essential test of its legitimacy, while that legitimacy, it was hoped, would underpin expanding prosperity and a durable peace. The challenge was to maintain those pillars or find substitutes for them as the dynamic system set in train after the war evolved. Over time, the very legitimacy of the order itself would come to be questioned as the security situation changed, as open markets came to be seen as truly global markets, and as national authorities confronted new constraints on their capacities effectively to address social and environmental dilemmas unanticipated in 1945.

Looking back, the United States employed enormous resources in the negotiation of the postwar economic order to entrench the principle of multilateralism in trade and finance and delegitimize discriminatory systems (Ruggie 1982). But the specific goals of openness in trade and collective intergovernmental management of exchange rates in finance comprised only pieces of a larger effort. American planners had nothing less in mind than a reconstruction of the institutional architecture of world order. Driven by antipathy to Nazi and eventually to communist models of bilateral and state-controlled trading systems, and also to preferential systems championed by their British allies, they made multilateralism, in the generic sense, the foundational principle of the new order (Ruggie 1993a). Characterized by general principles of conduct to which all states were bound, multilateralism acknowledged the sovereign authority of states but aimed at rendering the exercise of that authority open, interdependent, and accountable. Thus, even as the “deep structure” of the postwar system firmly entrenched sovereign state actors as the constituent units, the institutional architecture it supported was based on principled understandings of appropriate state-market relations and on a set of systemic decision-making norms (Ruggie 1998b, 20). State identities were secure, even if the governments of states were bound by interlocking sets of economic commitments and obligations.

Multilateralism, not coincidentally, fit very well with the historical shifts throughout the noncommunist industrial world associated with enduring perceptions of the Great Depression. It proved, in short, to be well suited to the exigencies of the modern welfare state. Perhaps there is no coincidence, then, in the fact that both the multilateral institutional form and redistributive policies characteristic of the welfare state would simultaneously come under pressure as a rawer version of global liberalism eventually returned. “Globalization” came then commonly to be linked to a sense of deepening crisis in the postwar order, truly a crisis of systemic legitimacy.

The embedded liberalism compromise first came under serious stress in the early 1970s, when market pressures for deeper economic integration coincided with an apparent fragmentation of political authority. States began having difficulty responding to internal social demands, and multilateral institutions designed for a more decentralized environment, especially one

less hospitable to the free flow of capital, lacked the authority to intervene in meaningful ways in any but the poorest regions of the world. Market integration also put unprecedented performance pressures on multilateral institutions. Increased demands came not only from member states, but also, increasingly, from corporations and other actors in civil society, who expected greater responsiveness to their particular concerns. Not coincidentally, international economic institutions were becoming more visible just as governments were increasingly absolving themselves of responsibility for managing economies under their jurisdictions. Under such circumstances, legitimacy demands on the institutions themselves increased as ordinary citizens began to view them as the institutional embodiments of the deterritorialized process of globalization. Civil society increasingly looked, for example, to the International Monetary Fund and the World Bank to provide social justice and equity, not just economic stability (Devetak and Higgott 1999). As Ruggie argues in this volume, as *intergovernmental* institutions they were simply not designed to respond to these kinds of challenges to the very legitimacy of a fast-changing system.

The related threat to multilateralism as an institutional form stems, ironically, from its success. Institutional developments that went beyond the earlier model evidently created fears among a subset of American conservatives especially influential in the George W. Bush administration, dubbed the “new sovereigntists.” Certainly by the late 1990s, perceptions of threats to US domestic autonomy and the supremacy of the US Constitution were given wide media attention.³ The European Union model of pooled sovereignty, a possible harbinger of future world order, provoked particular ire. With the end of the cold war and the expansion of the European Union, the idea that state sovereignty itself was becoming more complex no longer seemed radical, even if it remained difficult to envisage the straightforward adoption of EU-style decision-making practices on a global level (Grande and Pauly 2005). The real target of American skeptics, however, appeared to be the proliferation of international norms and agreements in security and economic affairs to which the United States had not formally and finally assented. In particular, new sovereigntists raised alarms about norms related to human rights, the environment, and labor standards. They also seemed to resent the increasing influence of certain groups claiming to represent global civil society.⁴ Whatever the intellectual merits of their arguments,⁵ the skeptics did reflect concerns on both the conventional political Left *and* the Right about the potential reach of global institutions into policy areas formerly treated as realms of domestic autonomy.⁶

These challenges to the original compromise of embedded liberalism suggest a variety of possible outcomes. On the one hand, established institutions may need to be more inclusive of non-state actors and amenable to increasingly fuzzy boundaries between formerly distinct policy domains.

Such aspirations are now well entrenched not only in the writings of cosmopolitan political theorists, but also in official circles. On the other hand, a more thoroughgoing restructuring may be required. New public, private, hybrid, and networked forms of governance may come to replace earlier multilateral forms. A return to bilateralism as the primary institutional form of governance beyond the state may even occur, although the building of broader coalitions of the willing (or plurilateralism) seems more likely.

Not entirely impossible to imagine are more radical moves to rein in the authority of states, an outcome that, ironically, would conform with positions widely articulated on both the far Right and the far Left in advanced industrial societies. The far Right would like to see not only a rollback in international economic and social regulation, but also in domestic regulation as well. On the far Left, international institutions and their major member-states have long since come to be viewed as champions of neoliberalism, so any reining in would presumably be a good thing. The dilemma thereby posed is perhaps nowhere more evident than in the global justice movement, a loose coalition of groups most closely associated with what the media has labeled the “antiglobalization” agenda. Generally desiring greater social regulation of market capitalism, these groups have become increasingly suspicious of multilateral institutions. Yet engaging, and thereby shoring up the legitimacy of, multilateral institutions may be increasingly required under globalization for the global justice movement to achieve its goals (Smith, forthcoming).

The desire for greater regulation as globalization proceeds, particularly to ameliorate the effects of rapid economic transformation on employment and income patterns and on environmental conditions, certainly resonates well beyond right and left-wing protest movements. For example, as readers will see more fully below, support for globalization by a majority of Europeans is matched by their concern over the consequences of systemic change (European Commission 2003, 34). Global survey data similarly finds that while majorities in most countries support globalization, that support is soft and tempered by the majority view worldwide that globalization erodes prospects for employment, poverty alleviation, and environmental protection (Environics International 2002). All of this suggests, as Ruggie (this volume) puts it, that “efforts to reconstitute the embedded liberalism compromise in the global context would not be lacking in popular legitimacy” (30).

The contributions to this volume run the gamut of possible responses to just such an idea, although none view the new sovereigntist option as attractive or sustainable. On one end of the spectrum, Louis Pauly’s chapter, which focuses on the UN’s response to recent developments in a globalizing economy, continues to see resiliency in the existing multilateral architecture. Together with the Bretton Woods institutions, he sees the UN struggling to adapt and learn in response to economic and political transformation. For Pauly, international institutions constructed long ago remain central to an

ongoing dialogue between leader and follower states. Even as the structure of state power changes, it still largely determines the course of global policies, albeit with multilateral organizations continuing to play an important mediating role.

In the middle are chapters by Ruggie, on the prospects for embedding markets at the global level, and by Steven Bernstein and Maria Ivanova, who address the same problem in environmental governance. While still emphasizing the importance of state authority and the multilateral decision-making form, both chapters note that global governance in the twenty-first century is, and will likely remain, increasingly fragmented. If it is to remain resilient, multilateralism itself then must be adapted to allow deeper and more sustained engagement directly with powerful corporations and increasingly mobilized groups within civil society.

On the other end of the spectrum, Tony Porter, in a chapter on globalized “knowledge networks,” argues that the state-centric understanding of multilateralism and embedded liberalism is less relevant today than in the early postwar period, since embedding markets increasingly occurs in decentered, often private, settings rather than inside territorial states. James Rosenau, in his chapter on contradictory tendencies in world order, sees even less opportunity for bargaining and compromise in coherent orderly systems, multilateral or otherwise. Like Porter, however, he sees networks and what he labels “new spheres of authority” emerging at, and across, local and global levels. Rosenau is even more ambivalent than Porter on whether these emerging institutional forms can create order as multilateralism becomes less relevant, seeing rather “continents of desirable order and fragmentation surrounded by oceans of undesirable tyranny and chaos—with neither capable of encroaching on the other” (141).

COMMON THEMES

LEGITIMACY

For many of the contributing authors, the multilateral form of governance itself is less the issue than the legitimacy it helped ensure for international liberalism. The prospects for responding to challenges to the pillars of embedded liberalism—the extension of US power not perceived as entirely self-interested, multilateralism, and shared social purposes across like-minded states—is the central theme for the volume. Indeed, Ruggie’s work highlighted for a generation of scholars the importance of a consequent sense of legitimacy for the creation and proper functioning of international regimes in such fields as trade, finance, and investment. Underneath his linking of power and collective social purpose was the argument that regime content—the values their scope and specific functions promoted—reflected what powerful societal

groups believed appropriate. In the case of the Bretton Woods institutions, that meant the promotion of a liberal economic order, but one predicated on domestic intervention.

Looking back, it appears the American postwar planners understood very well that the creation of order involved the politics of legitimation, although they saw the problem very much through the lens of interstate diplomacy. The United States vigorously pursued its economic and political interests, but its leaders acknowledged the necessity of convincing others that the system would also benefit them. The legitimacy of the order itself was essential if American interests were to be met. Multilateralism helped establish the normative basis and the practical decision-making mechanisms for mutually beneficial collaboration. Along this line, John Ikenberry (2003) has argued that the United States pursued its postwar interests through “strategic restraint”: rather than relying primarily on its raw power to bargain and coerce, it constructed “a more rule-based, institutionalized order in exchange for the acquiescence and compliant participation of weaker states” (541). Whether one reads the resulting implications of this institutionalized version of American power as relatively benign or as simply masking domination, both Ikenberry’s and Ruggie’s (1982, 1993a) arguments suggest that the legitimacy of the postwar order was a function of the degree to which multilateral institutions were perceived as mutually binding and as allowing at least some reciprocal influence on actual policies. Shared values and collective intentions, in turn, worked both to shape and to sustain perceptions that the work of such institutions was indeed legitimate (Ruggie 1982). Whether the leading architect of the system eventually came to forget the continuing necessity of attending to the politics of systemic legitimation in a world more globalized in aspiration than in fact is the subject of debate and analysis in the chapters that follow.

A focus on the continuing importance of socially embedding markets even in a globalizing economy is the entry point for contributors’ discussions of institutional legitimacy. For the most part their approaches are decidedly sociological. Legitimacy is understood as embedded in social systems that provide a basis of appropriateness, or that make the purposes, goals, and rationale of an institution understandable and justifiable to the *relevant audience* in society.⁷ The test of legitimacy therefore, following Max Weber, bears no particular relationship to truth or right, thus ought not to be automatically linked to Western notions of liberal democracy.⁸ Rather, the basic question is an interpretive one: What basis of legitimacy holds sway in a particular society or how does a prevailing political order generate an intersubjective *belief* in its legitimacy? Much depends, in this formulation, on the historically contingent values, goals, and practices of the relevant society. This perspective steers a middle course between the sometimes overly optimistic desire for cosmopolitan democracy within much contemporary literature on global governance, and the dour and rigid state-centrism of the neorealist canon.

The contemporary debate on legitimacy has arisen largely in response to pressures exerted by globalization on international institutions. It has focused on the idea of legitimate authority beyond the state, an idea anathema to many international relations scholars during the cold war period.⁹ The few works that did focus on legitimacy during that earlier period, including Ruggie's, conceived of legitimacy as largely rooted in domestic politics of leading states or in intergovernmental consensus.¹⁰ The new literature, in contrast, eschews not only the state-centrism of neorealism, but borrows much more heavily from democratic theory in emphasizing procedural legitimacy and accountability to wider audiences. As such, it is susceptible to charges of idealism (e.g., Cederman 2001). Still, a common feature of the old and new literature is the idea that legitimacy lies at the heart of all governance, at whatever level of aggregation. Indeed, given the lack of enforcement capacity beyond the state, legitimacy increases, not diminishes, in importance at the global level just as the mechanisms to produce it are much more difficult to create and sustain. Moreover, such mechanisms are not likely directly substitutable across domestic and global realms.

Whether or not global governance currently faces a serious "legitimacy crisis" is one dispute addressed in this volume. In part, answers depend on where one looks. Wolfe and Mendelsohn, citing public opinion research in Western democracies, suggest that the sense of crisis invoked by public protests against international institutions does not reflect a wider public hostility to trade, trade agreements, or the idea of international collaboration, although citizens in developed countries are more suspicious when confronted directly by the term *globalization*. In contrast, Ruggie, from a more institutional perspective, sees the antiglobalization backlash targeting multilateral economic institutions as directly linked to the erosion of the compromise of embedded liberalism, which provided their underlying rationale. A legitimacy crisis, thus, "result[s] from the perception that they have abandoned their earlier mandates to secure domestic social stability and inclusion in favor of global market expansion and deepening, and that they have failed to embrace quickly and firmly enough such newer concerns as environmental sustainability" (27). From the slightly different perspective of North-South conflict, Jean-Philippe Thérien perceives what is arguably a more fundamental and intractable legitimacy crisis driven by the core community for these institutions—still mainly a community of states—owing to a "lack of consensus on a definition of what constitutes a legitimate distribution of global wealth and power" (72).

Regardless of contributors' positions on the accuracy of the "crisis" label, they treat seriously the contemporary *global* challenge by moving beyond rigidly state-centric conceptions of legitimacy to problematize the composition of the audience to whom questions of authority must be addressed. They recognize that the dynamics of global legitimation may be changing, as the

shift from the study of strictly intergovernmental regimes to “global governance” indicates. They also recognize that the audiences granting legitimacy to such governing arrangements increasingly operate transnationally, including an active and diverse set of global civil society actors, as well as corporations and other market players. In the postwar era, international institutions were judged effective if they promoted economic or security cooperation and facilitated domestic political and social stability. Today, these same institutions face rising demands for social regulation as their very success has made more transparent their reach into areas formerly considered internal to the state. Adding to the challenge, contributors note, different audiences of states, global civil society, or market actors may share different criteria or weightings of the values of participation, access, and accountability (procedural or “input” legitimacy), versus achieving values and goals that a governance institution or network pursues (substantive legitimacy).¹¹ The problem is especially complicated in a globalized world polity, where who counts as a relevant audience member may be contested and the boundaries between members may be highly complex and fluid.

Not surprisingly, our authors differ on the question of where to look for the most relevant audiences. In their respective chapters, Pauly and Thérien, for example, generally accept states as retaining the most important voices. As in Ruggie’s initial formulation of embedded liberalism, legitimacy derives from the social purposes or values of societies in major states. To the degree that international institutions reflect these values (and the interests these values inform), they gain political legitimacy. As Thérien puts it, “multilateral institutions represent the most tangible expression of what is referred to as the ‘international community’” (74). But all three authors, in their contributions here, also explicitly acknowledge the broadening of that community to include actors previously marginalized, including states in the global South. Any grand bargain is unlikely to be sustainable without due recognition of social purposes within and among those states. If legitimacy is built around the ability of international organizations to reflect consensus within this broader community, the challenge is daunting even if the organizations themselves appear to be moving toward reconciling previously disparate positions. The underlying problem, as Thérien puts it, is that “the notion of ‘international community’ simply does not mean the same thing to everyone, and in the field of development, the lack of consensus is particularly noticeable” (75).

On this view, the question comes down to whether the basic underlying premises of embedded liberalism still have resonance. If they do, international institutions face a double challenge of promoting adjustments to integrating markets and policy norms promoted by leading states, which incline away from domestic autonomy (Pauly 2002, 81–86), and of encouraging new kinds of regulation and redistribution in countries that, as Ruggie (this vol-

ume) puts it, “never enjoyed the privilege of cushioning the adverse domestic effects of international market exposure in the first place” (24).

Wolfe and Mendelsohn’s chapter, on citizen support for embedded liberalism, offers one of the first empirical investigations explicitly to test the legitimacy of embedded liberalism within domestic society. It uncovers evidence of its continued resiliency in Canada, and by comparison with other empirical findings, in other Western societies as well (see also Hays, Ehrlich, and Peinhardt 2005). As globalization continues apace, however, pressures on international organizations build. Wolfe and Mendelsohn’s study also directly addresses the issue of whether measures to increase their efficiency and effectiveness any longer provide a sufficient basis for their legitimacy. By separating out elements of democracy, they find the cosmopolitan argument for global democracy probably overstates the case that institutional legitimacy requires direct participation by citizens in decision making by international organizations. They also find strong support, however, for greater transparency and accountability in those organizations. Again, these findings point to the importance of rooting understandings of legitimacy to the values of relevant audiences, whose own criteria for legitimacy in global governance may be shifting.

The notion of embedded liberalism as a constitutive norm that defines the legitimate scope of global governance is much more difficult to tap in the developing world, where in most cases it was never institutionalized. The corollary is that both developed and developing countries must now confront the enormous difficulty of promoting such a norm. If embedded liberalism depends, as Wolfe and Mendelsohn (this volume) put it, “on the notion of separable communities able to make their own decisions on the distribution of the costs and benefits of openness” (53), the legitimacy of the global liberal order and the institutions that support it will come under increasing strain in the developing world as economic integration deepens. Under these conditions, legitimacy will increasingly hinge on the ability of institutions of global governance simultaneously to facilitate the delivery of benefits from globalization *and* provide mechanisms, including resources to improve policy capacity and technical knowledge, for developing countries meaningfully to participate in the governance of globalization (Sandbrook 2003).

The continuing debate in the WTO over demands by developing countries for “policy space” to buffer themselves from market forces reflecting the power of early industrializers, or at a minimum to allow sufficient time for adjustment, is one example of an attempt to operationalize embedded liberalism in a more global context. Creating such space in practice, however, has proven difficult, particularly as the scope of trade rules expands to areas including services, intellectual property rights, and investment, which place a significant burden on developing countries to harmonize the structure and regulatory environment of their economies with established practices in more

advanced economies (Hoekman 2005). In other words, the burden of adjustment falls most heavily on countries with the least capacity to bear it. The record of operationalizing “special and differential treatment” for developing countries as a way to create policy space has proven double-edged, as it often comes at the expense of market access or other benefits of WTO discipline (Hoekman 2005). Put more directly, globalization, and the pressure it exerts to open economies, reduces policy space. Meanwhile, negotiations within the WTO system on how to operationalize special and differential treatment are, in the words of one long-time observer, “going nowhere” (Ostry, forthcoming).

The dilemma is confronted in Pauly’s chapter. It shows that the Bretton Woods institutions have come to realize that they may not by themselves be the best mechanisms even to provide poorer countries with adequate financing for development. Like the WTO, however, they may not be learning about their limits quickly enough (Ostry, forthcoming; Helleiner 2001). In consequence, a rapprochement unimaginable just a few years ago between the UN, the WTO, and the Bretton Woods institutions has recently occurred. Organizations still suspicious of one another for the ideological reasons underlined in Thérien’s chapter, and long jealous of their own operational autonomy, are drawn into a search for a new compromise between global economic opportunities and local political and social requirements.

Eric Helleiner’s chapter on regional currency blocs documents how the tension between the promise of global markets and resistance to handing over proven domestic adjustment levers has been playing out in some of the more advanced developing economies since even before the time embedded liberalism became institutionalized internationally. Through a highly textured historical analysis of American “dollar diplomacy” in Latin America, he shows that pressure for dollarization in the 1940s was considered incompatible with embedded liberalism and therefore largely abandoned despite earlier enthusiasm. Only by de-dollarizing, it was argued at the time, could Latin American states achieve the kinds of social welfare goals that had become prominent at the national level in the United States in the wake of the Great Depression. Moreover, Helleiner’s chapter shows that the basic message of domestic policy autonomy still resonates today and limits the prospects for further integration, even as contemporary neoliberal policies and regional economic integration has created tension in elite policy circles in both the United States and Latin America on the best way forward.

The reemergence of the dollarization debate in Latin America in the 1990s initially seemed to move away from a notion of embedded liberalism with the emergence of a new faith in the ability of markets to force domestic policy adjustments. This thinking largely reflected a shift in US policy circles to embrace neoliberalism and a more limited role for the state. But this shift, Helleiner shows, has been neither deep nor durable. In part, disastrous experiences with dollarization, especially in Argentina in the 1990s, dampened

the earlier enthusiasm. Subsequently, dissatisfaction with freer trade and neoliberal policies more broadly swept through many Latin American countries. Populist governments now rode the wave of discontent across much of the region. Prospects for a dollar bloc in Latin America receded. As Helleiner explains, this re-embedded in some countries a confusing mixture of socialism and liberalism. Karl Polanyi may not have been surprised, and there remained a certain resonance with Ruggie's original notion of embedded liberalism, even if the new variant in Latin America looked less than stable.

For Helleiner, the contrasting case of building a successful currency bloc in contemporary Europe provides more evidence of such resonance, but in a policy context that looks more stable. The adoption of the euro is completely consistent with embedded liberalism because member-states have linked it to region-wide adjustment policies, fiscal transfers, and, more broadly, to a belief that Economic and Monetary Union "provides a stable macroeconomic environment [for] progressive supply-side reforms aimed at promoting equity, growth, and employment" (Helleiner, this volume, 56). The prospect for similar regional mechanisms to arise in the Americas is remote. Helleiner's chapter nicely illustrates that embedded liberalism may not determine precise policy outcomes so much as provide an underlying rationale—what Ruggie called a generative grammar—that continues to resonate broadly.

It remains questionable, however, whether the domestic political autonomy defended in the compromise of embedded liberalism is compatible with feasible solutions to new problems wrought by globalization. Bernstein and Ivanova's chapter confronts that issue in the realm of environmental governance, where policy norms have created a situation more akin to "embedded liberalism in reverse," with environmental concerns largely overshadowed by the quest for near-term economic prosperity. A failure to embed markets in sustainable environmental purposes, they argue, not only threatens viable governance institutions but global ecological integrity itself. For them, the solution cannot juxtapose strengthening national capacity with the need for greater and more focused authority at the global level. Rather, it must recognize that effective governance requires an institutional architecture at the global level to enhance local, national, and regional capacity to protect the physical environment at whatever scalar level is appropriate.

Ruggie's response to the requirement to re-embed global markets at various levels is to look beyond the community of states and to conceive of legitimacy in the context of an emerging world society. States and international organizations have a key role to play, but firms and other actors in civil society need to become more directly engaged. His case study of the UN's Global Compact is highly suggestive in this regard.

Similarly, chapters by Porter and Rosenau find that new opportunities for system legitimation are highly dependent on the norms of the communities actually engaged today in providing governance functions: global knowledge

networks for Porter, new spheres of authority for Rosenau. Porter argues that the properties of knowledge-based networks make them especially promising locations for the legitimization of authority, because they share contemporary values that resonate not only within the networks, but with wider society. These values include pragmatic performance criteria relative to shared standards within the network, as well as the capacity to justify the activity of the network with reference to standards of other networks and fields. Moreover, they exhibit openness to new participants. Their evolving authority, according to Porter, hinges especially on whether wider publics also see them producing general benefits. Porter emphasizes transnational networks as a new institutional form, but he, like Ruggie, acknowledges that their legitimacy may ultimately depend on the degree to which they develop the ability to help forge larger compromises between efficiency and social stability, thus shoring up public authority when required for definitive regulation.

AGENCY

Any discussion of global governance necessarily attributes causal power to agents, be they government officials, nongovernmental groups, international organizations, or transnational business, technical, or knowledge networks. Hence, a central premise of this volume is that agency matters. In other words, our contributors question a tenet of neorealist and some radical theories of international politics, which hold that either global order simply reflects the systemic structure of state power or that a state's position in the international system determines its interests and posture. Ruggie, for example, refutes the argument that attributes the turning away from multilateralism in the early twenty-first century by the United States to its position as the dominant world power. Instead, he suggests that it reflected an ideological turn and domestic political calculations. That these will turn out to be transient is his obvious hope. Such a discretionary move, could be readily reversed by an administration with different preferences and interests (Ruggie, this volume, 35). This contention harkens back to the ontological premise of the original embedded liberalism argument, that international outcomes reflect *both* power *and* social purpose.

Traditional theories of international relations have also long tended to underplay or dismiss the possibility that international organizations themselves may exhibit agency. In their chapters, both Thérien and Pauly, counter such a position in examinations of an emerging ideological rapprochement between the UN and Bretton Woods institutions, especially in the wake of the Asian financial crisis of the late 1990s. They show how change came about as much through the initiatives of international officials and epistemic communities as through the shifting direction of policies in leading states. While changing economic conditions undoubtedly provided a catalyst or

impetus for institutional adaptation, Thérien and Pauly convincingly show that they are insufficient to explain specific organizational responses. Retrenchment was (and has been in the past) as likely an outcome as deeper collaboration, with important consequences for economic order and governance. Where the two chapters differ, however, is in Pauly's more sanguine analysis of the leeway available to the economic organizations to foster inter-agency cooperation, as well as of their ability to help redefine the preferences of states. To the degree they succeed, some modest reconstitution of their own authority may help members respond more effectively to the social challenge of globalizing markets.

Conceptions of agency and bargaining need not be limited to states, governments, or public officials. Porter's chapter, for example, challenges the atomistic view of states and market actors "uncompromisingly" interacting to shape a globalized world. Rather, he argues that compromise is an important dynamic within globalized networks not only among the most powerful actors, but also between them and the less powerful. Rosenau, who has long pointed to neglected sites of agency in global politics (1990; 2003), argues in his chapter that the interactions of individuals at the micro level are as likely as interactions of states and officials at the macro level to shape *both* order and fragmentation in world affairs. Like Porter, he sees some prospect for bargaining and even the development of social contracts within networks or new spheres of authority. He is skeptical, however, that anything resembling a new consensus will prevail at the macro level, precisely because states and international institutions refuse to make sufficient allowances for micro level processes "that are increasingly important drivers of change and sufficiently diverse to inhibit, even prevent, coherence at the macro level" (135).

Our contributors nonetheless eschew explanations of unrestrained agency. The focus on organizations and institutions in many of the chapters highlights not simply their potential agency or mediating role between interests and outcomes, but the way institutional legacies, path dependencies, and ideological orientations may delimit the possibilities of change and channel ideas and actions along some pathways while closing off others. Indeed, the resiliency and deep resonance of the norm of "embedded liberalism" itself highlights the tension between agency and structure, in virtually every chapter. As Porter points out, the essence of the embedded liberalism argument is that institutional arrangements designed to stabilize market interactions and offset their negative effects constrain agency precisely because they render market activity "acceptable to those actors who might otherwise destroy them through political means" (109). This is true even if the institutional setting for embedding liberalism is no longer limited to territorial states, but might occur as well in the global marketplace and public domain (Ruggie), knowledge networks (Porter), or in new institutional forms of non-state authorities alongside innovations in multilateral forms of governance (Bernstein and

Ivanova). The chapters that highlight these diverse potential locations of embedding vary significantly in their assessment of the prospects for doing so, although they agree on the need for significant agency in mobilizing the requisite resources and political will. Indeed, as Porter highlights, the very notion of “embeddedness” captures the middle ground between undersocialized and oversocialized approaches to norms and institutions, viewing them neither as simply efficient outcomes of the interaction of rational actors, nor as imperatives that act with mechanical or socially productive force on behavior and decision making as if human beings were unreflective robots (Giddens 1979, 5). Neither are institutions automatic responses to economic or social needs. The idea of embeddedness suggests institutions are actively constructed, but within an existing normative and institutional environment that enables and constrains the material and ideational resources available for the task.

Thus, whereas no author understands embedded liberalism as an automatic reaction to *laissez-faire* or “hyper”-liberalism—the equivalent to Polanyi’s inevitable double movement following any dis-embedding of the economy from society—nearly every contributor finds the normative resonance of embedded liberalism continuing to delimit the acceptable boundaries of global economic policy. Helleiner’s chapter nicely illustrates this to be the case even when strategic interests would dictate otherwise. Despite the shift in strategic interest of the United States from limiting German influence in Latin America during World War II to lowering transaction costs for US exporters and opening foreign markets thereafter, US technical missions to the region continued to promote “de-dollarization” because it fit with its vision of the multilateral Bretton Woods system. This is not simply a story of institutional legacy. As Helleiner points out, the leadership of the Federal Reserve in this period, especially Robert Triffin who headed the Latin American division, actively championed embedded liberal ideas, having learned from the disastrous effects of orthodox “monetary autonomism” during the early 1930s. Again, agency mattered in US international policy making at a time when the idea of embedded liberalism was just becoming institutionalized.

The broader theoretical point is that ideas, institutions, and their legacies—whether or not they are fully consistent with embedded liberalism—constrain and enable agency. Bernstein and Ivanova’s chapter, in addressing the prospects for a new compromise in environmental governance, emphasize both the power of the broader normative underpinnings of environmental governance as well as specific organizational legacies that created conditions for the subsequent fragmentation of environmental governance. They argue that for all the desire and creativity of multiple proposals for reform, success likely depends on the ability of specific policies to work within these normative and organizational constraints. Thérien similarly emphasizes how com-

peting development “paradigms” within the UN as opposed to the Bretton Woods institutions make rapprochement between them fragile. Far-reaching institutional change will therefore still require the demonstration of significant political will by member-states.

Given such constraints, many chapters highlight the importance of creativity in finding openings for institutional reform. The chapters by Ruggie and Bernstein and Ivanova, for example, demonstrate the potential of civil society organizations, sometimes by pressuring firms and sometimes in partnership with them, to bypass institutional rigidities or inertia in the system. One irony of globalization is that it enables such opportunities at the same time as it threatens existing compromises by limiting the effectiveness or willingness of public authorities to intervene in the economy. Civil society initiatives have taken a number of forms, including advocacy campaigns, corporate social responsibility codes and principles, and what some have called “certification” institutions or non-state market-driven governance systems (Gereffi, Garcia-Johnson, and Sasser 2001; Cashore 2002; Bernstein and Cashore 2006). In the latter, products are monitored through the supply and production chain as meeting prescribed social, environmental, labor, and/or human rights standards, which are then verified through third-party auditing. Ruggie also highlights the creative agency behind the Global Compact, an initiative of the UN secretary-general that has managed to move ahead of state action by engaging corporations directly to change their transnational behavior. In that case, however, the secretariat has drawn on existing agreements of states in the areas of environment, labor, human rights, and anti-corruption, so as not to overstep its formal organizational mandate, which still rests on the power and legitimacy of the sovereign state.

ORGANIZATION OF THE VOLUME

As this introductory discussion has suggested, the chapters in this volume address many common themes, which makes dividing them into discrete sections a matter of judgment. Two primary tensions in Ruggie’s original embedded liberalism article served as guides: one between power and authority, the other between order and fragmentation.

First, though, the next chapter launches the discussion with Ruggie’s illuminating review of the condition of the embedded liberalism compromise today and the prospects of a new grand compromise that not only “takes embedded liberalism global,” but does so in the context of contemporary challenges to the multilateral order. His chapter can be read in part as a synthesis of key strands of his work on embedded liberalism, globalization, institutional change, and multilateralism. In addition, however, it points the way forward toward a reconfiguration of global governance, focusing especially on the challenges in the realm of agency and practice. As he puts it: “[I]n contrast to the

state-centric multilateralism of the *international* world that we are moving beyond, reconstituting a *global* version of embedded liberalism requires a multilateralism that actively embraces the potential contributions to global social organization by civil society and corporate actors” (25). The remainder of the chapters carry many of these themes forward, sometimes building upon, and sometimes challenging Ruggie’s conclusions on how the basis of order is being reconfigured.

Along the power-authority axis, chapters focus especially on challenges to public authority, both domestically and internationally. Mendelsohn and Wolfe’s chapter addresses the question of whether citizens would support a new compromise, through the first empirical analysis of survey data actually to identify the existence of a constitutive norm (embedded liberalism). They focus on the domestic basis of legitimacy upon which international public authority rests. The following two chapters shift the focus to the potential reconfiguration of international public authority in the shape of the major multilateral economic and social institutions.

Thérien’s chapter assesses whether changes in international development governance since the 1990s represent the basis of a “new grand compromise,” seeing the metaphor of “Left” and “Right” as a useful lens to assess the political struggle over what the elements of such a compromise might entail. His analysis illustrates how underlying ideological divides that play out within many societies have repercussions for the prospects of working out a new compromise in global governance institutions concerned with development. Pauly’s chapter concentrates on the interplay between power politics and organizational learning and adaptation in international organizations. Specifically, he assesses their ability to respond to the contemporary challenges to embedded liberalism and international economic stability more broadly. While both chapters see attempts to balance the need for economic prosperity and social embeddedness, and neither sees a “grand” compromise in the making, their analyses lead to different conclusions on the stability of the new rapprochement between “Left” and “Right.” Porter’s chapter moves from public to private and hybrid authority, focusing on knowledge networks as a possible location for new bargains in global governance.

Along the integration-fragmentation axis, Rosenau’s chapter breaks open the dichotomous understanding of these apparent contradictory tendencies with his concept of frammegration. He uses this concept to assess the possibility of new compromises within various configurations and locations of political order and chaos.

Helleiner’s chapter focuses on financial integration as one source of order, specifically whether regional currency blocs are compatible with embedded liberalism. His analysis of US dollar diplomacy not only adds to the comparative understanding of currency blocs, where scholarship has focused primarily on the European Union, but does so in the context of an

explicit analysis of how configurations of financial power interact with societal demands within both powerful and weaker, more dependent states.

Bernstein and Ivanova's chapter on environmental governance examines how the combined impact of extant international environmental norms and forces of globalization have reinforced latent tendencies toward fragmentation. This fragmentation can be seen in both the proliferation of organizations and environmental treaties, as well as in the myriad forms of public, private, and hybrid environmental governance. It notes that fragmentation and coherence are not necessarily a contradiction, but that an effective and politically viable institutional architecture that "re-embeds environmental governance in the broader social purposes of world society" (162) will be a formidable challenge under contemporary political, institutional, and normative constraints. That it must be confronted, however, they do not doubt.

CONCLUSION

In the near term, none of the contributors see the emergence of a new grand compromise comparable to the postwar efforts to institutionalize embedded liberalism. Nevertheless, each author finds some evidence of the persistence of that earlier effort and of the existence today of necessary elements at the global level to emulate its achievements as globalization proceeds. These elements are suggested, for example, by the manner in which certain actors, networks, international institutions, and new spheres of authority are responding to the contemporary challenges of industrial and financial development, inequality, human insecurity, and the retrenchment of the United States. Whether those elements can coalesce to create the constitutive basis for a more just and more sustainable global order is for our contributors a pressing and still-open question.

Then again, as Pauly points out in his chapter, the postwar "grand compromise" may only appear grand in hindsight. If the past sixty years reflected less a grand bargain than a series of improvised adjustments in economic and security policies to the imperatives of the cold war, then even early signs of deeper engagement in a dialogue between leading and following states could be a positive indicator for future systemic transformation. Despite much talk about rolling back globalization, either in the wake of a backlash in particular countries or regions or in the presence of a new security landscape, evidence of serious retrenchment remains hard to find. Indeed, the basic institutional architecture and processes that allowed globalization to accelerate and the system to manage the associated crises of the past sixty years could provide the foundation for avoiding disorder in the years ahead. On this view, the challenge of re-embedding liberalism into stable social formations may be met by creatively drawing on experience. On the other extreme, if Rosenau's analysis proves prescient, only a novel and concerted expression

of constructive political energy is likely to harness the necessary resources to resolve mounting dilemmas of systemic sustainability and distributive justice.

Ruggie points to a middle path involving wide engagement beyond well-established multilateral institutions and new practices not simply centered on states. Significant experiments along these lines are now underway. As challenges to global order deepen, however, public authority in some form, especially the authority of major powers, will remain necessary to keep that middle path open. If the original compromise of embedded liberalism depended upon imagination and creativity, anything resembling it in the future will require nothing less.

NOTES

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1. Some contributors to this volume (e.g., Wolfe and Mendelsohn, chapter 3) argue that “legitimacy crisis” overstates the problem in the contemporary system of global governance; others find the characterization apt (e.g., Thérien, chapter 4).

2. For a similar reading of Carr, see Jones (1996).

3. Spiro (2000) coined the term *new sovereigntists* to describe them. See also Ruggie (2004; this volume).

4. Rabkin (2000; 2005) and Bolton (2000) are exemplars of this position.

5. For powerful critiques of the logic and accuracy of their claims, see Spiro (2000); Ruggie (2004); Moravcsik (2000).

6. For the argument on the Left, see Wallach and Woodall (2004); Broad (2002); O’Brien et al. (2000).

7. This definition is slightly modified from Suchman (1995, 574), who also presents an extended discussion of sociological understandings of legitimacy.

8. See Connolly (1984, 18).

9. Examples of the new literature include Coicaud and Heiskanen (2001); Porter et al. (2001); Zürn (2000); Steffek (2003); Bernstein (2004).

10. Other prominent examples include Claude (1966); Kissinger (1964); Franck (1990).

11. Fritz Scharpf (1997) has contrasted “input” to “output” legitimacy, the latter referring to performance and effectiveness. The term *substantive* legitimacy better captures a broader range of values, which might include distributive justice, equity, etc., rather than assuming actors prefer efficiency to these other goals.