Multilevel Economic Governance through Subsidiarity: Remodelling the Global Financial Architecture

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commitment by individual states to the maintenance of a stable world economic regime and the absence of formal international rules to guide state action.⁵ In essence, the Bretton Woods system (BWS) was a financial and monetary regime whose main pillars included the twin international financial institutions (IFIs) of the World Ba

It is the post-Bretton Woods international financial architecture that is under scrutiny today by many economist and political analysts. What are the structural weaknesses and flaws of this edifice? One only has to look at the string of bank failures in the 1970s and 1980s, the debt crisis of the 1980s, the Mexican peso devaluation in 1994/95, the Asian financial crises of 1997/98, falling rates in profits in the productive sphere to realise the overall crisis in global capitalism. These symptoms are indicative of a set of larger problems, i.e. the failure of international economic governance in a world gripped by the intensification of the globalisation phenomenon, and the need for a remodelling the extant international financial structural design into a truly global and multilevel economic architecture.

The Impact of Globalisation and the Emerging Structure of Global Financial Governance

The collapse of the BWS coincided with the advent of intensification in the processes of globalisation. Much has been written about the phenomenon of globalisation so it is not necessary to regurgitate the various positions on this subject. Suffice it to say, as Camdessus does, that globalisation brings with it both opportunities and risks. Like a two edged sword, the impacts of 'hyper-liberal' globalisation has been both positive and negative. Since the 1980s, many countries have realised the benefits of globalisation.

Apart from the main industrialised countries, countries like Chile, India, Poland and Turkey joined the newly industrialising East Asian Tigers in efforts to integrate their domestic economies more firmly into the global economy. They were able to attract significant foreign investment and take advantage of the technological advances that accompanied the intensification of the globalisation phenomenon. Some of thes.5v55.2Tj99.98 0 0 10.98 262.475had exp794 g(Like a two edged swo

the IMF and the World Bank Group. In these institutions, "formal voting power is determined by a formula assigning primary weight to economic strength with the result that their governance is, by far, the least democratic of the major multilateral bodies." The US also retains its "blocking" voting power in the principal decisions of the Bretton Woods institutions.

This democratic deficit is even greater in most of the newer institutions and regimes of international financial governance such as the G-7, the G-10, the BIS, the OECD, and the G-20. Germain argues that there is a new principle of inclusion at work in some of these newer institutions. However, if one examines them

It would be useful if by the year 2020 all of the institutions within the global economic architecture could adhere to the principle of democracy in their policy-making process. There ought to be a number of Consultative Councils (CCs) created at every level of governance in which serious discussions and discourses can be held regarding changes to the global economic architecture. The input must come from all levels if the add-ons to this architecture are considered legitimate.

Conclusion

Essentially, the above blueprint for a new global economic architecture is not all that radical. It does not call for a dismantling of the existing international financial structure. Instead, it opts for remodelling, albeit paying specific attention to principles of democracy, inclusion, transparency, and accountability. After all, no attempt at creating such an architecture would be considered legitimate today if all of the players involved in global governance, in one capacity or another, did not have some say in how this arch