Global Governance in Crisis

Edited by
André Broome, Liam Clegg and Lena Rethel

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Global Governance in Crisis

New practices and institutions of global governance are often one of the most enduring consequences of global crises. The contemporary architecture of global governance has been widely criticised for failing to prevent the global financial crisis and Eurozone debt crises, for failing to provide robust international crisis management and leadership, and for failing to generate a consensus around new ideas for regulating markets in the broader public interest. *Global Governance in Crisis* explores the impact of the global financial crisis of 2008–2009 on the architecture and practice of contemporary global governance, and traces the long-term implications of the crisis for the future of the global order. Combining innovative theoretical approaches with rich empirical cases, the book examines how the impact of the global financial crisis has played out across a range of global governance domains, including development, finance and debt, trade, and security.

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Global Governance and the Politics of Crisis

ANDRÉ BROOME, LIAM CLEGG and LENA RETHEL

The notion of global governance has always been intimately linked to that of crisis. In recent crisis episodes the architecture of global governance has been held responsible for weak or ineffective regulatory mechanisms that failed to either prevent systemic crises or to at least give an "early warning" of impending disasters, while in other episodes global governance institutions have been blamed for poor crisis responses and management. Global governance institutions have also been blamed for failing to expand the scope of their jurisdictions to incorporate new systemic risks and new market players, as well as for their inability to adapt to new political, economic, social and environmental challenges. The framing article for this special issue on "Global Governance in Crisis" examines four key features of global governance in the context of the global financial crisis: (1) the dynamic role played by ideas in making global governance "hang together" during periods of crisis; (2) how crisis serves as a driver of change in global governance (and why it sometimes does not); (3) how ubiquitous the global financial crisis was as an event in world politics; and (4) the conditions that constitute an event as a crisis. Due to the complexity and institutional "stickiness" of the contemporary architecture of global governance, the article concludes that a far-reaching overhaul and structural reforms in global governance processes is both costly and improbable in the short-term.

The notion of global governance has always been intimately linked to that of crisis. In the post-World War Two period, the decision to seek solutions to a range of domestic and international problems at the global level and subsequent efforts to create organisational blueprints to underpin these arrangements—most famously at international conferences such as those of Bretton Woods and Dumbarton Oaks—was a direct response to the economic turmoil of the 1930s and the cataclysmic wars of the first half of the twentieth century. Indeed, the period since then has been characterised by the proliferation of global governance institutions. At the same time, however, claims of a crisis in global governance have been repeated at an accelerating pace, especially following the breakdown of the Bretton Woods exchange rates system, the oil shocks and the rise of global finance in the early 1970s. If we look at global financial governance in particular, it seems as if crisis has been the norm rather than the exception, which is illustrated by the string of financial crises in both the developed and developing world in the 1980s and

*The authors wish to express their gratitude to the reviewers of this special issue.

1990s.[1] Unsurprisingly, these crises have also led to heated debates questioning the efficacy and legitimacy of contemporary forms of global governance.

In each of these crisis episodes, part of the blame has been sheeted home to global governance institutions. In some cases, the existing architecture of global governance has been held responsible for weak or ineffective regulatory mechanisms that failed to either prevent systemic crises or to at least give an "early warning" of impending disasters, while in other episodes global governance institutions have been blamed for poor crisis responses and management. More recently, we can also add to this litany of allegations that global governance institutions failed to expand the scope of their jurisdictions to incorporate new systemic risks and new market players, and more generally their seeming incapacity to adapt to new political, economic, social and environmental challenges. Indeed, with the benefit of hindsight the latter half of the twentieth century seems simultaneously to have been both the era of "global governance" and the era of global governance *crises*.

This trend has continued apace into the new millennium. The first decade of the twenty-first century was characterised by landmark governance failures at multiple regulatory levels, such as the bursting of the internet bubble in 2000, the Argentine debt crisis in 2001–2002 and global asset price bubbles, including booms not only in residential property but also in key commodities such as oil and foodstuffs. These events culminated in the US sub-prime crash in 2007 that gave way to the global "credit crunch" of 2007–2008, turning into a wholesale "global financial crisis" in 2008–2009, with the latest twist in the tale being the rapid transformation of the private sector financial crisis into a public sector fiscal crisis with unprecedented levels of sovereign debt in many economies (especially in Europe).

Despite (or perhaps as a consequence of) lacking many of the levers of hard power—and the broader social legitimacy—available to most national governments, global governance institutions often carry the blame for (responses to) global catastrophes. In this respect, the global credit crunch was a singularly dramatic event in world politics. The revelation that, far from being the product of a perfect science, measures of value in complex financial systems were subject to sudden fluctuations—and sudden fluctuations of an almost incomprehensible magnitude—came as a shock to market actors, regulators and governments alike across the industrialised world. Likewise, the speed and vigour with which problems in financial markets fed through into the real economy and spread around the globe caught almost all observers off guard. Although it is already common to speak about the global financial crisis (GFC) in the past tense, we are very clearly still living through the consequences of the bursting of what had become a particularly large bubble. Attempts by state actors to step in to plug banks' liquidity gaps and to provide stimulus spending have been followed by a widespread reframing of domestic policymaking as being, to borrow a favoured phrase of the UK Chancellor, squeezed by the "nation's credit card bill". In the light of this disciplinary pressure, politicians of all

1. These include the international debt crisis of the 1980s; the 1987 Wall Street crash and more generally the late 1980s and early 1990s savings and loans crisis in the US; a series of debt crises linked to the post-communist "transition" in the early 1990s; the Exchange Rate Mechanism (ERM) crises of 1992; the 1995 "Tequila" crisis in Mexico; and the Asian financial crisis of 1997–1998 and its spread to Russia and Latin America at the end of that decade.

stripes have picked up the mantra that "there is no alternative" to public sector retrenchment, and a new "age of austerity" has dawned (in recent memory a comparatively new experience for much of the developed world, but a familiar experience for most developing countries).

Although there is a broad spectrum of opinion on the issue,[2] the high water mark of the GFC can be drawn somewhere between September 2007, when the crisis visibly broke onto UK shores with the run on Northern Rock, and September 2008, with the collapse of US investment bank Lehman Brothers and the bailout of American International Group (AIG) (the following month, Iceland became the first Western economy to seek to borrow from the International Monetary Fund (IMF) in three decades).[3] This means that, at the time of writing, we have had a period of around three years from its *dénouement* to reflect on the lessons to be learnt from the global financial crisis. Historically, Political Science and International Relations (IR) scholarship has been propelled forward by crises in the "real world": the trauma of World War One;[4] the failure to "predict" the onset of World War Two and the demise of the Soviet Union;[5] the "hot" Cold War in the early 1960s;[6] and the breakdown of the Bretton Woods System.[7] The GFC is no exception to this rule. It has already sparked a huge proliferation of crisis and post-crisis analyses. Notwithstanding this wealth of GFC-related output, an important question remains: is three years a sufficient time to be publishing scholarly analyses on the impact of the financial crisis?

The answer to this question, we believe, is an emphatic "yes". While the depth of analysis of much popular commentary on the GFC remains shallow, with complex structural dynamics often reduced to simplistic narratives focusing on the personalities of key players,[8] or concentrating on which section of public spending is merely down and which is devastated in the austerity stakes, recent academic insights have begun to fruitfully explore what the GFC reveals about deep changes and imminent contradictions within the ongoing financialisation of global capitalism. As well as shedding substantial light on the structural features of the global economy that helped fuel asset prices in the industrialised countries by funnelling capital "uphill" from developing countries,[9] contributions to this endeavour have begun to use the GFC as an opportunity to problematise the "common sense" of highly leveraged trading, and to explore the political and ethical implications of the securitisation techniques that became a bedrock of banking profitability through the "good

2. For an overview of these "eye of the storm" events, see Andrew Gamble, *The Spectre at the Feast: Capitalist Crisis and the Politics of Recession* (Basingstoke: Palgrave, 2009), p. 23.

3. André Broome, "Negotiating Crisis: The IMF and Disaster Capitalism in Small States", *The Round Table*, Vol. 100, No. 413 (2011), pp. 155–167.

4. Edward Hallett Carr, *The Twenty Years' Crisis* (Basingstoke: Palgrave, 2001), p. 3.

5. Mark Blyth, "Great Punctuations: Prediction, Randomness, and the Evolution of Comparative Political Science", *American Political Science Review*, Vol. 100, No. 4 (2006), pp. 493–498.

6. David Baldwin, "Security Studies and the End of the Cold War", *World Politics*, Vol. 48, No. 1 (1996), pp. 117–141.

7. Benjamin Cohen, *International Political Economy: An Intellectual History* (Princeton, NJ: Princeton University, 2008), p. 23.

8. For example, Michael Lewis, *The Big Short: Inside the Doomsday Machine* (London: Allen Lane, 2010); Paul Mason, *Meltdown: The End of the Age of Greed* (London: Verso, 2009).

9. Mervyn King, "Global Imbalances: The Perspective of the Bank of England", *Banque de France Financial Stability Review*, Vol. 15, No. 1 (2011), pp. 73–80.

times".[10] And although many valuable insights into the deeper causes and consequences of the GFC have been delivered, one question has remained conspicuously absent: what impact have the events of the last three years had on the contemporary architecture, practices, and normative goals of global governance?[11]

The political salience of the GFC is acute and emphatically global in dimension. As a consequence, there is a pressing requirement to provide intellectually rigorous and critical interrogations of its implications for processes and mechanisms of transnationalisation, globalisation and governance. By focusing on the question of global governance, the contributions to this special issue allow for a second-order analysis which looks both at the subject (the way that existing international regulatory arrangements have coped with the crisis) but also the social dimension (the social networks and power structures that make up global governance). Concentrating on the question of governance also enables the contributors to this special issue to bring an explicitly normative dimension to the subject.

In exploring this broad question, the articles in this special issue contribute to the task of overcoming a significant gap in the extant crisis literature. The works included are six original research articles, with each one providing fresh insight into the dynamics surrounding global governance during an episode of systemic crisis. Individually, these articles contribute to a range of debates in a manner that adds significantly to our conceptual and empirical grasp of the relationship between global governance and crisis-type events. These particularities are reviewed in the closing section of this framing article. Collectively, however, these works deliver a provocative series of insights to scholars across the disciplines of International Relations and International Political Economy (IPE), and it is to the exploration of these crosscutting themes that we dedicate the majority of our efforts here. By taking a historically informed view of modes of crisis production, the politics of change in formal arenas of global governance, trends in intergovernmentalism and shifting patterns of debt throughout this and previous crisis events, the authors outline four closely linked themes that require further investigation. Contributors identify the need for future scholarship to be directed towards the following questions:

- What makes global governance "hang together" during periods of crisis?
- How potent is "crisis" as a driver of change in global governance?
- How ubiquitous is/was the global financial crisis as an event in world politics?
- Finally, what makes an event become a crisis?

10. See, for example, James Brassett, Lena Rethel and Matthew Watson, "The Political Economy of the Subprime Crisis: The Politics, Economics, and Ethics of Response", *New Political Economy*, Vol. 15, No. 1 (2010), pp. 1–7 and other contributors to the special issue; Johnna Montgomerie, "Bridging the Critical Divide: Global Finance, Financialisation, and Contemporary Capitalism", *Contemporary Politics*, Vol. 14, No. 3 (2008), pp. 233–252 and other contributors to the special issue.

11. This was the issue that the participants were asked to address at a two-day workshop on "Global Governance in Crisis?", from which the papers in this special issue are drawn. The workshop was held at the University of Birmingham on 27–28 May 2010, and we gratefully acknowledge the financial support from the host institution, the Economic and Social Research Council (RES 062 23 0369 and PTA 026 27 2807), and the British International Studies Association's International Political Economy Group.

In the following sections, the contribution of this special issue to each of these questions shall be addressed in turn.

What Makes Global Governance "Hang Together" during Periods of Crisis?

Big ideas matter in world politics. When at their most potent, big ideas can serve to unite otherwise disparate international actors around a coherent narrative for understanding the causes of systemic challenges and prescribing the range of possible solutions, and may help to foster a sense of shared purpose around which arenas of global governance can be made to hang together. For example, in the long transition from the Gold Standard to the Bretton Woods international monetary regime, a growing acceptance of the ideal of "embedded liberalism" provided the intellectual map in accordance with which the blueprints for specific governance spaces were laid out. Through this period, a cluster of related themes—including the key tropes of "national autonomy" and "industrial planning"—provided a shared language through which harnessing the potential benefits of global economic integration to the service of domestic policy became the "common sense" aim of global governance.[12] In the aftermath of the collapse of the Bretton Woods System in the early 1970s, it is widely agreed that we have witnessed something of a dis-embedding of liberalism from its previously held goals. Not only have structural changes been enacted that have served to compel national economies to adapt to the vagaries of international market pressures, but—perhaps more significantly—this inversion of the relationship between global interconnectedness and domestic policy has been constituted as *an end in itself*. Under this "neoliberal" reframing, the disciplinary power of globally active networks of capital became understood as a positive force for trimming state structures to allow allocatively efficient free markets to take hold, at least in theory. It was assumed that collective welfare and individual liberty would thus be ultimately expanded.[13] Nevertheless, this transition was accompanied by a series of financial crises of which the 1987 Wall Street Crash, the post-communist "transition" in the early 1990s, the 1995 "Tequila" crisis in Mexico and the Asian financial crises of 1997–1998 are only a few examples.

How does the most recent financial crisis slot into this constellation of evolving ordering principles in global governance? Efforts are underway (or, perhaps, are already exhausted) to paint the present juncture as an epoch-shaping moment: the dawn of "post-neoliberalism", or even of the arrival of "post-capitalism". According to these narratives, the GFC should be read as a signal event, a watershed moment from which a process of re-embedding global liberalism will begin.[14] The analyses contained in this special issue stand firmly in opposition to these interpretations of the financial crisis as a fundamental challenge to the prevailing norms of global economic governance. Rather than seeing contests over big ideas, there is a broad

12. John Gerard Ruggie, "What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge", *International Organization*, Vol. 52, No. 4 (1998), pp. 855–885; John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order", *International Organisation*, Vol. 36, No. 2 (1982), pp. 379–415.

13. A high profile proponent of this line of narrative is Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor, 2000).

14. Elmar Altvater, "The Failure of Neoliberalism in the Financial Market Crisis", *Development Dialogue*, Vol. 51, No. 1 (2009), pp. 73–85.

consensus that global governance remains bonded together by the glue of more routine little ideas. At the IMF, we see a tinkering around the edges of the mechanics of surveillance and conditionality,[15] and yet another attempt to pull the organisation in the direction of being a "long-term development partner". At the World Trade Organisation (WTO), the search for "trade fairness" goes on through the Doha Development Agenda round of negotiations. Although the realisation of this aspiration remains as elusive as ever, it is this "everyday" idea rather than more foundational contests that animates activity in this area of global governance.

The long-term shape and size of structural reform always comes with a significant time lag. Institutional change at the global level is most often a painstakingly slow process, as the sustained period of time from the initial policy experiments with expanded economic management during World War One, the 1920s and the 1930s Great Depression to the post-World War Two international economic order aptly illustrate.[16] It is of course possible that the incremental shifts in the ideational frameworks at the heart of global economic governance will cascade, and begin to evolve into something that looks more like a reconstitution of first-order norms. There is room for the developments examined at the IMF and WTO, for example, to be seen as components of a wider drift into a "post-Washington Consensus", and the legitimisation of a more active approach to public management of the persistent dysfunction of deregulated markets. While we readily acknowledge the plausibility of such an interpretation of events, we are hesitant to place (responses to) the GFC at the heart of this process of changing the big picture norms that make global governance hang together. Indeed, this special issue demonstrates that rather than exerting a transformational dynamic, the crisis has in fact acted as a centripetal force holding the current order together. Instead of pushing global policymakers to question the hitherto accepted foundations of global economic governance, the dominant conceptualisation of the 2007–2008 liquidity dearth as a pseudo-physical trauma presented governments with a patient in need of emergency treatment.

Rather than fundamental reorientations, governments have fought hard to resuscitate the *status quo ante*. Indeed, it has been governments, rather than the IMF, that urgently called first for "shock therapy" cuts in public spending and retrenching the role of the state, at least in the case of developed economies. The overall message from this special issue is that, contrary to some reports, suggestions of radical changes to political-economic "business as usual"—whether this is called "neoliberalism", "market fundamentalism", or the "Washington consensus"—are premature.

How Potent is "Crisis" as a Driver of Change in Global Governance?

The conventional wisdom in International Relations and IPE scholarship suggests that crisis serves to open a window for substantive structural change, whereby

15. See the following articles in this special issue: Liam Clegg, "Post-crisis Reform at the IMF: Learning to be (Seen to be) a Long-term Development Partner", *Global Society*, Vol. 26, No. 1 (2012), pp. 61–81, and Manuela Moschella, "IMF Surveillance in Crisis: The Past, Present and Future of the Reform Process", *ibid.*, pp. 43–60; also André Broome, "The International Monetary Fund, Crisis Management and the Credit Crunch", *Australian Journal of International Affairs*, Vol. 64, No. 1 (2010), pp. 37–54.

16. Leonard Seabrooke, "The Everyday Social Sources of Economic Crises: From 'Great Frustrations' to 'Great Revelations' in Interwar Britain", *International Studies Quarterly*, Vol. 51, No. 4 (2007), pp. 795–810.

"ordinary" policy routines, regulatory habits and institutional frameworks are unsettled, reconfigured, demolished or recreated.[17] There are four main dimensions of the idea of crisis as a driver of change which are useful to consider here. First, crisis may be used by both elite and non-elite actors to challenge existing cognitive assumptions about how the world works, what counts as a policy "problem" and how particular problems should be regulated (such as the 1930s Great Depression, or the early 1990s collapse of centrally planned economies in East and Central Europe and the former Soviet Union).[18] In this sense, crisis can lead to structural changes in dominant ideas by introducing new "knowledge regimes" at both the national and global level. Second, crisis may prompt policy responses that reconfigure the style and scope of government or intergovernmental intervention in the economy (which may be legitimised by changes in dominant ideas).[19] Short-term policy responses, such as the decision to pour billions into ailing banking sectors, can create new path dependencies that delineate the possibilities of future reforms. Third, crisis can function as a catalyst for shifts in the "centre of gravity" in the world economy or world politics more broadly (such as World War Two or the 1970s oil shocks), with many observers suggesting that the current crisis is an important stepping stone to a more Asia-centred or sino-centric world economy with respect to the balance of material power among states. Finally, systemic economic crisis may stimulate a reordering of private power in the world economy, whereby some observers expect to find a diminished role for the financial sector as a driver of growth (and tax receipts) in the aftermath of the global financial crisis.

Of these four potential paths for crisis to act as a driver of change, the first and second—changes in knowledge regimes and in the style and scope of policy action—appear most likely to result in (substantial) global governance reforms in the short term. If crisis drives changes or accelerates existing shifts in the centre of gravity in the world economy and the reordering of private power, this is more likely to prove significant for the architecture of global governance over a long-term time horizon. Indeed, the most prominent global governance institutions often view their core roles as shaping ideas about global "best practice" with respect to different areas of social and economic governance,[20] and fostering the development of new regulatory regimes.[21]

Thus far, the global financial crisis has proved to be at best a potential catalyst for change in global governance, rather than ushering in a new era of revamped institutional frameworks and processes. Headline reforms like the substitution of the Group of Twenty for the Group of Seven/Eight, upgrading the Financial

17. Stephen D. Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics", *Comparative Politics*, Vol. 16, No. 2 (1984), pp. 223–246; John T.S. Keeler, "Opening the Window for Reform: Mandates, Crises, and Extraordinary Policy-Making", *Comparative Political Studies*, Vol. 25, No. 4 (1993), pp. 433–486.

18. André Broome, "Money for Nothing: Everyday Actors and Monetary Crises", *Journal of International Relations and Development*, Vol. 12, No. 1 (2009), pp. 3–30.

19. See, for example, Lena Rethel, "The New Financial Development Paradigm and Asian Bond Markets", *New Political Economy*, Vol. 15, No. 4 (2010), pp. 493–517.

20. See Liam Clegg, "Our Dream is a World Full of Poverty Indicators: The US, the World Bank, and the Power of Numbers", *New Political Economy*, Vol. 15, No. 4 (2010), pp. 473–492; André Broome, "Global Monitor: The Joint Vienna Institute", *New Political Economy*, Vol. 15, No. 4 (2010), pp. 609–624.

21. Cf. the chapters in Susan Park and Antje Vetterlein (eds), *Owning Development: Creating Policy Norms in the IMF and the World Bank* (Cambridge: Cambridge University Press, 2010).

Stability Forum to the Financial Stability Board, and the substantial increase in the IMF's lending resources, as well as regional "solutions" such as the creation of a European bailout mechanism for distressed Euro zone economies, appear in the fine print to represent changes in style rather than substance. Less visible changes that occurred "under the radar", such as the greater role played by emerging market economies like Brazil, India, China and others in lending funds *to* the IMF, have the potential to snowball into more substantive reforms in global governance down the track, but are unlikely to bear fruit in the short term. Above all else, the global financial crisis has served as a reminder that substantive structural change at the global level is a long game, the outcome of which is especially hard to accurately predict this close to the peak of a systemic crisis.

How Ubiquitous is/Was the Global Financial Crisis as an Event in World Politics?

During the eye of the global financial storm, media reporting of falling asset prices, political leaders' efforts to "save the world", and tales of everyday financial woe went into overdrive. With 24-hour rolling news coverage of what was satirically relabelled the "cash-pocalypse",[22] the hitherto hidden world of global finance became a central feature of everyday life across the advanced industrialised world. We know that the mass media plays a highly significant role in shaping how publics and political actors interpret and react to major events, and that this is true in relation to both routine, predictable events (elections) and more "out of the blue", unpredictable (crises) events.[23] Indeed, recent analysis of the impact on regulators' judgements from the mass media's "storytelling" over the deleterious effects of mark-to-market accounting demonstrates the continuing relevance of this source of information as a filter of events.[24] What has been less deeply reflected on, however, is the effect of this form of immersion on analysts of the political world.

To an unprecedented extent, the global financial crisis placed European and North American analysts of international political economy at the centre of unfolding events. Whereas many contemporary subject-defining moments—including the Latin American debt crisis, the Asian financial crisis and the slow unwinding of the low-income country debt malaise—were located in an "other" geographical realm, the GFC was very much a home event. This local point of view has led to the creation of the financial crisis as something of a ubiquitous event in IPE.[25] In contrast, this special issue delivers a more measured evaluation.

22. The phrase was coined by Charlie Brooker, "Newswipe", Episode 1, Series 1. Broadcast on BBC4, 24 June 2009. Cited in this issue by James Brassett and Nick Vaughan-Williams in the article "Crisis *is* Governance: Sub-prime, the Traumatic Event, and Bare Life", *Global Society*, Vol. 26, No. 1 (2012), pp. 19–42.

23. James Dearing and Everett Rogers, *Agenda Setting: Communication Concepts* (London: Sage, 1996).

24. William Smith, David Boje and Kevin Melendrez, "The Financial Crisis and Mark-to-market Accounting: An Analysis of Cascading Media Rhetoric and Storytelling", *Qualitative Research in Accounting and Management*, Vol. 7, No. 3 (2010), pp. 281–303.

25. From 2007 to 2010, for example, 148 articles appeared in Thomson-Reuters ranked journals that made a direct reference to the "global financial crisis". This is over three times the number of articles that appeared relating to the "Asian financial crisis" in the four years from 1997. Authors' analysis of ISI Web of Knowledge database.

Just as the GFC has unfolded in a manner that has left the big ideas overlaying global governance largely intact, it is important to realise, too, that functional spheres of global governance have remained aloof from the disruptions of the financial crisis as we see, for example, in the ongoing deadlock in the Doha Round of trade negotiations.

Contributions to the special issue remind us that the intensity of the impact of the "global" financial crisis is geographically patterned. The contemporary dynamics of debt restructuring in emerging markets, and in particular across key East Asian states, have been in evidence for the last two decades. Governance structures surrounding the global trading regime have remained largely untouched.[26] And following the classic distinction established by Keohane,[27] we see that the tendency of state actors to behave in an atomised manner in the "high politics" of security governance remains the case through the current period.

What Makes an Event Become a Crisis?

Critical events that have a global impact often become recognised in retrospect as crises that served as "turning points" to usher in new political and economic orders.[28] In this process of translating an event or a series of events into a "crisis", brute facts matter—such as the loss of value from stock markets, or the volume of liquidity injections in a particular economy. But facts require an *interpretive framework* for actors to make sense of them, as well as for specific events to be recognised as representing a "crisis". For example, because it does not smell like burning toast, emerging market debt recomposition has not set off smoke alarms. Likewise, political and economic elites, as well as the media, have held up the "mirror of history" to link current understandings of the global financial crisis to earlier crisis frames such as the 1930s Great Depression.[29] These framings are inherently political phenomena. With this in mind, an essential ingredient in any crisis is the development of an effective *crisis narrative*. Systemic shocks ramp up the level of uncertainty that actors face in making decisions, both in terms of household budgeting and public policy, thereby generating confusion over how an event or series of events should be interpreted and acted upon. Through the dynamic process of crisis narration, a series of discrete events become discursively linked—whether or not they may be deemed to be *causally* connected—and a "crisis" is constructed through iterated acts of framing and interpretation.[30]

26. A recent WTO review concluded that during the height of the financial crisis, "governments largely resisted resort to trade barriers". WTO Trade Policy Review Body, "Report to the TPRB from the Director-General on Trade-related Developments", 14 June 2010. See WTO official website, available: <http://www.wto.org/english/news_e/news10_e/report_tprb_june10_e.pdf> (accessed 20 April 2011).

27. Robert Keohane, "Realism, Neorealism and the Study of World Politics", in Robert Keohane (ed.), *Neorealism and Its Critics* (New York: Columbia University Press, 1986), pp. 1–26.

28. See Wesley W. Widmaier, Mark Blyth and Leonard Seabrooke, "Exogenous Shocks or Endogenous Constructions? The Meanings of Wars and Crises", *International Studies Quarterly*, Vol. 51, No. 4 (2007), pp. 747–759.

29. Amin Samman, "The 1930s as Black Mirror: Visions of Historical Repetition in the Global Financial Press, 2007–2009", *Journal of Cultural Economy*, Vol. 5 (2012, forthcoming).

30. Alexandra Homolar, "Rebels without a Conscience: The Evolution of the Rogue States Narrative in US Security Policy", *European Journal of International Relations*, Vol. 17 (2011), pp. 705–727.

Learning new ways of interpreting unforeseen events is not a "clean" process that actors can always control, but is more likely to be messy and characterised by mixed messages, especially in the early stages of narrative development. The leading actors here include political elites but also the media, opinion shapers, institutional actors (at the national level, such as central bank governors, and at the global level, such as the IMF) and market actors (such as major commercial banks and firms, credit rating agencies and industry representatives, among others). The incremental creation of crisis narratives enables actors to construct a template of cognitive order that can be imposed upon political, social and economic instability, which may serve as a means to rationalise uncertainty and to facilitate negotiation of the terms of an appropriate response to both immediate and longer-term challenges.[31] The contributions to this special issue test and contest these narratives, as is outlined in further detail below.

Global Governance in Crisis?

In the opening article of the special issue, James Brassett and Nick Vaughan-Williams present an innovative and compelling argument that "Crisis *Is* Governance". With its intellectual roots in the conceptual framework advanced by Giorgio Agamben, the article outlines the need to problematise discourses of trauma surrounding the sub-prime crisis. Whereas much existing analysis of the GFC either ignores the extreme imagery within mainstream media narratives, or else selectively draws on this hyperbole as a kind of advertising tool, for the authors of this article the deeper implications of the repeated invocations of crisis as trauma—heart attack, fear, tsunami, volcano—are yet to be explored. For Brassett and Vaughan-Williams, in order to do this it is necessary to invert the dominant line of thinking on the GFC in IR and IPE scholarship. Rather than following the well-trodden reformist path of asking how governance should be altered in the light of the crisis, Brassett and Vaughan-Williams argue that we need to ask how the traumatic representations of the crisis sowed the seeds of its own resolution, and explore how (representations of) crisis functioned as imminent forms of governance.

By packaging together a series of discrete happenings into one mega-event, the narrative of financial crisis has, for Brassett and Vaughan-Williams, displayed analogous properties to the story of the "war on terror".[32] And just as the politics of exception in the war on terror has served to make room for extraordinary forms of government action, the traumatic narrative of the recent financial crisis too has cleared the way for extreme interventions. Indeed, policymakers have explicitly—and repeatedly—invoked the discourse of trauma as a justification for their use of "emergency" powers, with parallels drawn to humanitarian relief after natural disasters. By constituting everyday savers and lenders as "traumatised financial subjects", this narrative interpellated "ordinary people" as the victims of the banking collapse, and therefore helped frame government injections of liquidity as ultimately being directed towards helping everyday financial actors. Through this analysis, Brassett and Vaughan-Williams present a cogent message that

31. *Ibid.*

32. See also Wesley W. Widmaier, "Emotions before Paradigms: Elite Anxiety and Populist Resentment from the Asian to Subprime Crises", *Millennium*, Vol. 39, No. 1 (2010), pp. 127–144.

there is an urgent need for discourse in general—and discourses of crisis in particular—to be understood as sites of primary political importance.

Following on from Brassett and Vaughan-Williams, the second and third articles of this special issue are provided by Manuela Moschella and Liam Clegg respectively. Both of these works focus on the IMF, which, given the organisation's historic role as fire fighter of the global financial system, is highly appropriate to the central theme of the special issue. By exploring contrasting areas of the IMF's operations that exhibit similar dynamics, the papers complement each other while revealing significant lessons about the politics of change at this key institution of global economic governance. Moschella's contribution focuses on the evolution of surveillance at the IMF,[33] and specifically the incorporation of financial sector issues into surveillance practices. By taking a detailed, medium-term perspective on the issue, Moschella traces the IMF's engagement in financial sector surveillance back to the 1990s, and the organisation's response to the Mexican and Asian crises of 1994–1995 and 1997–1998 respectively. By laying bare shortcomings in the organisation's capacity to identify destabilising tendencies in members' financial sectors, these crises were followed by a series of relatively low-key reforms including, *inter alia*, the expansion of staff expertise, the creation of a new functional group in the form of the International Capital Market Department, and the launch of the Financial Sector Assessment Programme (FSAP). Operational change at the IMF, for Moschella, is most effective when it takes place through incremental processes of "layering" new practices onto old, and the "conversion" of existing activities to serve amended goals.

Having established these important insights, Moschella proceeds to examine the most recent post-crisis reforms to the IMF's surveillance activities. Two lines of reform are identified. On the one hand, efforts are underway to redouble the IMF's efforts to explore the links between the "real" and financial sectors by more fully integrating FSAPs into its existing surveillance channels. On the other hand, internal and external pressures are propelling the organisation into the realm of "systemic surveillance", supplementing the existing focus on the *domestic* implications of financial sector development with an additional line of analysis on their *spillover* effects. Although the IMF, with its growing knowledge base and increasingly established practices in the area, is well placed to take the former operational change in its stride, question marks over the organisation's data collection and interpretation capabilities mean that the latter is likely to prove a step too far.[34] Restrictions in the IMF's Articles of Agreement mean that the organisation cannot compel members to release data on the private corporations that are likely to be at the centre of the transmission of systemic risk, and—even if these informational gaps could be filled—the assumption that the IMF's existing analytic tool kit would be able to cope with this transformed goal is unrealistic. To head off these problems, Moschella suggests that (in line with past dynamics) more focus is needed on the "nuts and bolts" of the reform process to ensure that there is an appropriate fit between new aims and existing

33. For a comprehensive overview of this aspect of the Fund's work, see Manuela Moschella, *Governing Risk: The IMF and Global Financial Crises* (Basingstoke: Palgrave, 2010).

34. On the construction of cognitive authority in global governance, see André Broome and Leonard Seabrooke, "Seeing Like an International Organisation", *New Political Economy*, Vol. 17, No. 1 (2012, forthcoming).