The emergence of private authority in global governance

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4 Global finance, political authority, and the problem of legitimation

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The exercise of political authority through market mechanisms is not a new phenomenon. The question of the extent to which such authority at the global level becomes "privatized" in the contemporary era is, however, a novel and important one. This chapter seeks to advance debate on that question by offering an interpretation of recent developments in international financial markets.

Power and authority in integrating markets

Mainstream economists now routinely express their puzzlement at the rise and rapid expansion of "anti-globalization" protest movements around the world. If the protestors would only learn some basic economics and a little Ricardian trade theory, we often hear, they would realize that the costs of international interdependence and even deepening integration are overwhelmed by the benefits. It is, however, becoming very hard to believe that simple ignorance is driving a spreading reaction to global change. Mass demonstrations sweeping through relatively prosperous cities like Seattle, Washington, D.C., Quebec City, and Genoa in the early years of the twenty-first century reflected broad agenda-defining coalitions among a variety of not necessarily convergent interests. But they also suggested something deeper. Certainly protestors commonly claimed that corporate power and vested interests were usurping public space and dictating the agenda for public policy, that elected governments actually charged with making policy were becoming powerless, and that an ideology of free market individualism was eroding social cohesion around the world. At the systemic level, their concerns seemed to center on what we might call the constitution of international political authority. Who makes the rules at the systemic level? Whose interests are most effectively served? Who pays the price? The word "globalization" itself led to such questions.

In his contribution to this book, Stephen Kobrin introduces empirical material suggestive of the appropriateness, even urgency, of such

questions. The neomedieval metaphor he proposes neatly engages the core issues of accountability, responsibility, and legitimacy at a time when economic and political power appears to be dispersing. With the same issues in mind, this chapter introduces a contrasting position.

I take contemporary international financial markets as my principal empirical point of reference. Since Kobrin focuses on the globalization of production, this choice partly explains the difference in our views. I am more generally skeptical, however, about the inevitable erosion of the authority of the modern state in the face of global economic change. At the risk of a degree of exaggeration, for present purposes our two positions may therefore be read as opposing arguments in a now well-established debate. Beyond clarifying the contours of that debate within the framework of this book, my objective in this brief essay is to indicate some important points of reference for the next stage in its deepening. The challenge, taken up most directly herein by Saskia Sassen and Claire Cutler, is to craft useful tools for a more fundamental analysis of the transformation of political authority as global economic integration proceeds. The editors advance that cause by proposing and explicating a conceptual category they call market authority.

My thesis may be summarized as follows. In a world in which financial regulatory power is dispersing and no particular national authority is truly dominant, crossborder financial markets ultimately rest today not on private authority but on interdependent public authorities and, increasingly, on the delegated public authority of international political institutions. When we speak of the authority of the market in other than an ultimate sense, we appropriately mix private and public categories. The fact that actual governments routinely obfuscate their final authority in financial markets is no accident. Blurring the boundary lines between public and private, indeed, is part of an intentional effort to render opaque political responsibility for the wrenching adjustments entailed in late capitalist development. Understanding that intentionality, its history, and the deeper reasons behind it can provide a useful starting point for assessing such policies as those aimed at managing systemic risk or at redistributing adjustment burdens.[1] It can also help to explain the mandates and missions of international financial institutions, like the International Monetary Fund and the World Bank, which are taken by protestors and supporters alike to symbolize a globalizing economic order. Finally, it can contribute to grounding scholarly efforts aimed at developing richer theoretical propositions regarding the fundamental nature of authoritative transformation in that order.

The "globalization" of finance

During the last quarter of the twentieth century, short-term capital flows across the borders of advanced industrial countries expanded at a staggering pace.[2] Even more striking than the rising volumes tracked in every magazine or journal article on the subject was the underlying normative shift witnessed during that period of time. Indeed, the relative ease with which such flows could occur represented a distinct reversal of the general set of national policy preferences evident during the years immediately following World War II. By some measures, the scale of international capital movements was only recovering levels evident in the pre-World War I period. In recent years, nevertheless, the explosive growth, global reach, and speed of contemporary capital movements (short-term as well as long-term) came widely to be seen as the harbinger of a new era. Promising to some, and threatening to others, "global finance" became a short-hand term to evoke the ideas of an integrated world economy and a more deeply inequitable one.

In the wake of regional financial catastrophes in the late 1990s, it is increasingly understood that the economic expansion potentially facilitated by international financial markets comes with new risks for governments, societies, and individuals. Two sets of concerns lay behind associated policy debates in the early years of the succeeding decade. The first highlights the challenge of simultaneously harnessing the power of open markets to accelerate economic development and growth while limiting the political constraints and social costs linked to that openness. The underlying dilemma is one of political legitimacy.[3] The second brings to the fore the difficulty of limiting the possibility of financial market failures (or managing them effectively when they occur) when the power of private actors is enhanced and the authority to regulate them is dispersed. In each case, the political tensions are obvious. They are also not fully resolvable, given the deeper structure of the international political economy at the dawn of the twenty-first century. In such a world, the logic of markets suggests globalism, while the logic of politics remains deeply marked by distinctly national identities. Heraclitus said that we can never step into the same stream twice, but the international financial flows we are now seeing certainly bear a distinct resemblance to those witnessed a century ago.[4]

The cause of freer trade won renewed rhetorical support after the cataclysm beginning in 1914 abruptly halted the first age of "global" finance, which was really mainly a trans-Atlantic phenomenon. Rhetoric was translated into successful policy only after an even greater catastrophe ended in 1945. The interdependent international economic order

deliberately built in its aftermath by the victorious allies (minus the Soviet Union and China) mainly through the restoration and expansion of world trade was to be underpinned by a system of stable exchange rates. The United States and its allies designed the "Bretton Woods" system in 1944 to avoid both the perceived rigidities of the nineteenth-century gold standard and the undisciplined currency manipulations commonly deemed to have contributed to the depth and duration of the Great Depression.

During the following decades, the explicit policy preference for freer trade came ever more widely to be supplemented by official efforts to reduce impediments to foreign direct investment. The vast postwar expansion in trade (in both goods and services) and in crossborder investment in plant and equipment had far-reaching effects. One of them – currency convertibility in the current and/or capital accounts of national payments balances – cannot be separated from that broader policy movement toward more liberal trade and investment regimes.

Production, trade, and investment must be financed. If resulting financial claims are freely convertible across national currencies, liquid balances in governmental, corporate, or personal accounts can be used for a broad range of purposes. In advanced economies, in fact, there exists an historical tendency for purely financial operations to grow at a rate far exceeding tangible business requirements. Much of this growth reflects speculation, which can either stabilize or destabilize other economic variables. In practical terms, it has proven impossible to draw a clear and unassailable dividing line between the use of convertible financial claims, on the one hand, prudently to hedge business risks and, on the other, purely to gamble. To many observers, therefore, the economic history of the latter decades of the twentieth century has been decisively marked by crossborder markets for short-term capital taking on a life of their own entirely disconnected from real political economies where goods, services, and new technologies are produced. The truth is more complicated.

Throughout the post-World War II period, albeit at different paces and with occasional backsliding, the United States, Canada, and a number of European states deliberately reduced direct controls and taxes on financial transactions, loosened longstanding regulatory restrictions on financial intermediaries, permitted the expansion of lightly regulated "offshore" financial markets, and oversaw the introduction of new technologies that sped up capital movements and stimulated the development of innovative financial products.[5] In the 1970s, Japan cautiously joined the trend.[6] Throughout the 1980s and 1990s, many newly industrializing countries followed.

Again, though, relatively open financial markets were not altogether new in world politics. Conditions approximating today's "global finance" existed before 1914 among the most advanced economies and their dependencies. The extremities of war and economic depression succeeded in disrupting a system of economic adjustment that accommodated, even necessitated, international capital flows. In theory, if not always in practice, the behavioral norms embedded in the international monetary system prescribed relatively passive domestic policy responses to external economic changes. In fact, stability in that system proved episodic.

Among other shifts in the tectonic plates of world politics, the tumultuous era beginning in 1914 witnessed the gradual rise of the modern democratic nation-state, the citizens of which came to expect that institution to ensure not only their military security, but also their increasingly broadly defined economic security. Those expectations defined the terrain upon which the Bretton Woods consensus evolved in practice. The contemporary reconstruction of "global" capital markets is intimately linked to the disruption of that consensus in the 1970s and the dawn of a new era of flexible exchange rates. As the twenty-first century opened, however, it was not yet evident that the expectations of citizens concerning the responsibilities of democratic nation-states had substantively changed. Much rhetoric to the contrary notwithstanding, national welfare states continued to exist even as their financing now confronted the reality of more open capital markets. The true historical novelty of that development was to combine the policy preferences supporting those markets with the acceptance of political responsibility by states for the total security of their citizens.

Often abstracting from the fact that governments can let their exchange rates float, economic commentators, prominent bankers, and conservative politicians thereafter frequently underscored the internal "discipline" on autonomous state action implied by international capital mobility. If that discipline implied cutting back the welfare states of the post-World War II era, they asserted, then it had to be done. Many of their opponents on the left may have disliked such a conclusion, but they intuitively understood its logic. A mounting body of popular literature written both by conservatives and radicals, indeed, envisaged the consolidation of a new global order, the borderless order of advanced capitalism.

Whether they embraced it or loathed it, such a vision tended to be evoked in the language of inevitability. Enjoining governments to yield to signals emanating from the "global market," this language implied that a profound shift in policy-making authority was necessarily taking place, a shift away from the national level. Proponents typically extolled the surrender of the retrograde idea of "sovereignty" to the rational economic

logic of markets beyond national control. Opponents might not have appreciated such a conclusion, but their own research often bolstered the notion that transnational coalitions beyond the nation-state increasingly exercised determinative influence over a widening range of economic and social policies.[7]

National political authority and international institutions

The concept of sovereignty in international relations has always been contested.[8] Its association over time with the institution of the state, moreover, is linked with a number of material and normative transformations.[9] But conflating that concept with the notion of policy autonomy, as is commonly done, blurs an important distinction. In a financially integrating world, a turning away from deeper intimacy by legally sovereign states or by the collectivity of states remains entirely conceivable, if increasingly costly. Indeed, some did turn away as severe debt crises confronted them in the 1980s and 1990s, only to return to more liberal policy stances after the crises dissipated.

In practical terms, to be sure, most states now confront tighter economic constraints – or clearer policy tradeoffs – as a consequence of a freer potential flow of capital across their borders. The erosion of their absolute freedom to pursue internally generated policies is the flipside of the opportunities for accelerated growth (beyond that capable of being financed by domestic savings) presented by that same flow of capital. Again, the phenomenon itself is not new, and it has boded neither well nor ill for the legal principle of sovereignty. Instead, what is new is the widespread perception that all states, all societies, and all social groups are now similarly affected by the forces of global integration. The historical record belies such a perception, which blurs important distinctions between and within states. Underneath much of the overt discourse on vanishing sovereignty and the inexorable logic of efficient markets, it seems, there lies a covert discourse on power, hierarchy, and legitimacy, or, in other words, on political authority.

Exchange rate regimes tell us a great deal about the internal choices states make when they seek to harness the benefits of economic openness without incurring unacceptable costs. The sum of those choices during the past few decades laid the foundation for contemporary crossborder financial markets. Those markets do not reflect economic happenstance. They are the consequences of a political project tied directly to the domestic priorities and external strategies of leading states. Open capital markets increase the range of external policy choices for those states.

Within them, such markets expand opportunities for powerful firms and a widening group of citizens. Through those markets, in turn, the priorities and normative preferences of those states, those firms, and those citizens are projected onto other states. The "silent revolution" of economic liberalization sweeping through much of the developing world in the latter years of the twentieth century was intimately related both to the material implications of that projection and to a convergent ideological transformation.[10]

Nevertheless, simple conclusions in this regard remain unsatisfying. Even if it is shrinking, there remains room for national variation in response to the opportunities and constraints presented by more open capital markets. By their "private" nature, moreover, such markets obscure distributive issues. Indeed, this is arguably the principal reason why their existence correlates so closely with democratic governing systems. Some will win, some will lose, dominant market participants will increasingly define standards for others, but the political blame for such outcomes will be diffused. As the twentieth century came to a close, nonetheless, a series of financial crises reminded everyone that those markets could not and did not manage themselves. Throughout the preceding five decades, it was precisely in this kind of environment that certain new kinds of international institutions were designed, institutions promising feasible management, not inevitable integration. The problem of systemic legitimation needs to be addressed in just such a context.

The legitimacy of a globalizing economy

Following World War II, the victorious states, minus the Soviet Union, attempted to craft a new world order. John Ikenberry is quite right in asserting that the initial dream of a global market at the center of that order was never practicable. Anne Marie Burley and John Ruggie, moreover, quite plausibly argue that the dream was originally cast in terms of the modified liberalism of the New Deal.[11] Certainly after 1947, however, the real order combined a military alliance, national economic development, a managed trading system, and an underlying assumption that markets could and would eventually emulate the structure of American markets. More open capital markets on the US model followed two decades later.

It cannot, however, be said that states ever made stark and irrevocable decisions to favor financial openness above all other economic objectives. They simply adjusted a widening range of internal policies first to accommodate and then to promote potentially more mobile international capital flows. Simultaneously, and not by coincidence, they also shaped or reshaped the mandates of international organizations like the

International Monetary Fund (IMF), the World Bank, the Bank for International Settlements (BIS), the Organization for Economic Cooperation and Development (OECD), and less formal groupings like the G-8, the Financial Stability Forum, and *ad hoc* task forces on various monetary and financial issues.

The architects of the original Bretton Woods system imagined a rule-based form of international cooperation. An explicit legal agreement among them specified their duty to collaborate through one particular multilateral organization – the IMF. The original Articles of Agreement of the IMF specified certain rules to guide the exchange rate policies of members and gave the organization the power both to sanction justified changes in exchange rates and to provide temporary financing in cases where such changes were not required. Governments did not formally have to coordinate their internal monetary and fiscal policies in order to keep their exchange rates stable. The rigor of exchange rate rules, it was hoped, would automatically promote necessary adjustments in internal policies.

In practice, the rules of the game were often honored in the breach and the IMF was frequently marginalized. When the system worked, it actually depended upon a low degree of international capital mobility and upon the willingness of the United States to keep its import markets open and its domestic price level stable, thereby providing to its trading partners an adequate supply of liquidity at a reliable price. In any event, technical innovation and policy liberalization in leading currency markets, as well as the financial implications of rapidly rising foreign direct investment, eventually combined to make it ever more difficult to control short-term capital movements. At the same time, inflationary macroeconomic policies in the United States eventually rendered the country an unreliable monetary anchor. It remained absolutely clear, however, that an integrating world economy required adequately firm political foundations. Since they could be provided only by public authority, and no single public authority appeared able or willing, a continuation of the post-war experiment seemed thereafter to depend upon reliable collaboration among various public authorities.

Since the 1970s, stabilizing key exchange rates by way of concerted action or negotiated policy coordination has occasionally been tried. But the major powers have most often relied on the assumption that exchange rates would stabilize in the long run if anti-inflationary macroeconomic polices were pursued independently. In short, they became convinced that internal self-discipline, now modestly reinforced by formal surveillance procedures within international organizations like the IMF and the OECD, would have salubrious external effects. Such a shared consensus

was logically required if a new order in which international capital mobility had *de facto* priority was not to prove politically disruptive or patently illegitimate.

To be sure, many states continued to rely on various measures to influence the inflow or outflow of short-term capital. In the wake of disruptive bouts of capital flight in a number of countries, for example, such measures would sometimes be acquiesced in by other states and by the IMF. But that approval, whether formal or tacit, was almost always conditional on an understanding that new capital controls would be temporary. The reluctance of states unambiguously to embrace what we might call "the capital mobility norm," their handling of periodic emergencies in international capital markets in an *ad hoc* manner, and their preference not to designate clearly an international organizational overseer for truly integrated capital markets nevertheless suggests deeper concerns. Continuing controversies on all of these points revolve around traditional issues of power and authority. The legitimacy of a new order tending in the direction of global financial integration remains in question. More fundamentally, the struggle suggests that the architects of such an order cannot easily calibrate emergent market facts with persistent political realities.

One doesn't need to be an extremist to sense the dimensions of the problem. One only needs to observe market and governmental reactions to the financial crises that characterize any order that relies on private markets. Such markets may be efficient in the long run, but they have always been prone to bouts of mass hysteria in the short run. Since 1945, prompted by periodic emergencies, advanced industrial states regularly engaged in efforts to manage that proclivity. In an interdependent financial order, crises with potentially devastating systemic effects can begin in all but the poorest countries.

From Mexico in 1982 and 1995 to Russia, East Asia, and Latin America in the late 1990s, many national disasters threatened to become catastrophes for the system. But who was truly responsible for the necessary bailouts and for their sometimes perverse effects? Who would actually be held responsible if the panicked reaction to financial turbulence in one country began to bring down large commercial and investment banks and bank-managed investment funds around the world? "No one," a number of practitioners and analysts now say, for the authority to manage global finance has dispersed into the supranational ether or has been privatized.[12] This is a dubious response. Despite the screen of accountability always implied in regimes aiming to advance public policy agendas through the indirect means of private markets, actual crises ever since the end of the

Bretton Woods regime continued to suggest that national governments would be blamed and that they would respond.

The desire to avoid such an end game in the new world of international capital mobility provides the driving force behind persistent multilateral and regional efforts to clarify, strengthen, and rationalize the mandates of international financial institutions. The same dynamic reinforces internal pressures within many states to move toward "independent" central banks. In the best case, technocratic agencies promise to promote adequate standards of financial regulation and supervision around the world, design functional programs for crisis avoidance and crisis management, and provide mechanisms for states credibly to collaborate with one another for mutual benefit. (Such specific issues constitute key items on the contemporary policy agenda now commonly labeled "constructing a new financial architecture.")[13] In the worst case, such agencies can take on the role of scapegoats, thus serving as a buffer in the political crises that would inevitably follow any systemic financial catastrophe. What technocratic agencies have difficulty addressing, however, are basic questions of social justice. Not only are standards across diverse societies themselves still diverse, but those agencies are charged with helping to manage a system in which the mobility of capital is not matched by the mobility of people.

Justice and legitimate political authority are inextricably linked. At its core, therefore, that system reflects the fact that the governments of states cannot shift ultimate political authority, to the level of governance suggested by the term "global finance." Perhaps they do not yet need to do so, because the term exaggerates the reality of international financial integration at the dawn of a new century.[14] Surely, however, the vast majority of their citizens do not yet want them to do so. Only in Western Europe, within the restricted context of a regional economic experiment still shaped by the legacy of the most horrendous war in world history, was a shift in power and authority beyond the national level in sight. And, even there, the fundamental construction of an ultimate locus of authority remained highly controversial.[15] Elsewhere in the industrial world, intensifying interdependence remained the order of the day as the citizens of still national states sought the benefits of international capital mobility without paying the ultimate political costs implied by true integration. To them, continuing turbulence in so-called emerging markets seemed like a distant roll of thunder. Their perennial hope was that the storm would, at best, gradually dissipate or, at worst, remain far away. There was no evidence, however, that they had resigned themselves to simply weathering such a storm if it ever did threaten them directly. On

the contrary, experience suggested that, at the core of the system, duly constituted political authorities stood ready to respond decisively. They appeared to understand intuitively that markets were a tool of policy, not a substitute for it.[16]

Implications

By way of conclusion, let me make one policy-related observation and one analytical implication for the principal issue explored in this book. It follows from my last point that the calls of right-wing commentators to abolish agencies like the IMF rest on a fundamental, and unrealistic, assumption: that capital mobility and flexible exchange rate regimes will conduce to national and global stability because states will not abuse the macroeconomic policy autonomy they thereby gain. And even if certain governments do threaten to abuse that autonomy, the problem can effectively be handled by domestic monetary rules and central bank independence. A less optimistic position seems more plausible.

At base, free market enthusiasts contend that IMF-like agencies create moral hazard. My own view is that moral hazard is unavoidable when democratic welfare states are driven by overwhelming domestic pressures and interests to temper the vagaries of financial markets. All that can be done is to displace that hazard from the domestic arena to the international arena or vice versa. In bad times, the fundamental role of crisis manager must be filled if markets are not to disintegrate. In good times, a less ambitious but still useful role exists for an overseer of the process of interdependent adjustment to economic change.

With the resurrection of integrating financial markets in the contemporary period, an institution like the IMF becomes more, not less, important: not because of the economics, but because of the politics. If the IMF were abolished, a new agency capable of doing similar things, especially in an emergency, would have to be created: unless, of course, the US Treasury, the German Finance Ministry, the Japanese Ministry of Finance, or other public authorities did the job directly. To imagine that the role could in fact be left unfilled and that everything would be just fine is an effort worthy of Voltaire's Dr. Pangloss.

What role, precisely? Ask Robert Rubin, then US treasury secretary, or Bill McDonough of the Federal Reserve Bank of New York in 1998 when the Long Term Capital Management hedge fund threatened to set the clock back to 1929. Ask US central bank governor Alan Greenspan in the early 1990s when US money center banks were dangerously undercapitalized and international losses could have pushed several over the brink. Ask Jacques de Larosière, managing director of the IMF in 1982 when

Mexico declared a debt moratorium.[17] In such situations, it is always easy to say, "Let the market work." But it is politically unthinkable actually to do it. "The market," in this case the post-1970s experiment in global financial integration, is itself an unfinished political project of the advanced industrial states. Stabilizing that market is an unavoidable aspect of that experiment, and it involves two dimensions: managing systemic risk and ensuring that modicum of symmetry in adjustment burdens required to sustain the logic of interdependence.

The term "symmetry" is used in this policy arena as a rough synonym for fairness among creditors and debtors. Consideration of it recalls the central idea behind this book. As the concept of market authority proposed herein is developed in the future, the material outlined in this chapter suggests its historical contingency. It also reminds us of the irreducible expectation of justice that the claim of authority entails.

The authority to stabilize globalizing financial markets has an ultimate quality to it, a quality invisible when those markets function reasonably well. There is no reason why it cannot be delegated for a time to the private sector, and there are very good reasons having to do with political accountability why such delegation might even become commonplace. Self-regulatory organizations, as oxymoronic as the term sounds, are nothing new in the broader international economy. The International Chamber of Commerce, for example, has for a century now promoted voluntary codes of conduct in this or that area of business activity. In the financial arena, recent examples of such delegation include private sector efforts to provide some common international structure for markets in financial derivatives and for international payments.

When such efforts accomplish their goals, catastrophes are avoided, few notice, and public officials willingly recede into the shadows. But when such efforts fail, or threaten to fail, the overarching issue of social justice returns to counterbalance ideological demands for ruthless efficiency. One of two things then happens. Agents of legitimate public authority reassert their ultimate regulatory power, or, if they truly cannot, markets collapse.[18]

The latter possibility has, ever since 1929, concentrated the minds of financial regulators at the core of the global economy. The desire to avoid it correlates with determination simultaneously to obfuscate their authority and to preserve their ultimate room for maneuver. In integrating crossborder financial markets, at least, the private element in market authority might just be too obvious. It certainly calls out for more extended theorization.

Mainstream theories in international political economy, sometimes labeled "liberal internationalist," need to engage more deeply the kinds

of structural theories suggested by Saskia Sassen, Claire Cutler, and the editors of this volume.[19] A plausible insight, however, does provide that mainstream with a promising starting point for future debate. The fragility of globalizing financial markets, occasionally glimpsed, and the evolving mandates of the international financial institutions now intimately linked to them draw attention to the fact that the public authorities lying beneath their surface seem now to require a high degree of cooperation among themselves if their ultimate regulatory power is not to prove illusory. If such cooperation fails, mainstream theories of international political economy suggest that the rise of fully privatized and self-sustaining markets of global scale would be a highly unlikely outcome. Future development of the concept of market authority in the era of globalization does not end here, but it could productively begin by taking such a position clearly into account.

NOTES

1 By bounding my analysis empirically, I do not preclude the possibility that the essential legitimation of private power can be construed differently, especially against the backdrop of broader conceptions of social space and political rule and their evolution over time. Some of the sociological work cited by my colleagues in this book, or of students of international regimes commonly referred to as strong cognitivists or strong constructivists, relatedly underlines the essential malleability of political identity over long historical periods. For useful surveys, see, for example, George M. Thomas, et al. (eds.), *Institutional Structure: Constituting State, Society and the Individual* (Newbury Park, Cal.: Sage, 1987); and Andreas Hasenclever, Peter Mayer, and Volker Rittberger, *Theories of International Regimes* (Cambridge: Cambridge University Press, 1997), ch. 5.

2 Some of the following develops material introduced in my "Capital Mobility and the New Global Order," in Richard Stubbs and Geoffrey Underhill (eds.), *Political Economy and the Changing World Order*, 2nd edn. (Oxford and New York: Oxford University Press, 2000), pp. 119–28.

3 For background, see Geoffrey Underhill, "Keeping Governments out of Politics: Transnational Securities Markets, Regulatory Cooperation, and Political Legitimacy," *Review of International Studies*, 21 (3) (1995), 251–78; Louis W. Pauly, "Capital Mobility, State Autonomy, and Political Legitimacy," *Journal of International Affairs*, 48 (2) (Winter 1995), 369–88; and Ian Hurd, "Legitimacy and Authority in International Politics," *International Organization*, 53 (2) (Spring 1999), 379–408.

4 See Craig N. Murphy, *International Organization and Industrial Change: Global Governance Since 1850* (New York: Oxford University Press, 1994); Louis W. Pauly, *Who Elected the Bankers? Surveillance and Control in the World Economy* (Ithaca, N.Y.: Cornell University Press, 1997); and Ralph Bryant, *Turbulent Waters: Cross-Border Finance and International Governance* (Washington, D.C.: Brookings Institution, forthcoming).

5 See Eric Helleiner, *States and the Reemergence of Global Finance* (Ithaca, N.Y.: Cornell University Press, 1994).
6 Henry Laurence takes the case forward into the 1990s in *Money Rules: The New Politics of Finance in Britain and Japan* (Ithaca, N.Y.: Cornell University Press, 2001).
7 See, for example, Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte, and Marc Williams (eds.), *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge: Cambridge University Press, 2000).
8 See Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (Princeton, N.J.: Princeton University Press, 1999).
9 See Thomas J. Biersteker and Cynthia Weber (eds.), *State Sovereignty as a Social Construct* (Cambridge: Cambridge University Press, 1996); and Rodney Bruce Hall, *National Collective Identity: Social Constructs and International Systems* (New York: Columbia University Press, 1999).
10 See James Boughton, *Silent Revolution: The International Monetary Fund, 1979–1989* (Washington, D.C.: International Monetary Fund, 2001).
11 G. John Ikenberry, "Rethinking the Origins of American Hegemony," *Political Science Quarterly*, 104 (3) (1989), 375–400; Ikenberry, *After Victory* (Princeton, N.J.: Princeton University Press, 2000); Anne-Marie Burley, "Regulating the World: Multilateralism, International Law, and the Projection of the New Deal Regulatory State," in John G. Ruggie (ed.), *Multilateralism Matters* (New York: Columbia University Press, 1993), pp. 125–56; and Ruggie, *Winning the Peace* (New York: Columbia University Press, 1996).
12 See, for example, Susan Strange, *Mad Money* (Ann Arbor, Mich.: University of Michigan Press, 1998). Jerry Cohen's 1998 book seems to move in a similar direction when he diagnoses a "new geography of power" in international monetary affairs. But one must separate out his comments on the supply side of money from the demand side. On the demand side, he sees a profound blurring of the nature of monetary power in many states. On the supply side, however, he depicts more conventionally a movement from a unitary monetary order to a tripolar or multipolar order – all entirely based upon traditional public authority. See Benjamin J. Cohen, *The Geography of Money* (Ithaca, N.Y.: Cornell University Press, 1998).
13 See, for example, Barry Eichengreen, *Toward a New International Financial Architecture* (Washington, D.C.: Institute for International Economics, 1999); Council on Foreign Relations Independent Task Force, *Safeguarding Prosperity in a Global Financial System* (Washington, D.C.: Institute for International Economics, 1999); Morris Goldstein, "Strengthening the International Financial Architecture: Where Do We Stand?," Working Paper 00–8 (Washington, D.C.: Institute for International Economics, 2000).
14 See Bryant, *Turbulent Waters*.
15 For a recent treatment of the underlying theoretical and policy issues involved, see Michael Th. Greven and Louis W. Pauly (eds.), *Democracy Beyond the State? The European Dilemma and the Emerging Global Order* (Lanham, Md., and Toronto, Ont.: Rowman & Littlefield Publishers and University of Toronto Press, 2000).

16 For development of this point in a related context, see Paul N. Doremus, William W. Keller, Louis W. Pauly, and Simon Reich, *The Myth of the Global Corporation* (Princeton, N.J.: Princeton University Press, 1998).

17 Highly relevant here is Stanley Fischer, "On the Need for an International Lender of Last Resort," *Essays in International Economics*, No. 220 (International Economics Section, Department of Economics, Princeton University, Princeton, N.J., November 2000).

18 Recall here Weber's classic understanding of political legitimacy as the belief that the authority to issue commands – to compel obedience – is matched by perceptions of an obligation to comply among the recipients of those commands.

19 Liberal internationalist theories within IPE are well reviewed and critiqued in Robert Gilpin, *Global Political Economy* (Princeton, N.J.: Princeton University Press, 2001).