

(Ideology and) the Right to Regulate

The readings for today's class, on "the right to regulate and global regulation," focus on loan conditionality (Kapur and Webb), 'relational rationality' (Ladeur), global finance (Scholte), and creeping expropriation (Catharine Yannaca-Small). Originally intended to focus narrowly on macroeconomic fiscal issues, the Bretton Woods institutions have in recent years 'discovered' that economic and political life are not discrete entities. Kapur/Webb and Scholte both acknowledge this development, but Ladeur maintains what I consider an untenable argument: that *homo economicus* is a rational actor *free from ideological constraint* and is thus comparatively unencumbered by political burdens. I outline Kapur/Webb, Scholte, and Ladeur's works, saving my criticism for the latter.

Devesh Kapur and Richard Webb's "Governance-Related Conditionalities of the International Financial Institutions" traces the rise of loan conditionality at the World Bank and the International Monetary Fund. Conditionality has progressed, they note, from the structural adjustment programs of the "Washington Consensus" to civil service reform (CSR) conditionalities. They cite as factors "aid fatigue, civil society pressures from borrowing countries, and epistemic changes driven by new research findings in political economy." (Kapur and Webb, 2)

Kapur and Webb go on to analyze World Bank experience. They cite attempts to reorganize goals and to integrate non-economist social scientists, as well as the technocratic-rooted failure of programs of civil service reform. The IFI's excessive reliance on outside experts—required, Kapur and Webb indicate, by the unrealistic time

windows the institutions set for themselves—necessitates such a technocratic outlook.

Finally, they focus on the judicial problem of informal contracts and informal methods of dispute settlement in poor countries, to which IFI's have trouble adapting. Furthermore, as Kapur and Webb note, the politicization of IFI conditionality of necessity "tarnish[es] the[ir] technocratic smock." (Kapur and Webb, 16) Ultimately, Kapur and Webb conclude that IFI GRCs threaten the institutional effectiveness and international fairness of the institutions themselves, (Kapur and Webb, 18) with the IMF in particular becoming more and more an instrument of shareholder foreign policy.

Scholte's description of the state of global finance is slightly less descriptive and more normative, but it seems a nonetheless accurate account. He begins by outlining the crises of modern finance: debt, foreign-exchange and securities volatility, and derivatives crashes. (Scholte, 3) Next he outlines the four conditions of 'globality': "internationality, liberality, universality and supraterritoriality" (Scholte, 5). Following an extended—and, for me, highly educational—laundry list of the major players and institutions in global finance, he documents the absence of regulatory control at the transnational level: a lack of competition has produced an unchecked "trend toward concentration and monopoly, which raises various issues of excess profits, reduced incentives to innovation, and consumer protection." (Scholte, 15)

Next come issues of efficiency, volatility, and social equity. 'Socially responsible investment' (SRI) is starting to promote ethical funds that are sensitive to human rights and ecological concerns, but the impact of such behavior is as yet miniscule (especially on the environmental front). Another issue of social equity concerns social access:

increased technocratic training in finance broadens the knowledge between the man on the street and the financial expert, creating an ever greater lack of public awareness. Again, work is being done by groups like ATTAC to address this issue, but it too is still in its infancy.

Scholte proposes three potential avenues of attack for forward-thinking change. First: modest reforms aimed at a “limited renovation of existing arrangements.” (Scholte, 21) Second: ambitious reforms seeking “new regulatory initiatives in the vein of global public policy for finance.” (Scholte, 21) Third: “full-scale social revolution” (Scholte, 22). Given the inutility of the first and the implausibility of the third, the second course of action is the obvious choice.

Moving on, Karl-Heinz Ladeur’s introduction to *Public Governance in the Age of Globalization* paints a broad canvas, with varying success. In a move reminiscent of Putnam’s work on social capital in early renaissance Italy, he describes globalization as a form of coordinated “relational rationality”, a “bottom-up...approach” which “create[s] self-stabilizing networks of inter-relationships from which expectations which help orient participants to develop trust can emerge” (Ladeur, 5). Ladeur focuses on the hybridity and dynamism of private network cooperation as an indicator of globalization beyond public international law.

So far, so good. Ladeur’s characterizations of environmental protection and the anti-globalization movement, however, are unjustified. His assertion defending transnational corporatism seems to belie, obliquely following Fukuyama, that ‘it’s only ideology when they do it’. In other words, environmentalism is termed ideological,

whereas private cooperation results from “the growing importance of the future-oriented strategies of enterprise as opposed to path-dependent search processes.” (Ladeur, 9)

Although his criticism—more environmentalism is needed that involves “rational strateg[ies] taking economic constraints into consideration” (Ladeur, 8)—is well taken, an environmentalist would respond that the problem isn’t that environmental protection is ideological, but that it is not the dominant ideology (for which see capitalism).

Finally, Ladeur’s critique of the no-global movement is also well taken, but it needs a strong caveat. The reason “fighters against globalization seem to be driven more by resentment than by reason” (Ladeur, 4) may be precisely because they “have not produced aggressive ideologies” (Ladeur, 3), and the reason for that inheres in the nature of the movement. Thus Ladeur’s critique is a telling diagnosis of the movement’s fragmentation, but nothing more. At the basic level, I relate to his ‘well-I’m-waiting-to-hear-a-better-alternative-from-you-guys’ frustration, but the anti-globalization movement—for better or for worse—is wary of totalizing and homogenizing projects of any stripe.