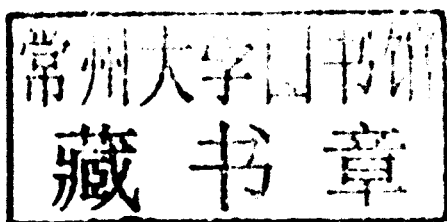


Cosmopolitanism and Global Financial Reform

A pragmatic approach to the Tobin tax

James Brassett



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Cosmopolitanism and Global Financial Reform

Acknowledgement of the ethical dimension of global finance is commonplace in the wake of financial crises. The sub-prime crisis and ensuing credit crunch are only the latest in a long run of global financial crises that wreak social havoc and force us to consider alternative possibilities for global finance.

By defining cosmopolitanism and analysing how cosmopolitan ideas can increasingly provide an account of the governance of global finance, Brassett examines whether global finance can be regulated so as to provide cosmopolitan values like social security, equality and democratic accountability. He suggests that such an exercise is not adequately resourced by existing theoretical approaches to critical IPE and instead develops a new pragmatic approach based on the thought of Richard Rorty. Combining ethical theory with empirical analysis, he focuses on the Tobin tax – (a proposal to place a small levy on foreign currency transactions in order to dampen speculation and raise vast revenues) – and explores whether it could underpin more cosmopolitan forms of global financial governance.

This book situates cosmopolitan ideas in the extant dilemmas and indeterminacies of global ethics, suggesting alternatives where possible. It will be of interest to students and scholars of international ethics, global governance, global civil society, international relations, international political economy, global finance, public policy, critical theory, political theory and philosophy.

James Brassett is RCUK Fellow and Associate Professor, Centre for the Study of Globalisation and Regionalisation (CSGR), University of Warwick.

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Introduction

[P]hilosophy can proffer nothing but hypotheses, and ... those hypotheses are of value only as they render men's minds more sensitive to the life about them.
(Dewey, 1948: 22)

Global finance is an ethical subject. Global finance fundamentally informs our capacity to realise political values like justice and democracy, as well as individual requirements regarding freedom and capability. As such, all theoretical approaches to global finance are always already ethical.

Acknowledgement of the ethical dimension of global finance is commonplace in the wake of financial crises. Politicians and media writers call for greater levels of accountability and propriety. Academics reach for their moment in time and lament the inequity of financial arrangements, often critiquing the political bargain (or power relation) that brought us to this point. But what is less certain is *what should be done?* This book asks that question via an analysis of cosmopolitan ethics. By developing a pragmatic approach based on the thought of Richard Rorty, the analysis of cosmopolitan global finance is located within the debates and contests that surround the political campaign for a Tobin tax.

The Introduction is in five sections. The first section defines cosmopolitanism and analyses how cosmopolitan ideas increasingly provide an account of the governance of global finance. It outlines the scope of the debate in International Political Economy (IPE) and identifies some key weaknesses, namely: that cosmopolitanism is either too easily endorsed, or, dismissed as wishful thinking, i.e. 'a nice idea but very unlikely'. The second section argues that current IPE debates could be progressed by developing a more located (ethical) critique of cosmopolitan global finance. It is proposed that cosmopolitan ideas can be operationalised via a case study of the politics of the Tobin tax campaign. A third section outlines the theoretical framework of the book. Drawing on the philosophical pragmatism of Richard Rorty, it is argued that cosmopolitanism is best seen as part of a 'conversation'. At its best, such a conversation can allow for the movement back-and-forth between cosmopolitan arguments regarding global justice, democracy and civil society,

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and the substantive possibilities and ethical *limits* provided by the Tobin tax. The fourth section outlines the central argument of the book: a cosmopolitan approach to global finance must recognise a number of potential ethical ambiguities regarding financial, institutional and democratic universalism. However, from a pragmatic perspective, the ethical possibilities which remain once the pretence to universality is dropped can be highlighted and pursued. In particular, the sentimental aspects of global finance and the potential alternatives to a monolithic image of global finance exposed within the Tobin tax campaign are important elements in an evolving conversation about the ethical reform of global finance. And, finally, a fifth section provides the outline of the book.

Cosmopolitanism

Cosmopolitanism has a long theoretical lineage stretching back through Christian theology, Kantian critical theory and on to present-day articulations of global democracy (see Brassett and Bulley, 2007; Vertovec and Cohen, 2002). The word is made up of *cosmos* and *polis*. This very combination is a contradiction since the concept of *polis* is based on an exclusive demarcation of political community, whereas *cosmos* refers to the universal. However, it may be argued that this very contradiction has allowed for an area of creative ambiguity, permitting numerous interpretations.

Broadly speaking cosmopolitanism 'refers to the consciousness of being a citizen of the world whatever other affiliations we may have' (Fine, 2006: 243). A common distinction is made between moral cosmopolitanism, which is concerned with the expansion of the scope of ethical concern, and political cosmopolitanism, which is concerned with envisaging institutions that might better organise world society (Dallmayr, 2003). But again the two sides often cross over to make cosmopolitanism a fertile and adaptable ethical tradition. For instance, there are few moral cosmopolitans who have not at some stage made a political intervention. And, vice versa, it is difficult to conceive of a political cosmopolitan who did not have occasion to reflect on the moral underpinnings of their agenda.

Cosmopolitan ideas have been associated with grand projects such as the construction of a world federation of republican states (Kant, 1948), and even the possibility of creating a world state. In contemporary articulations cosmopolitans have celebrated the historical evolution of norms against harm (Linklater, 2001, 2002), human rights (Pogge, 2002) and various elements of liberal democracy (Archibugi *et al.*, 1998; Held, 1995). In particular, cosmopolitan thinkers have developed a sophisticated ethical praxis which addresses how norms of citizenship, liberty and autonomy can be generalised in a changing global context (Linklater, 2007). And a number of models including cosmopolitan democracy (Archibugi and Held, 1995), post-Westphalian order (Linklater, 1998), 'Republican Cosmopolitanism' (Bohman, 2004) and a purported 'cosmopolitanisation' of the world (Beck, 2006) have been articulated.

With such a broad range of ideas and potential applications it is perhaps hard to define what cosmopolitanism actually is. Indeed, cosmopolitans diverge on a number of issues, for instance, whether the use of force is necessary/desirable to achieve their ends (Smith, 2007). Some have advocated the legal entrenchment of democracy (Held, 1995), while others have sought to locate democracy in a more creative realm of ongoing dialogue and deliberation (Bohman, 1999; Dryzek, 2006). And there is an ongoing debate about how and to what extent 'justice' can be extended beyond state borders (Buchanan, 2000; Caney, 2005; Rawls, 1999)

In the face of such a plurality, this book understands cosmopolitanism as an ethical 'paradigm'. Rather than tying cosmopolitans to any one agenda, cosmopolitanism is perhaps better viewed as a broad research area whose proponents are motivated by certain common ideas (Fine, 2006). These ideas might be that of the world citizen, human rights, the avoidance of harm, or global democracy, and they may lead in starkly different directions. But it is argued that they share a common concern: *the scope of ethical concern should not be limited by parochial boundaries*. As Kok-Chor Tan (2004: 1) argues: 'From the cosmopolitan perspective, principles of justice ought to transcend nationality and citizenship, and ought to apply equally to all individuals of the world as a whole.' Underpinned by such concerns, the cosmopolitan paradigm offers fertile ground for developing a nuanced and sophisticated ethical approach that is embedded in contemporary social realities.

The argument follows the social theorist Robert Fine (2003; 2006) who seeks to de-centre cosmopolitanism from its doctrinal elements and instead pursue the important role of cosmopolitan thinking in the academy and beyond. On this view, cosmopolitanism is not understood as something that can be proved or disproved. Rather, it is to be seen as a 'way of thinking' that influences the academy and policy makers to different degrees and with varying amounts of ethical appeal. As Fine critically surmises, even though there are faults, apparent contradictions and dilemmas inherent in cosmopolitanism, this should not detract from an appreciation of the importance and impact of *cosmopolitans* and their ideas:

In one case they begin by asking specific questions on important matters, for example, the prevention and punishment of genocide, and end with the utopian project of overcoming the structures of wealth and power associated with the modern system of nation states. In another, their project appears liberal or even conservative, designed to make fine adjustments to international institutions in the hope that all will then be well with the world. Sometimes they look utopian and liberal at the same time: constructing a new world order and expressing the phenomenology of a privileged class whose experience of global mobility is a far cry from that of stateless refugees. Yet for all the defects of the new cosmopolitanism *as a doctrine*, I would conclude by saying that today cosmopolitan thinking plays an indispensable part in the social sciences and that

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this makes it all the more urgent, as it were, to take the 'ism' out of the cosmopolitan.

(Fine, 2003: 466)

In this vein, cosmopolitanism is emerging as an important way of thinking about global governance. Cosmopolitan arguments for the reform of global governance proceed with some straightforward and powerful assumptions. Changes in the extent and intensity of global social relations provoke a set of questions to state-centric political theory. For example, what is the appropriate constituency for global environmental change? How can systems of welfare survive when large global capital is in a position of unfettered mobility? And why do we retain national systems of accountability and legitimacy when it is increasingly global institutions that make the decisions? David Held (1995: 21) expresses the dilemma as one which unravels previous conceptions of the congruence between territory, community and political legitimacy, and brings into question the very possibility of democracy:

As substantial areas of human activity are progressively organized on a global level, the fate of democracy and of the independent democratic nation-state in particular, is fraught with difficulty. In this context, the meaning and place of democratic politics, and of the contending models of democracy, have to be rethought in relation to overlapping local, national, regional and global structures and processes.

The response, therefore, made by many cosmopolitans, is to articulate forms of multi-level governance that promote maximal accountability and facilitate the inclusion of as many relevant actors as possible. While liberal cosmopolitans develop accounts of the appropriate cosmopolitan legal structures that would underpin this system (Archibugi and Held, 1995), others, like the deliberative cosmopolitans, have been more concerned with the practice of building cosmopolitan public spheres (Bohman, 1999; Dryzek, 2006; Habermas, 2001). These arguments build upon the actually existing sites of interaction between global civil society and global economic institutions, promoting cosmopolitan reasons and cosmopolitan publicity (Bohman, 1999). Both approaches assume that the cosmopolitan ethical reform of global governance is both possible and desirable.

Cosmopolitanism and global financial reform

A number of recent approaches have sought to extend cosmopolitan principles to the reform of global finance (Coleman and Porter, 2000; Germain, 2001, 2002, 2004; Porter, 2001; Scholte, 2002b). While the complex and technical nature of finance may strike many ethical theorists as making it a strange or difficult place to begin discussion, it is clear that the dimensions and scope of contemporary global finance make it highly significant in ethical