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**Institutions of International
Economic Governance:
Dynamics and Challenges**

Éric Brousseau

Jean-Michel Glachant

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Dauphine | PSL 
CHAIRE GOUVERNANCE
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This working paper offers a presentation of the *Oxford Handbook of Institutions of International Economic Governance and Market Regulation*, the table of content of which is also presented in its appendix page 20

Institutions of International Economic Governance: Dynamics and Challenges

Eric Brousseau (University Paris Dauphine-PSL)

Jean-Michel Glachant (European University Institute)

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Abstract:

The contributions to this handbook are embracing an actor-centric and dynamic perspective to approach the way the transnational economic order is shaped. They highlight a set of dialectical relationships among alternative patterns of economic governance. First, comes the opposition between market and hierarchy. Second, is the articulation between private and public governance. Third, comes the interplay between regulation and enforcement. Fourth comes the contrast between decentralized vs. centralized adjustment processes. The articulation between organizations-supported and interpersonal-networks-based governance is the fifth one highlighted. Sixth, the long-term persistence of local pragmatic designs is highlighted. Lastly, the standard hierarchy of norms and authorities is contrasted with a more “biological” approach of governance insisting on the multiple levels and principles of “regulation” of a complex ecosystem.

Keywords:

Adoption of Norms; Bottom-up Ordering; Decentralized vs. Centralized Adaptation; Inter-Governmental Negotiations & Trade Agreements; Interpersonal networks; Legal Ordering; Market vs Hierarchy; Private vs. Public Ordering; Regulation and Enforcement; Transnational Regime

Seven Dialectics

By the end of this journey across these many and diverse components of the governance arrangements shaping international economic activities, it should become clear to the reader why this handbook's editors, as well as its many contributors, did not try to embrace this complex and heterogeneous set of mechanisms, actors and dynamics through a fully integrated analytical framework. This collection of analytical case studies was established with the purpose of documenting in depth diverse aspects of global economic governance, as well as various perspectives about this; hence the articulation of contributions by scholars from a range of disciplines and referring to different schools of thought. The commonality among these contributions is that they are all embracing an actor-centric and dynamic perspective to approach the way institutions and organizations aimed at supporting economic activity and exchange are emerging and evolving. Attempting to propose a synthesis or to summarize all that we learnt would be doomed to failure. We believe, however, that it is useful to highlight a set of perspectives that could be helpful when considering the future of global economic governance.

Indeed, the contributions to this handbook can be approached through a set of dialectical relationships shaping the nature and dynamics of the global economic governance architecture. In each case we highlight (static and dynamic) complementarities among alternatives that are most often considered antithetical. In static, they co-exist, and players need both to adjust coordination resources to their needs. In dynamic, a given type might evolve toward the alternative. First, comes the (traditional) opposition between market and hierarchy. Second, is the issue of the articulation between private and public governance. Third, comes the less common idea that regulation and enforcement are alternatives. Fourth comes the contrast between two types of systemic adjustment processes: decentralized vs. centralized. The articulation between organizations-supported and interpersonal-networks-based governance is the fifth one highlighted. Another important feature lies in the long-term persistence of local pragmatic designs once they have been adopted, even if they are collectively sub-optimal. Lastly, the traditional vision of good governance based on a clear hierarchy of norms and authorities is challenged by a more "biological" approach of governance insisting on the multiple levels and principles of "regulation" of a complex ecosystem.

Market vs Hierarchy

In line with a major insight from institutional and organizational economics, the development of markets calls for an institutional infrastructure aimed at securing contractual relationships. In particular, this results from efforts to standardize most of the dimensions of trade (from merchandise quality to the terms of exchange) because this facilitates enforcement, and hence the predictability of parties' behaviors (Sgard, Accominotti & Ugolini). In addition, standardization brings transparency, which has a positive impact on competition and provides incentives for better performance in terms of the quality/cost of goods and services traded, and of transactional services. It erodes rents and reduces transaction costs, which allows more parties and, in particular, less sophisticated traders, to participate in the market.

These trends and the combination of effects have been observed and studied in various contexts and are a major source of productivity gains and, therefore, of economic development. (see, for instance North, 1990; Brousseau and Glachant, 2011). However, in the transnational context, the development of the sophisticated institutional infrastructure standardizing the terms of exchange, guaranteeing rapid and cheap enforcement of contracts, and regulating performance on the markets, is problematic due to conflicts of sovereignty among public orders. Thus, market infrastructures tend to rely on private solutions provided by intermediaries or coalitions of users.

When these transactional services are not provided, firms internalize the governance of their transnational operations, while they would have an interest in benefiting from cheaper, more flexible modes of governance: hence their incentives to contribute to the building of a transnational infrastructure for markets (Humphrey). Thus, as globalization develops, one observes first internalization followed by a movement of externalization. To a large extent transnational markets result from the accumulation of knowledge and experience within hierarchies and of the capacity of the latter to commoditize goods and services, and standardize transactions. As a result, markets, supporting the exchange of the most standardized (then commoditized) goods and services, are complemented by hierarchical organizational arrangements, or long-term cooperative ones, governing more complex, specific and innovative transactions.

As markets develop, less sophisticated traders are involved, which might call for public intervention aimed at protecting them against the most sophisticated/powerful players. The willingness of governments to level the playing field - by adjusting tariffs

and regulations - is a further driver of costs reduction, certainly impacting the volume of trade and the depth of the international division of labor, but the institutional infrastructure of exchanges is largely designed and operated by the economic agents themselves.

Articulating private and public ordering

Because of the existence of imbalances among national governments and among economic interests, the global governance landscape is irremediably polycentric and polyarchic. This explains why public and private ordering are so intimately intertwined. This is, above all, a question of alignment of interest. Even if private stakeholders are not directly accountable for the general interest, that is supposedly the driver of public action, they might be made conscious of it through a combination of public constraints and consumers' and competitors' pressure. This is also a question of complementarity. Public rulers and regulators need to benefit from the knowledge and means of corporations and traders. The endorsement of the initiatives and practices of the later by the rulers decreases traders' implementation costs. The contributions to this handbook document several crucial dimensions of these complementarities.

Humphrey, Stern & Vandenberg, and Young, in particular, show how the will to decrease transaction costs, to mitigate and spread risk, and to secure investments combine to convince private stakeholders to develop systems of efficient and open standards surpassing the scattered public ones; especially those from public rulers with scant governance capabilities or accountability. Indeed, corporations have an interest in leveling the playing field (at least for all their partners upstream and downstream) based on standardized services and transactions because competition among their upstream suppliers or downstream clients allows them to benefit from exit options in terms of commercial/industrial partners and from a vector guaranteeing fairness and compliance. In addition, it provides an escape from the heterogeneity of national standards, and the low quality of legal norms and standards of countries with weak governance capabilities. In turn, this might help these countries to import more efficient norms and practices, with a positive impact, both in terms of economic and institutional development (as documented by Swinnen and Kuijpers). Indeed, the domains under consideration far surpass the need to exercise control over the quality

supplied by subcontractors. Leveling the playing field for all stakeholders, to escape risks and opportunistic behaviors, as well as unfair competitive practices, leads to the promotion of norms targeting a wide set of objectives from quality management to human rights. These private decentralized initiatives might surpass the public ones in a number of domains, because of the many failures of the latter: from poor targeting and design, to delays in implementation, especially in the international realm, due to the multiple obstacles to sound transnational regulatory agreements.

The second dimension in which private ordering is particularly complementary to public ordering in the international context lies in the limit of the capabilities of enforcement of public entities linked to boundaries among jurisdictions. ¹Governments and judicial systems may be interested in leveraging the resources of private actors to become informed, check compliance and exercise sanctions. As highlighted by Priemel and others, corporations might play a strong role in contributing to compliance since, first, they would like to avoid judicial risk for themselves and, second, they have an interest in ensuring their competitors do not benefit from competitive advantages for non-compliance. Corporations tend then to develop systematic compliance checks both internally and vis-à-vis their partners. This occurs, however, only for issues that are sensitive, with respect to government and judges, or to media and public opinion.

The limit of private ordering lies in the fact that the potential immediate and important private benefits of non-compliance might undermine collective action or collective security as it is the case for financial activities. More generally, private governance's relative efficiency strongly depends upon the distribution of costs and benefits of compliance and of the externalities involved in the matter.

That said, governments, even the most powerful ones, increasingly rely on private enforcement because it considerably leverages their enforcement capability (cf. Mallard, Bruce Carruthers and Erin Lockwood, Elkin-Koren & Perel.) These public-private partnerships are challenging for liberal legal systems and principles, both because many democratic governments consider them a way to confront the current difficulties in governing in the international context where they face many veto players and channels enabling economic agents to bypass regulations, and also because non-

¹ Of course, this complementarity also lies in the fact that private orders need to be authorized, confirmed, sometimes anchored and often regulated by public authorities.

democratic governments are benefitting from increased means of social, political and economic control.

Oran Young, among others, proposes however a less pessimistic vision by pointing out that transnational regimes of governance can be implemented through this type of PPP. Despite their lack of capabilities and resources, inter-governmental organizations can trigger compliance by drawing upon the shared objectives of public actors and private commercial interests. For instance, he refers to standards for safety and quality for transportation companies that are complied with because of the impact of compliance on the insurance market. This results in multiple ad hoc specific agreements to address the complexity of issues, which yield outcomes, even in the absence of systemic optimization of the systems of norms and governance. This articulation of between public and private ordering, seems more promising than the popular approach of up scaling the design of local Institutions for Collective Action (ICAs) analyzed in depth by Tine de Moor. Indeed, the sustainability of these organizational arrangements depends upon, on the one hand, the economic benefits members can obtain—which, in turn, depends upon the additional aggregated value generated by the arrangements, and the balanced distribution of this surplus among members—and, on the other hand, on the ability to maintain involvement and adaptation thanks to inclusive governance mechanisms enabling members to “internalize” the solidarity among them. Those conditions are difficult to meet at the global level as spatial and cultural distance, as well as the large number and the diversity of stakeholders, tend to undermine any notion of community and interdependence and does not favor dialog and benevolent, mutual adaptation.

Ex-Ante Regulation vs Ex-Post Enforcement

Generally, scholars consider regulation and enforcement complementary, and even two sides of the same coin: rules imply enforcement mechanisms. What emerges from the contributions to this handbook - especially those by Buell, Kowacik, Priemel, Mallard, Soreide, and Weidemaier - is that regulation and enforcement can be considered alternatives. Indeed, regulations are difficult to establish, both domestically and, even more, internationally because of the cost (and delays) of reaching political compromises. Hence, some authority can decide to avoid the cost of agreeing on common rules, and unilaterally compel various categories of

stakeholders to comply with some principles it decides to impose. In practice, it plays on the liability principle and deterrence effect.²Of course, this ability to impose credible sanctions is unevenly distributed among players on the international scene: only hegemonic political powers or specific coalitions can replace negotiations with threats.

Interestingly, the exercise of this unilateral power of constraint is not always driven by a will to impose asymmetric regulations, or unacceptable rules. As pointed out by Priemel and Soreide, or Stern and Vandenberg, on the contrary, in many cases power asymmetries have been relied upon to impose pro-competitive norms, human rights principles or environmental good practices. Since the delays before reaching an agreement might result in resource depletion (in the case of environmental issues), the persistence of morally unacceptable situations (in the case of human rights), or simply a race to the bottom in the matter of norms of collective security or fair competition, unilateral action can be defended. Coalitions can be formed of the public, governments, and large corporations, to impose a combination of norms favoring, at the same time, economic efficiency, human and societal development, and a level playing field. Obviously, this comes at the cost of the sovereignty of less developed or powerful governments, or the weakest economic interests, and without consulting their constituencies to discuss and balance the hierarchy of their preferences with those of the aforementioned stakeholders. However, and in opposition with the conventional view, this is far from being systematically against the collective interest, or simply aimed at perpetuating inherited asymmetries.

There are, however, many drawbacks to the underlying logic of unilateral sanctions. First, whatever the authority deciding to impose its principles on other, even imposing principles that could be considered, at first sight, legitimate and in line with collective interests or shared moral values, the discretion of the de facto ruler tends to undermine the legitimacy of the sponsored norms and hinder adherence and compliance by those who did not have the opportunity to choose, or even accept, them. Indeed, the enforcer imposes its agenda, and even in some cases the personal preferences of a small group (cf the case study of Buell on U.S. prosecutors³). Nothing guarantees that the imposed solution triggers the highest collective benefits, even

² Mallard insists on the multiplication of "secondary sanctions" against sanctions-evaders.

³ In the case studied by Buell, what is interesting in addition is that it is not even the ideological preferences of the prosecutor that matter but, rather, his concern for his career. He chooses the wrong behavior to be sanctioned as a function of the potential effect on his reputation, which depends upon a mix of the stakes at issue, the identity of the defendant, and the nature of the infringement that is targeted.

that its benefits outweigh its costs of implementation, and of course a fairly distribution of costs and benefits. Second, unilateral action tends to undermine the rule of law. In practice, the transparency of the criteria applied to allege infringement, the defender's right to contest the judgment criteria (due process), the existence and accessibility of appeal mechanisms to control the motivations, the verifiability of the evidences on which the sentence is decided, are not guaranteed. This is true of private enforcement (e.g., Elkin Koren & Perel, and Malard). This might also be the case for public enforcement as access to judicial skills or to evidences might not be guaranteed. Third unilateral enforcement remains limited in scope. Enforcing sentences (whether from a public or private authority) is still circumscribed by jurisdictional boundaries. Even the American ability to exercise extraterritorial sanctions is limited by the potential reactions of other sovereign bodies, and also by the ability of private agents to conceal part of their actions. Private capabilities of sanctioning are also limited by the effective costs of exclusion from a given market or an essential resource; and, of course, by the effectiveness of such sanctions. More generally rulers' capabilities to sanction wrongdoers, are hampered by the de-facto veto powers of sovereign states. Thus, even if unilateral enforcement remains a lever which stakeholders may attempt to employ, its impact on transnational ordering dynamics remains open to question. On the one hand it might be a tool to push institutional reforms (e.g., antitrust) or to transform culture (e.g., corruption). On the other hand, it hinders the rule of law, the will to reach agreements, and the legitimacy of the supported order.

Decentralized Adjustment vs. Rational Design

With its focus on bottom-up processes of emergence and evolution, this handbook also illustrates the advantages and disadvantages of alternative processes of institutional/organizational evolutions. Since Aoki's study of the contrast between centralized vs. decentralized (A vs. J) firms (Aoki, 1988), the fact that decentralized systems are more agile than centralized ones, at the risk of inconsistent adjustments, is well recognized. A centralized system of governance might, nevertheless, be more efficient in managing adaptations when radical changes are needed. The (relative) advantages of centralized mechanisms of governance, hence of formal hierarchies, are also highlighted by the work of Greif on informal institutions that stresses the issue of coordinating a change of beliefs when informal, then decentralized, institutions

have to evolve because they are equilibria based on the convergence of stakeholders' beliefs (a point also emphasized in Aoki, 2001).

This is well illustrated in the contribution by Gulati, Choi and Scott who show how inefficient rules can persist, even in the context of competitive markets. There is no automatic and simple mechanism for rectifying errors in the way (sovereign debt) contracts are written, because the various stakeholders lack incentives to deviate from the standard contracting terms, while all players know that they favor opportunistic behaviors. The inertia stems from the fact that some do not bear the cost of misalignments, and others fear to send misleading signals if not sticking to the norm, and that some do not have incentives to remove (apparent) contractual warranties in their favor. The paper by White on credit rating agencies also calls attention to the fact that everybody continues to play by the same rules, although nobody considers them efficient. Within a nation state, political hierarchical institutions might overcome this type of collective action issue, since the ruler can implement changes, including radical reforms, aimed at switching to a new, hopefully more efficient, equilibrium. In a polycentric context, the lack of supreme authority, however, prevents actors benefiting from this potential recourse to political hierarchies to rectify the drawbacks of decentralized adjustments.

The contributions by Davies & Zhivitskaya, Herrmann-Pillath, Hoeckman, or Priemel, in particular, highlight the factors hindering the reaching of trans governmental agreements, and therefore the emergence of de facto authorities at the international level. First, comes the issue of national sovereignty and the ability of (national) communities to implement public policies. Second, integration has redistributive effects that might be difficult to foresee and for which it is hazardous to establish credible commitments in terms of compensations. Third, the differences in skills and the resources of national public bureaucracies impact the costs or the benefits of integration. Harmonizing capabilities could be extremely costly, while not proceeding on the matter would induce ex-post forum shopping and fraud. The combination of the three effects results in a lack of incentives to reach a collectively preferable equilibrium even when, as is the case for financial regulation or climate change, threats and the potential ways of mitigating them are well identified. Regional or trans-oceanic agreements are potentially easier to reach as the above-mentioned barriers might be less stringent, while interdependencies among stakeholders being larger, potential benefits are higher. Also, coalition among dominant players might be formed to overcome this inability to coordinate collective action at the global level as

illustrated by the management of financial crisis by central bankers (see Bourgeon and Sgard) or the governance of the Internet (Brousseau).

Formal/Inter-organizational vs. Interpersonal networks

This latter issue of incentive incompatibility among public/formal rulers is one of the reasons why more decentralized/informal processes of coordinating actions are essential in transnational governance. Indeed, individuals motivated by similar interests might coordinate across formal governance systems to bypass sovereign actors' inability to agree among each other, or to relinquish sovereignty in favor of a supra-national authority.

Formal mechanisms of governance are based on rigid norms establishing the boundaries of decisionmakers' mandates. The resulting decision-making processes are, therefore, characterized by procedures and formalism, which might translate into slowness, or even paralysis. They are also generally subject to scrutiny, either formal—like the process of ratification by parliaments, or the processes of appeal in the judiciary system—or informal, through diverse channels by political or economic competitors, NGOs, and public opinion; triggering offensive strategies by all types of veto players.

In contrast, several mechanisms which are crucial for settling rules and norms (e.g., Lazega), managing enforcement (e.g., Nappert), or deciding collective action (e.g., Bourgeon & Sgard, Davies & Zhuvitskaya), rely on high profile professionals articulating their competencies (and institutional authority) solely under the control of the social/professional elite to which they belong. The fact that decisions are made below the radar of public opinion or politicians is precisely the reason for the success of these mechanisms of governance, that prove to be well adapted, not only to last resort decisions to be made in an emergency, but also to the reconciliation of diverging interests at the core of political cooperation dilemmas, especially when innovation allow for an exploration of win-win solutions.

Yet governance by professional/interpersonal networks also has its limitations. First, their efficiency depends upon the alignment of these professional communities' incentives and the concerned individual interests of their members, with the collective goods. This is not guaranteed. One of the structural reasons behind this is that

intermediaries and transaction costs engineers, which are the potential agents of change, benefit from market imperfections in terms of transparency, competition, etc. They therefore have an interest in perpetuating their source of rents, and only the competitive pressure of alternative intermediaries might pressure these professions and elites to eliminate the sources of governance inefficiencies. Also, since there are no checks and balances, procedural guarantees, hierarchies of norms, or public scrutiny, informal decision making within elites—either in the form of private arbitrage (e.g., Nappert and Weidemaier), or in the development of legal standards within networks of judges and legal specialists (cf. Lazega)—do not guarantee convergence toward the collective interest or protection of rights of individuals, entrepreneurs or communities.⁴ Informality might thus perpetuate inequalities (Bourgeon and Sgard).

When these (informal) norms and mechanisms of adjustments have to be extended to all stakeholders—traders or nations—they must be formalized, and the informal process of collective decisions has to be transferred to permanent bodies. Then, there is, once again, the difficulty of settling transnational agreements and powerful inter-governmental governance regimes and regulations. This latter issue raises the question of the potential dynamic relationship between formal and informal transnational cooperation. Lazega and Kowacic, in particular, insist on the idea that informality is a way to converge toward more formal arrangements. In the case of competition policy, Kowacic suggests that informal coordination may trigger decentralized experimentation, identification of superior approaches, and opting in, opening the door to a more integrated formal economic governance. This is also the point made by Kauffmann in the case of cooperation among regulators. On the contrary, Davies & Zhivitskaya suggest that when transnational cooperation switches from the informal “below the radar” level among technocrats to formal negotiation among governments, it becomes difficult to reach an agreement. The two modes of governance tend to be seen as alternative options, rather than dynamically complementary... and, at the same time, the persistence of unsolvable conflicts of sovereignty justify the necessity to allow informal, below the radar, cooperation among national regulatory authorities in order to limit the burden of the missing harmonization.

⁴ “Ethical guarantees” steering individuals benefitting from considerable discretion, to make sure their decisions are driven by efficiency and fairness considerations, depend upon the persistence of the causes of self-discipline: the combination of relatively small networks—so that individual behaviors remain identifiable and verifiable—with an associated market structure allowing a profession to maintain a closed profitable business (however challenged by some contestants).

Local Agility vs. Collective Stability

Partly because of its inexorable bottom-up character, partly because traders need rules and institutions that persist over time, transnational governance is strongly characterized by long term (unintended) persistence of structural patterns resulting from short-term or local decisions and arrangements aimed at pragmatically resolving some concrete or urgent issue. Whether we are considering the role of the CRAs in the quotation of sovereign debts and national macro-economic policies (White), the persistence of *Pari Passu* clauses in sovereign debt contracts (Gulati, Choi and Scott), the globalization of the corporate liability principle in the post-WW II period (Priemel), the consolidation of the Internet governance arrangement (Brousseau), or the development of an international system of financial surveillance, initially to control nuclear proliferation (Mallard), current well-established formal governance regimes, endorsed by the laws of many countries and taken into consideration within international treaties, result from decisions and arrangements that were not aimed at constructing the pillars of a consistent global system of governance. Targeted or local (pragmatic) standards or mechanisms might become focal points or practical tools, yielding investments in human and physical capital by stakeholders resulting in both, powerful solutions, and institutional inertia, as it is the case in the dynamic of adoption and development of a technology (David, 1985). In addition, learning and adaptation can increase the efficiency of the adopted solutions as compared to (potentially superior) initial alternatives. These elements result in path dependency in which the first steps of the process of emergence are determinant in explaining the adoption of one particular solution, as opposed to others. A transnational governance mechanism's success might not stem from its intrinsic nature, but simply from its emergence at some point in history as a pragmatic and implementable solution which was then made available to the stakeholders, then adopted.

Since the polyarchic and polycentric character of global governance does not favor the building of international regimes on the basis of a rational, collective, process of optimization (mechanism design) supported by an agreement among sovereign entities, the bottom-up process of emergence of collective norms and governance principles results in consolidation of equilibria from which it is difficult to deviate. As a consequence, economic and political crises tend to constitute essential evolutionary opportunities.

Drivers of the evolution might however not be oriented toward the design of a global regime, and even less toward an integration with complementary regimes. Indeed,

the actual designers of local solutions to fix an issue tend to be pragmatic and focused on very specific, local, urgent problems to be able to implement a partial solution — a patch — which needs not only to operate but to be adopted/accepted by other stakeholders. By design, this is not reframing the whole system of mutually accepted principles and authorities. Moreover, decisionmakers are considering their immediate and local interest not contemplating the community of stakeholders at-large (cf. Pirrong). The resulting institutional arrangements may be ineffective, biased by the preexisting design that triggered the crisis, or reflecting the imbalances of power among stakeholders.⁵

On the one hand, this might result in critiques and actions that further undermine the governance solutions that are put in place. Davies and Zhivitskaya document this. On the other hand, new organizations and principles, once adopted by many stakeholders, —corporations and foreign governments— as pragmatic solution might be open to discussions and evolutions. Eric Brousseau highlights, for instance, how Internet governance has been permanently re-engineered to keep adopters in.

The strategy of promoters of any governance solution may be doomed to failure because success critically depends upon adhesion by other stakeholders. The latter have the ability to refuse to adopt, and then prefer the status-quo, or contribute to the development of an alternative solution and coalition. Hence there is a need to reply to their demand for efficient, and if not unbiased, “acceptable” mechanisms. The strategies of governance arrangements promoters, as those of the potential adopters, make it difficult both to predict the future evolution of the promoted solutions and, of course, to control all of them. They are deeply depending upon the way the various players consider the costs and benefits of alternatives, of the strategic reactions of the various players and coalitions, and of the circumstances. As in the case of competition among technologies, “small events” occurring at the beginning of a process of development of competing solutions might have a strong influence on the trajectories of alternatives (Arthur, 1994). Also, coalitions can form to externalize the burden of the issue to be fixed, preventing to treat the cause; as well illustrated by the way financial and environmental risks are often dealt with. Unchecked competitive process of collective regulation implementation might therefore miss the claimed target.

⁵ The biases are simultaneously cognitive - the expertise is framed by the institutions/agencies in place -, organizational - the existing arrangements strategically act to perpetuate themselves - and institutional - the institutional tools in place are immediately operable.

Neo-Liberal, Postmodern vs. Liberal, Westphalian Governance

The usual approach of global governance relies on the assumption that the issue for the emergence of a renewed international order is to scale-up the national system of governance with its hierarchy of judicial norms and political authorities, and the distinction between the civic and economic realm and the political one; the latter being in charge of uniting the former in order to allow an integrated (national) economy and society to perform. Then, the focus is on whether there is potential evolution toward integration (either political or, *a minima*, legal) or whether the world is irremediably fragmented across nations and geopolitical alliances. Many contributions to this book stress instead that we are witnessing a combination of a post-modern/neo-liberal society based on individuals and organizations linked by different types of networks belonging to fuzzy sets—in the sense that individuals refer to and belong, at the same time, to several orders constructed along heterogeneous lines, with the persistence of traditional, though crisis ridden, hierarchical and formal legal orders and political systems. As pointed out in particular by Herrmann-Pillath, in this type of world, the notion of the common good is difficult to conceive because the process of aggregating preferences is biased by a partial system of representation, starting with the fact that national authorities are supposed to represent the general interest of their citizens, although they represent, at best, the interest of a majority of them, and often reflect only the preferences of the most vocal or powerful.

One of the central proposals suggested by this book's contributions is to change our perspective on this issue. Notably, Horatia Muir-Watt explains why post-modern/post-democratic societies are inherently fragmented into communities that refer to their own normative systems without recognizing transcendental norms (and hierarchies) that would themselves apply to the entire social order. This is the consequence of the extended liberalization by which individuals can freely choose the pragmatic way of coordinating with others as long as it does not hurt them. This directly contradicts the logic of the Westphalian order in which the law is state based and establishes in each jurisdiction the boundaries between the public and the private sphere, and the rules to be applied in the private sphere. In the neo-liberal world, individuals construct public-private boundaries and governance regimes within the private sphere. Pragmatic bilateral rules emerge, although in a non-comprehensive and inconsistent way, yielding to a demand for coordination and arbitrage.

Paul Shiff Berman, for his part, claims that it is nonsense to try to refer to or build universal/true/intrinsically correct legal norms that would allow for the management

of these arbitrages. He reminds us that any norm is intrinsically linked to a context (of elaboration, of use). Thus, norms simply reflect the diversity of human activity and beliefs, as language or technical norms do. Instead, therefore, the legal order should be considered a system of deliberation rather than a system of common norms. Deliberative systems contain conflicts and violence, more than they provide optimal/legitimate coordination and solutions.

Consequently, both these contributions and many others suggest that we should turn our attention to developing workable procedures, institutions, and discursive practices for managing multiple jurisdictional assertions by state and non-state actors alike.

In that sense, the process of building the European Union could be considered a stimulating laboratory. Andrea Renda, Lucila de Almeida and Jean-Michel Glachant also analyze how constraints to mitigate the possible shortcomings of decentralization, and most notably enforcement and compliance monitoring, incentivized public regulators and market players to cooperate and mutualize their capabilities in an attempt to build a more integrated market governance. The emergence of a renewed international order might, thus, be depending both on the ability to scale-up local systems of mutual commitments ensuring compliance, and on the extension of shared cognitive frameworks.

The Future of Global Economic Governance

Reaching the end of this journey and contemplating the most salient trends in contemporary international relations, it seems that the future dynamics of global economic governance will crucially depend upon the way several issues will be handled, both through domestic politics and diplomatic strategies. First comes the question of the strategy to be followed by the most powerful nation states—especially the U.S. and China—that seem to hesitate between unilateralism and efforts to get back to international multilateral agreements. Second, as the multilateral organizations of the post war period face a serious existential crisis, the issue is whether the international system of intergovernmental governance will be composed of simple mechanisms of arbitration among sovereign states, or whether new capabilities of multinational governance will be developed to tackle challenges like

the climatic or public health issues. Lastly, the question of the fragmentation of the system of global governance into several systems of governance organized around candidate hegemony is raised by the strategy of a handful of powerful countries.

Of course, these issues are crucial for global governance in general, beyond economic governance alone, and depend upon debates and competitive processes deeply rooted in cultures and identities, sometimes far removed from any economic logic. This is why they are difficult to anticipate since so many interrelated dynamics are at play. In any case, merchant and transaction cost engineers/craftsmen will allow trade, financial flow and the movement of human capital to continue. The shaping of the transnational system of economic governance, which will result in a degree of consistency, conflictuality and organization, will impact the level of transaction costs, openness to innovation, the degree to which scale and specialization effects will be available, and the ability to manage ecologic equilibria and political sustainability. The authors of this handbook hope that their contributions will help to clarify these interdependencies of local arrangements and collective choices at the national and international levels.

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Appendix:

Table of Content of the Oxford Handbook of Institutions of International Economic Governance and Market Regulation

edited by:

Eric Brousseau (University Paris-Dauphine - PSL University), Jean-Michel Glachant (European University Institute) and Jérôme Sgard (Sciences-Po Paris)

Introductory Chapter

Eric Brousseau & Jean-Michel Glachant | University Paris-Dauphine - PSL & European University Institute

A Bird's-Eye View of the Institutions of International Economic Governance

I. The (Micro) Foundations of International Markets

Place Based Exchange Platforms

Olivier Accominotti & Stefano Ugolini | London School of Economics & University of Toulouse

Trade Finance in the International Economy: Market Structures, Institutions and Governance from the Origins to the Present

Jerome Sgard | SciencesPo, Paris:

The Simplest Model of Global Governance Ever Seen: The London Corn Market (1885-1930)

Barry Weingast | Stanford University:

The Expansion of Long-distance Trade in the Middle Ages: Adam Smith on the Town's Escape from the Feudal Equilibrium of Violence and Low Growth

Organisations shaping markets

Brian Silverman | U. Toronto, Rotman School of Management,
Markets for Knowledge: Intellectual Property, Organizational Arrangements, and International Governance

John Humphrey | School of Business, University of Sussex
Transnational Business Governance through Private Standards

Johan Swinnen and Rob Kuijpers | KU Leuven:
The Governance of Global Agri-Food Value Chains, Standards, and Development

Private and Public Ordering Interplaying

Sophie Nappert | 3VB Transnational Dispute Settlement:
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2. The Challenges of Compliance

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Postscript

Eric Brousseau & Jean-Michel Glachant / University Paris-Dauphine – PSL &
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Chaire Gouvernance et Régulation
Fondation Paris-Dauphine
Place du Maréchal de Lattre de Tassigny - 75016 Paris (France)
<http://chairgovreg.fondation-dauphine.fr>