

mutual goals. Liberalization has accelerated since the 1980s with governments the world over adopting policies which integrate their economies more closely into the world economy. For some countries this is more of a genuine 'choice' than for others who have liberalized under intense pressure from bilateral donors, and international institutions such as the WTO, the IMF and the World Bank. A revolution in technology and communications has fuelled change, making it easier for market actors, companies, non-governmental organizations and the like - not to mention criminal gangs - to operate transnationally.

The global economy is one in which policy-makers and their constituencies are less sure of what can be managed in the world economy and how. In the face of both new opportunities and threats, people across the world are beginning to focus more on governance in the world economy. Policy-makers worry that they are losing yet more control over their own economies and policy choices as key policy instruments seem to dangle just out of reach. They are turning increasingly to regional or international institutions in the hope that coordinated solutions will provide some respite.

On the streets, however, critics argue that policy-makers are wrong to seek refuge in international institutions. They argue that in so doing, governments are removing key decisions from the people and deciding them in a secretive and undemocratic way. At the popular level, we see this argument in the actions of protesters venting their fury on international organizations like the WTO, the IMF and the World Bank. Protesters accuse the international institutions of accelerating globalization primarily (if not purely) in the interests of big business. For this reason, globalization, injustice, and international fora have become synonymous and targets of an anti-globalization movement. The serious point here is that more issues are now being dealt with at the international level, posing a sharp question as to whether existing institutions of governance adequately represent the wide range of people and countries they now affect, and whether the agencies are adequately accountable to those they affect.

Before moving to discuss specific institutions and their reform, it is worth stepping back and considering what kinds of governance are emerging in the world economy. This helps to identify the kinds of institutions which can be drawn upon in managing a new global economy.

Four models are presented below: US unilateralism; multilateral institutions; networks of experts; global democracy. The discussion highlights the way the world economy is now managed not just through government-centred institutions but also through market-oriented networks. At the same time, while all forms of global governance are now largely dominated by the United States (both government and private sector actors), the post-cold war embrace of democracy has fuelled new idealized visions of a global democracy. These models are worth examining in order to analyze their effectiveness as well as their legitimacy.

US leadership or unilateralism?

One strand of governance, currently dominating debate amongst analysts of world affairs, is the role, or better said the nature of US leadership. In the wake of the financial crises mentioned above, one strand of response was more US-unilateral than multilateral. Indeed, when the US Congress debated whether or not to allocate more resources to the IMF in 1997-1998, they made their approval conditional on the creation of an International Financial Institution Advisory

Rather than chip away with ideas about efficacy and accountability, perhaps the time has come for an avowedly political approach to reorganizing multilateralism which puts all the politicized elements of organizations on the table and creates new bargains about apportioning the following benefits:

- the location of the headquarters (where the institution will be based accrues many spin-off advantages)

- locations of other parts of the organization

- headship of the organization (from which countries/region?)

- senior posts in the organizations

- decision-making rules (in whose favour) and capacity to veto decisions (who has the right?)

- seats on the governing Council or Board (how apportioned, who do they represent, how are they accountable?)

- voting rights of each member

- financial structure (who pays what to which part of the organization and at the behest of what kinds of political conditionality or agreement)

Cooperation among states

A second strand of governance which has played a central role in managing the new strains of globalization involves strengthened and institutionalized cooperation among governments. We have seen a new emphasis being put on institutions such as the IMF, the BIS, the World Bank, and the WTO, in the hope that through multilateral negotiation and technical expertise, solutions can be found to new vulnerabilities and these can be implemented through these agencies.

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altogether wrong. In reality, representation and accountability have always been weak in these institutions. Now, however, the weaknesses are glaring because the institutions are being called upon by their powerful members to intrude much more deeply into areas which were previously the preserve of national governments. The IMF and the World Bank now seek to ensure 'forceful, far-reaching structural reforms' in the ec

Networks of experts

A new strand of governance in the world economy draws upon less institutionalized forms of regulation and rule-making - the emergence of so-called 'networks' of market actors and governments in different combinations who enjoy the flexibility, expertise and a shared mind-set so as to be able to forge the kinds of rules and institutions which are necessary in a modern, globalizing economy. One (albeit rather state-centred and institutionalized) example is the Financial Stability Forum which brings together representatives of the G-7, the IMF, the World Bank, the Basle Committee on Banking Supervision, the International Organizations of Securities Commissions, the International Association of Insurance Supervisors, the BIS, the OECD, the Committee on Payment and Settlement Systems, and the Committee on the Global Financial System (formerly the Euro-currency Standing Committee).

The membership of the Financial Stability Forum highlights the great variety of institutions which has emerged in the international financial system, including networks of regulators and supervisors. An example of a more exclusively market-based network is the International Accounting Standards Committee (IASC), a London-based voluntary group of private-sector accountants primarily drawn from OECD countries. In a recent study, one scholar has detailed the way in which this market-based group edged out inter-governmental efforts to promulgate accountancy standards and subsequently became the key actor in standard setting in the global regulatory regime, with explicit recognition of this role being given to the group and its members by the G-7, the IMF and the World Bank in 1998 (Martinez, 2001).

The democratic legitimacy of 'network governance' relies on a new way of conceiving of democracy which some describe as 'deliberative democracy' which shifts the focus from the 'inputs' of the decision-making system (i.e. elections and representative government) to the

The significance of who controls networks lies in the content and impact of their work. The FSF has been working on three issues: capital flows, off-shore financial centres, and highly-leveraged institutions (see www.fsforum.org). All three have a direct impact on developing countries who are vulnerable to the systemic risks and issues involved, and some of whom will be directly affected by regulation in this area, such as that which would reduce offshore financial activities upon which some small developing countries rely. Likewise, the work of the IASC feeds into the assessments of investors, multilateral institutions, and bilateral donors upon whom developing countries rely. Doubtless all these issues needs investigation. Some could benefit from standards, others from regulation. However, the participation and commitment of 'recipient' states will be required to implement the findings of the FSF or the standards of the IASC and here there is a question of whether this is to be achieved through coercion or cooperation. Some would argue that participation in deliberations from an earlier stage make cooperation more possible, and a satisfactory and sustainable solution more likely.

Network governance has an important contribution to offer in managing the world economy, bringing as it does, considerable and varied expertise on increasingly complex issues. However, even in seemingly technical areas such as accounting standards, the nature and choice of outcomes are affected by the interests of those who control the process. In essence, network governance proposes substituting expertise for democratic accountability. The problems with this argument have been aired in popular concerns about the lack of accountability of the European Central Bank. These problems magnify when network governance is expanded to encompass wider policies which have the potential to create yet larger groups of winners and losers. This is not simply a normative problem. Strong public reactions against an institution or policy (or simply a lack of 'buy-in') can quickly render it powerless.

Expertise and consensus-building need to be distinguished from accountability. Where the deliberations and consensus of a group produces the basis of policy directly affecting other groups, the mechanisms of accountability of decision-makers - for what they are accountable, to whom, and how is that accountability enforced - need to be clear. This may be relatively simple in the case of a Central Bank with a narrow mandate which is easily monitored. However, democratic decision-making can seldom be purely 'output-oriented'. Most policy needs substantial 'buy-in' to be effective.

Global democracy

Perhaps the most radical proposal for governance in the global economy is made by those who argue that globalization presents us with the opportunity - if not the need - to establish a more global democracy, or at the very least to enshrine human rights as the corner-stone of governance. From the bottom-up this means expanding the ways people can participate in decisions which affect them, and how they can shape and hold international institutions accountable. In recent debates we see this expressed in arguments for 'mainstreaming human rights', for improving the participation of NGOs, for ensuring that development strategies are empowering (see WDR 2000), and in a new questioning about how to enhance voice and accountability in economic decision-making (see framework of HDR 2002).

The real tension for the global democracy advocates lies in how they justify tradeoffs between

means and ends. The global democracy case typically includes both a strong case for the implementation of a universal set of moral values - a 'law of peoples' - and a clear set of principles regarding the nature and composition of implementing institutions (Held, 2001). However, in implementing the human rights agenda, some advocates heavily privilege the ends over the means. In other words, they propose that existing institutions such as the IMF, the World Bank, and the WTO, however unfairly or unaccountably constituted, should be used to push a further agenda of conditionality in the area of human rights. Their critics argue that this smacks of imperialism, pointing out that international institutions already have too much power vis-a-vis their developing country (borrowing) members and are too unaccountable and too unrepresentative to impose further conditionality. The implication is that advocates of global democracy through a human rights approach need carefully to distinguish their argument from, say the unilateralist assertions of the US Congress. Using effective power and leverage to achieve 'good' ends casts profound questions not just about whether the ends are appropriate but equally as to whether there will be unintended consequences (which may cancel out the 'good' ends). This is not to say that might and right are always at odds, but rather that advocates of this position have carefully to pick their way into this argument.

One solution proposed by advocates of global democracy is to reform from the bottom-up as well as from the top-down by creating a new over-arching political institution - such as an Economic and Social Security Council - which would oversee and monitor the work of the IMF, the World Bank, the WTO and all other institutions of global economic governance, holding them accountable to particular human rights goals (Commission on Global Governance, 1995; Stewart and Daws, 2000). Such an ESSC would be more representative and accountable than the existing institutions, hence mitigating some of the means/ends problems discussed above. However, an ESSC would not necessarily mitigate the more powerful sense of political alienation and powerlessness currently being expressed in the anti-globalization movement.

In summary, as a set of ends or goals it is difficult to see by what means global democracy might be brought about. As a process, it is hard to envisage a form of global democracy that might overcome the sense of political alienation lying at the heart of public scepticism about globalization.

No! But it can be more 'legitimate'. It is important to consider both 'top-down' and 'bottom-up' legitimacy. An Economic and Social Security Council might confer greater top-down legitimacy if it could conform to principles of adequate representation and accountability (as set out above, see Box 2). 'Bottom-up' legitimacy, however, requires a closer political connection between the governors and the governed: global institutions and citizens of nation-states.

Principles derived from the emerging forms of governance

Overall, the above discussion of emerging governance highlights three principles which should guide our consideration of new or reformed international institutions for 2020. These are:

1. Local democracy (or a new version of 'subsidiarity'): decisions should be made and implemented at as local a level as possible, since global institutions have the least potential to fulfil the requirements of democracy. This is particularly important in responding to the public

angst and alienation from global economic governance. Do new institutions and the roles ascribed to them meet this criteria?

2. Representation: global institutions should adequately represent all their member-shareholders, as well as ensuring mechanisms by which those most directly affected by the decisions of the institution have some voice in decision-making.

3. Accountability: minority shareholders without recourse to formal decision-making should be able to hold global institutions to account; to different degrees so should other affected parties.

Globalization demands strengthened coordination, a better institutional response, or new institutional arrangements in a number of areas a few of which are highlighted below. It is worth now looking at the new exigencies which international organizations are being called upon to manage. In each case, we might measure up (against the above principles) the necessary institutional developments.

The debate over how to manage financial crises has shifted dramatically in the last decade. At the

these markets. Banks have now been joined by investment houses, security brokerages, hedge funds and asset managers in the new financial crises.

At the same time policy-makers (and their voters) have become increasingly aware of the unfairness of the 1980s 'adjust and continue to pay' model. In using the IMF to sponsor and enforce adjustment in debtor countries, G-7 policy-makers have too often let creditors off the hook. In the early 21st century there is a new determination to ensure that the burdens of bad loans are shared by investors and borrowers alike. A more equitable or symmetrical debt workout requires not just public financing to 'tide over' the debtors and creditors whilst debts are rescheduled, but legal arrangements which permit a 'standstill' (a freezing of all parties' commitments), and an arbitrator of some kind to make impartial judgements as to what constitutes a symmetrical apportionment of losses and adjustment. Several proposals have been made in this regard.

The WTO is also now the target of protests which demand that it be more participatory, open and equitable. The protesters are right in pointing to severe limitations in the WTO in these regards (see Woods & Narlikar, 2001). For this reason, the reforms below are advocated as part of a 2020 vision.

A focussed free trade agenda needs to be imposed on the industrialized members of the WTO so as to ensure that liberalization in agricultural products and a full retraction of the MFA occurs before any `new issues' are added.

Developing countries need better advocacy in the WTO's dispute resolution functions, as argued in the Zedillo Panel Report which proposes legal aid for the smallest and poorest countries.

Better representation of developing countries is also required within the informal mechanisms of decision-making which dominate the WTO. Here clearer processes of consultation and mechanisms of transparency and accountability would be advantageous, at the same time as better informed and better organized group bargaining by developing countries.

This proposal clearly rejects calls for `constitutionalizing' the WTO or moving towards a more `expert' and `output-oriented' characterization of the organization and its various arms on the grounds that the items above are pre-requisites for any such move.

The UN/Zedillo Panel Report propose a reestablishment of ODA targets and the reaching of those targets as well as a new approach and content to conditionality, and to the provision of public goods through common pools of resources. (UN/Zedillo Panel Report, 2001) These proposals hint at a vision of a future in which donors are more coordinated, and in which development funds might be more efficiently channelled.

At least three elements of the institutional framework should be developed:

- further trade liberalization through a refocused WTO;
- commodity price insurance or protection for dependent countries who can be wiped out by fluctuations in global commodity markets (the World Bank should develop this);
- rationalization of debt relief and better independent monitoring of creditors and aid-givers.

One aspect of the globalizing economy which has only just begun to receive the attention it deserves is the need for global tax coordination. Individuals, corporations, hedge funds and international criminal organizations can all exploit globalization so as to avoid a plethora of responsibilities. Taxation is one of them and is particularly significant if states are to maintain the capacity properly to govern their own economies.

The UN/Zedillo Panel Report proposes study of an International Tax Organization. This idea should be further explored and elaborated.

Others will surely focus on this. Obviously proposals abound for more global coordination and cooperation on climate change and economic incentives/sanctions related to the mitigation of environmental degradation. The UN/Zedillo Panel Report proposes a Global Environment Organization (including a carbon tax-collecting capacity: UN/Zedillo Panel Report, 2001).

But can a global strategy substitute for local strategies? In the wake of the US refusal to ratify Kyoto, various scholars highlighted the Pyrrhic nature of the treaty if it were not followed up with local level initiatives, funding and progress on these issues (Victor, 2001). Here there is a danger of overlooking the subsidiarity issue - necessary not for legitimacy but for basic effectiveness.

Anarchists and vandals aside, the anti-globalization movement poses two serious challenges about governing the global economy which many other commentators have expressed in less newsworthy ways. The first challenge is for politicians and policy-makers to spell out their endgame, or at least their assumptions, about globalization. The second is to turn their minds to

