

Can Institutions Save the World? Neoliberal Institutional Perspective on Global Governance

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Liberal institutionalism has traditionally emphasized the need for institutional arrangements to initiate and sustain cooperation among states. The theory regenerated much interest in the capacity and potential of global governance structures, for stable international cooperation and peaceful coexistence in the post-cold war world. During the last 30 years the world has witnessed a revolution in governance, both private and public, in the areas that have been filled with regulatory bodies, loose initiatives, regimes, ephemeral and more persistent forms of governance whose political activity in most cases takes place outside the channels of formal politics. This should not, however, overshadow the fact that global organizations designed to address global problems are increasingly incapable of managing the instabilities created by global interdependence. This article explores the relationship between neoliberal conceptualisations of the international affairs, state power and global governance, analysing the features of the current geopolitical transition and its possible consequences for the liberal world order.

Keywords: global governance, world order, liberal institutionalism.

Introduction

The language of hierarchy, hegemony, and empire has become the analytical prism through which scholars explain international politics. Such language, however, has not been able to cover all the phenomena and strategies that have appeared as a consequence of growing economic integration and massively increased social connections. International reality has revealed logics and results that could not be interpreted within the theoretical frames of realism – hierarchical dimensions do not seem suitable for grasping the essence of the influence of non-state actors and the growing transnational connections that extend beyond the explanatory potential of the ‘great powers in competition’ model. In the face of this intensive global transformation the field of international relations has shifted its substantive focus of research in order to better reflect this changing reality and respond to real-world processes.

The transformations of the second half of the 20th century heralded a new chapter in the discourse on governance, which led to the appearance of the ‘global governance’ orientation. The term captured the analysts’ interest in the late 1980s, and came into wide usage in the early 1990s with the formation of the Commission on Global Governance in 1992 and the publication of the seminal work ‘Governance without Government: Order and Change in World Politics’.¹

Since the end of the Cold War, global governance, as a reality of the international sphere, has implied a great promise of the radically transformed political environment. The essence of this concept is placed in the difference between the notions of ‘government’ and ‘governance’. While the first refers to the governing bodies inherently associated with the operating mechanism of the nation state, the latter includes diverse efforts to manage the consequences of or assert political control over processes of globalization within transnational sphere. The basic assumption of modern social organisation is that society needs government to manage the provision of public goods and overcome the failures of the market in achieving efficiency and equity in the allocation and distribution of resources. Globalization has created conditions under which many areas of public policy that were once considered to be purely national issues spread across borders and become global in their reach and impact. As a consequence, the achievement of crucial goals such as financial stability, human security or the reduction of environmental pollution depend of the systemic cooperation of a number of actors involved in decision-making processes. In the absence of a universal authoritative institution that could provide a framework to address global problems, a complex network of actors, initiatives and regimes has been seen as a platform of coordination and regulation. Amongst the vast number of definitions of global governance, all stress increasingly important forms of international interaction – policy coordination bodies and fora that become hubs of cooperation, and a shared problem-solving orientation: ‘Global governance is the sum of myriad – literally millions of control mechanisms driven by different histories, goals, structures, and processes... In terms of governance, the world is too disaggregated for grand logics that postulate a measure of global coherence’.² James Rosenau defines global governance broadly, as a structure that can range from the actions of an individual to relations within the international realm: ‘Global governance is conceived to include systems of rule at all levels of human activity – from the family to the international organization – in which the pursuit of goals through the exercise of control has transnational repercussions’.³

Global governance creates a vision of a fragmented and disrupted world, yet one that brings opportunities for re-establishing connections. The narrative assumes that

¹ J.N. Rosenau and E.O. Czempiel. *Governance without Government: Order and Change in World Politics*, Cambridge: Cambridge University Press, 1992.

² J.N. Rosenau, ‘Governance in the Twenty-first Century’, *Global Governance*, 1995, Vol. 1, No. 1, p. 16.

³ *Ibidem*, p. 13.

the level of disruption exceeds the possibilities of the old frameworks of coordination and that only a fair balance of interests and a workable canon of shared norms and values can reform institutional structures for the handling of urgent conflicts. Global governance can thus be perceived both as a set of practices and a broadly defined set of norms regarding consensually agreed behaviour:

a) global governance as a conceptual framework

Traditional approaches to understanding politics distinguished between the domestic and international realms, assuming that nation states are at the center of the international system. The analytical usage of global governance, which developed throughout the 1980s and the 1990s, departs from these visions. Its central assertion is that the world politics is something considerably more than a constellation of intergovernmental interactions and transnational influences, and that these must not be seen only from the state-centric perspective as channels through which ideas and services are delivered to states. Neoliberal thinkers proposed new kinds of operational mechanisms for transforming the interaction between the domestic and international realms. The unity of the state institutions, their interests, and their strategies for pursuing them were questioned. Neoliberals argued that they cannot be treated as ‘billiard balls’ or ‘black boxes’ with fixed preferences for wealth, security or power, as realist and neo-realist approaches proposed. The static view of the world, illustrated by the ‘billiard ball model’, according to which international relations can be understood by studying the pressures sovereign states face and create in their efforts to pursue their interests, has lost its analytical value. The growing interconnectedness has challenged it, providing a vision of the constant change that has become a major feature of international realities. In response to Kenneth Abbott’s call for a connection between international law and international relations, an increasing body of research questioned the rational, unified nature of the state and its sovereign freedom of action within a given territory.⁴ The ‘real new world order’ acclaimed by Ann Marie Slaughter is already emerging in the form of networks joining traditional governance bodies with citizens and a whole variety of sub-state bodies, all of which are involved in building international strategies.⁵

What has been identified as a typical feature of liberal thinking on international relations is a focus on progress and cooperation, in contrast to realist visions concentrated on power and conflict. According to the neoliberal proposals, adapted to the needs of conceptualizations of global governance, the state organism was composed of many subsets of actors (individuals, governmental bureaucracies, and NGOs), all of which negotiate and discuss issues internationally in complex webs of expertise, and which

⁴ See: K.W. Abbott, ‘Modern International Relations Theory: A Prospectus for International Lawyers’, *Yale Journal of International Law*, 1989, Vol. 14, Issue 2.

⁵ See: A.-M. Slaughter, ‘International Law in a World of Liberal States’, 6 *EJIL*, 1995, p. 508.

then influence domestic policy.⁶ So, as a consequence, the state's position has become increasingly dependent on both domestic consent and international respect. A wide array of layers forms a constellation of global realities in the form of political institutions, individuals, interest groups and companies – especially those operating internationally – as well as states and international institutions.

A new understanding of international community was created, providing a new lens through which the prospect of conflict and cooperation within the international area have been accessed. The realities of the post-Cold War world confirmed many of the theoretical proposals: that sovereignty has eroded, that interconnectivity has forced parties to cooperate, and that isolation and unilateralism have become limited in their value as reasonable political strategies, as a consequence of technological and economic integration. Such orientations produced a vision of the future based on the belief that the end of the Cold War would complete the internationalist project, inaugurating a more humanitarian century in which common global problems would produce a common conscience, maybe even a kind of common identity that might create the basis for the development of a global civil society.

Global governance, instead of proposing a coherent new theory that could replace previous conceptualizations, offered no more than a conviction that traditional approaches to international relations provide tools which are too limited to analyze international dynamics. As a result, global governance has been established as a concept or approach to the changed status of international affairs, rather than a coherent theory offering convincing explanations for emerging non-state forms of coordination. The concept was meant to help order and structure observations of the radically transforming global environment and experiences derived from it.⁷ This conceptual departure from the traditional IR perception of world politics, as well as development of new narratives and analytical tools captured the increasing proliferation of hybrid, non-hierarchical and network-like models of governing on the global stage.

b) global governance as international reality

The architecture of global governance, created after World War II and largely reflecting the world, as it existed in 1945, has not been adapted to the fundamental changes in the international system. These transformations have strongly influenced traditional authority structures and presented a number of challenges that required complex, multilateral responses. Globalized world politics started increasingly to be characterized by the 'erosion of boundaries separating what lies inside a government

⁶ K. Raustiala, 'The Architecture of International Cooperation: Trans-governmental Networks and the Future of International Law', *Virginia Journal of International Law*, 2000, Vol. 43; A.-M. Slaughter, 'The Accountability of Government Networks', *Global Legal Studies*, 2001.

⁷ K. Dingwerth, P. Philipp, 'A Review of Governance as a Perspective on World Politics', *Global Governance*, No. 12, 2006, p. 186.

and its administration and what lies outside them'.⁸ Economic integration created a wave of privatization and outsourcing as it swept across advanced industrialized and developing countries, encouraging states to depart from their traditional roles as exclusive providers of public goods and services. Many spheres traditionally treated as exclusive areas of state governance, such as transport, urban planning, health care and even education, have been filled in with private-public partnerships and other forms of power sharing. Furthermore, corporations and global civil society organisations have begun to claim a growing presence in global affairs, leading to profound reconfigurations of global power and authority while not being fully visible at the level of formal governance bodies.⁹ Within this area, a dense network of international and transnational institutions has developed in recent decades. The structure is composed primarily of supranational actors, such as the European Commission; judicial actors, such as the International Criminal Court (ICC); intergovernmental organizations; as well as hybrid and private organizations, such as the World Conservation Union or Forest Stewardship Council (FSC). Apart from these distinct categories there are also less formalized and more temporary, goal-oriented institutions operating at the crossroads of national and international space. International mass media, rating agencies, consulting and expert bodies have become important power-brokers influencing the agency of the main actors in the transnational space.¹⁰

The explosion of movements, groups, networks and organizations that engage in global or transnational public debate has inevitably influenced the mechanism of governance at all levels.¹¹ In the Report of the Commission on Global Governance a general scenario for the governance of the new times has been formulated: 'States remain primary actors but have to work with others. The United Nations must play a vital role, but it cannot do all the work. Global governance does not imply world government or world federalism. Effective global governance calls for a new vision, challenging people as well as governments to realize that there is no alternative to working together in order to create the kind of world they want for themselves and their children. It requires a strong commitment to democracy grounded in civil society'.¹²

Additionally, some analysts have seen these political structures as a platform for the development of universal standards, especially in the area of human rights. The

⁸ M. Shapiro, 'Administrative Law Unbounded: Reflections on Government and Governance', *Indiana Journal of Global Legal Studies*, No. 8, 2001, p. 369.

⁹ See: A. Giddens, *The Third Way and its Critics*, Cambridge: Polity Press, 2000; P. Hirst and G. Thompson, *Globalization in Question*. Cambridge: Polity Press, 1999; A. Kalfagianni, P. Pattberg, *The Effectiveness of Transnational Rule-Setting Organisations in Global Sustainability Politics: An Analytical Framework*, Global Governance Working Paper, No. 43, Amsterdam: VU University, 2011.

¹⁰ R.W. Cox, T.J. Sinclair, *Approaches to World Order*, Cambridge: Cambridge University Press, 1966.

¹¹ The last decade of the 20th century brought an explosion of regimes, institutions and organisations, but these forms should be differentiated, as one can find areas of international collaboration where there are well-defined principles, norms, rules, and procedures for actors' behaviour in the absence of an organization.

¹² Commission on Global Governance..., p. 336.

core of their conception of global governance constitutes the need for more cooperation among governments, non-state actors, more coordination within the framework of the United Nations system, and a central position for humans within politics. In the aftermath of the devastating conflicts in Somalia, Rwanda and the former Yugoslavia, the concept of the humanitarian intervention was developed, on the assumption that the international community is obliged to scrutinize policies that have led to mass displacements, terror or even genocide.¹³ The new frontiers of governance and institution building was oriented towards constructing a global environment in which many different cooperative platforms and initiatives could increase the overall level of trust and provide the increased synergy needed to address common problems.

The complex nets of governance beyond the state have been especially visible within two areas:

- a) with regard to issues that have become too complex for a single state alone to govern, control or provide a solution. The list of global problems includes: humanitarian crises, military conflicts between and within states, climate change and economic volatility. In this area the key function of governance is the regulation of social and political risk and the coordination of common efforts. The global governance bodies are working towards a new ‘problem-solving’ rather than bargaining style of decision-making.¹⁴
- b) with regard to the governance gaps created as a result of intensified globalization, broad strands of cooperative and competitive interdependency among sovereign nations, transnational corporations (TNCs), networks of experts and civil societies have expanded to address issues that threaten local and global communities. Such a mapping of global governance activity confirms that it is not only a matter of public actors but a complex web of private and public actors and their activity.

The rise of the liberal world order

Global governance puts institutions at the centre of its political program, perceiving international, institutionalised frameworks as a response to the reduced steering capacity of national political systems. For this reason the concept of global governance has been deeply rooted since its inception in the practical postulates of the liberal institutionalism that inspired the way the world was ordered from the first decades of the 20th century.

The theory is founded on the belief that non-compliance is the main obstacle of international cooperation, and that institutions provide the key to overcoming that problem.¹⁵ The fundamental assumption of the mechanisms aimed at bringing

¹³ Carnegie Commission on Preventing Deadly Conflict: *Preventing Deadly Conflict*, New York: Carnegie Corporation, 1997.

¹⁴ Compare with: S. Hix, ‘The Study of the European Union II: the “New Governance” Agenda and its Rival’, *Journal of European Public Policy*, No. 5(1), 1998, pp. 38–65.

¹⁵ R. Axelrod, R.O. Keohane, ‘Achieving Cooperation under Anarchy: Strategies and Institutions’, *World Politics*, 1985, Vol. 38, No. 1, pp. 226–254; R.O. Keohane, *After Hegemony: Cooperation and*

people all over the world a peaceful and prosperous coexistence originated in the idea of the Kantian world republic. Immanuel Kant was looking for mechanisms for lasting peace and envisioned ‘the federation of peoples’, founded on a broad cooperation of republican states. Under the world republic, free and equal individuals united by one global sovereign would achieve ‘a fully juridical condition’.¹⁶ Political organizations lie at the core of the prospect of perpetual peace, for they are crucial pieces of the expanding system that discourages war. Communities of states bound by common values and systems of republican governance were to be the instruments used by the member states to overcome their attraction to power, competition, and armed conflict. Democratic principles, combined with the ideals of human rights and international law, served as a starting point for creating a post-Cold War multilateral community.

Liberal institutionalism focuses on the idea of complex interdependence, offering a platform for the maximization of absolute gains through cooperation as first suggested by Robert Keohane and Joseph Nye in the 1970s.¹⁷ The key assumption of neo-liberal institutionalism – a vision that addressed the growing interconnectedness in global affairs of the second half of the 20th century – was that global governance can be achieved in the anarchic international realm, even in the absence of global government.¹⁸ The provision of binding rules and accepted standards is aimed at fastening the connections between international actors, so that they can pursue their particular interests through cooperation rather than rivalry. Neoliberal institutionalists focused on the constellation of interests or preferences that interact forming and shaping institutions.¹⁹

Competition and struggle for power were perceived as threats to international stability as early as at the end of the WWI, when the spirit of the League of Nations was born. During the years of the Great Recession it became apparent that the narrowly defined, parochial interests of one nation can pose a systemic threat to international

Discord in the World Political Economy, Princeton, N.J.: Princeton University Press; R.O. Keohane, ‘International Institutions: Two Approaches’, *International Studies Quarterly*, Vol. 32, No. 4, pp. 379–396; Ch. Lipson, ‘International Cooperation in Economic and Security Affairs’, *World Politics*, (October 1984), Vol. 37, No. 1, pp. 1–23; L.L. Martin, ‘Institutions and Cooperation: Sanctions During the Falkland Islands Conflict’, *International Security*, (Spring 1992), Vol. 16, No. 4, pp. 143–178; L.L. Martin, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, Princeton, N.J.: Princeton University Press; K.A. Oye, ‘Explaining Cooperation Under Anarchy: Hypotheses and Strategies’, *World Politics* (October 1985), Vol. 38, No. 1, pp. 1–24.

¹⁶ T. Pogge, ‘Moral Progress in Problems of International Justice’ in S. Luper-Foy (ed.), Boulder: Westview Press, 1988, p. 198.

¹⁷ R.O. Keohane, J. Nye, *Power and Interdependence: World Politics in Transition*, Boston: Little, Brown, 1977.

¹⁸ R.O. Keohane, *Neoliberal Institutionalism: A Perspective in World Politics, International institutions and State Power: Essays in International Relations Theory*. Boulder: Westview Press, 1989.

¹⁹ While liberal institutionalism relies predominantly on organizations, understood as physical material entities that are formally structured and bureaucratized, its neoliberal version embraced the broader definition of institutions as practices composed of rights, rules and decision-making procedures. There are not necessarily actors themselves, they operate within flexible structures, often across multiple players and layers of governance.

stability, so a platform of coordination was required to mediate between competing interests. Following the First World War, and with the creation of the League of Nations as well as the emergence of international law, attention turned towards international institutions as the major governing bodies. Prompted by Woodrow Wilson's vision of nation states that trade and interact in a multilateral community, bound by law and a collective security arrangements, international institutions began to dominate European political imaginaries. On the institutional level the League of Nations – a forum of universal appeal for dispute resolution – played a central role in this vision. The promoted world order was to be founded on the participation of the democratic liberal states, but at the same time the idea of collective security required the broadest possible engagement of states, regardless of their regime type.²⁰ The frameworks created in the interwar period, as based more on embracing liberal ideas and less on binding institutional rules, proved to be too weak to prevent the outbreak of WWII. This is the main reason why the first phase of the liberal project was quickly assessed as idealistic and too weak to counterbalance the real game of power and conflict.

The period 1918–1945 marked a macro-transformation in world politics, creating an even more urgent need for a broad-scale effort to construct the institutional foundations of the post-war world order.²¹ The United Nations and the North Atlantic Treaty Organization became the main building blocks of the new structure. Even before these major innovations in governance were brought to life, the pillars of the international financial system – the International Monetary Fund and the World Bank – were launched. They both originated in World War II, following the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire in 1944. A complementary organisation, the International Trade Organisation, designed to encourage free trade, was also founded later, in 1947, but the US refused to ratify its charter.²² The Bretton Woods arrangements created a forum for economic governance, while the United Nations played the role of an arena in which systemic stability and progress were negotiated. The aim of the international economic institutions was to foster the rebuilding of the shattered post-war economy and to elicit international economic cooperation and mutual trust among all nations. Furthermore, the steps taken toward European integration, especially the creation of the European Economic Community, generated momentum for the new forms of institutional development. The emergence of European integration illustrated the key idea of the liberal world order being turned into reality. On the continent, where the state system had developed and which had been witness to centuries of great powers' rivalry and war, state actors decided to overcome animosities, focus on cooperation and construct an environment

²⁰ G.J. Ikenberry, 'Liberal Internationalism 3.0. America and the Dilemmas of the Liberal World Order', *Perspectives on Politics*, 2009, Vol. 7, No. 1.

²¹ Idem, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, Princeton: Princeton University Press, 2001.

²² However tariff reductions were pursued in The General Agreement on Tariffs and Trade (GATT).

that would take them beyond the anarchic state of nature implied by realists. Six independent nation states signed the Treaty of Rome in 1957, initiating the process that was to become the boldest innovation in governance in modern history.

The institutionalist turn in the political sciences largely relied on these processes of European integration. The evolution of the EU was also of primary importance for global governance research, especially given the fact that the origins of the very idea had a global dimension. Robert Schuman envisioned integration as a three-step process, aimed at eliminating the possibility of war between France and Germany, then expanding the conditions of peaceful co-existence across the whole continent, to reach – in the final stage of the evolutionary process – the whole globe.²³ The institutional development of the European Community at the end of the 20th century led to the construction of a supranational decision-making body, in which transnational exchange (trade, investments, social networks, migration) was of primary importance.

The collapse of the Soviet Union was also seen as a powerful example, supporting the liberal scenario of a peaceful and progressive elimination of highly dysfunctional conditions that had previously seemed immovable. The long-fuelled fear that human civilization would be suddenly devastated by a nuclear world war disappeared virtually overnight, opening up the possibility to reconstruct global relations. The hopes for international peace, effective multilateralism and trust-based international relations supported the momentum for global governance, but it did not take long for this collective dream to turn into shared despair.

Neoliberal institutionalism and behaviour of international actors

The end of the Cold War marked the beginning of the momentum for expanding the framework of global liberal institutions, due to major political shifts and intensified globalization. The first strengthened the belief that the rules of the game may have changed, that at the ‘end of history’ it might be possible to break the vicious cycle of war and competition; the latter provided economic incentives, as well as applied to technological and social rationalities. A restricted view of states as rational actors started to be perceived as having significant limitations, which ‘left open the issue of what kinds of institutions will develop, to whose benefit, and how effective they will be’.²⁴ This led to a growing number of cognitive approaches which incorporated a role for ideas and knowledge and also viewed institutions as sites of normative discourse and learning. Institutionalised networks become denser and more integrated because of the speed and scope of globalization. They both attract and offer opportunities and incentives as well as, according to neoliberal visions, could form a new model of international

²³ R. Schuman, The Schuman Declaration (9 May 1950), (Europa 1/12/8).

²⁴ R.O. Keohane, *International Institutions...* (1988), p. 388; See also: A. Wendt, ‘Driving with the Rear View Mirror: On the Rational Science of Institutional Design’, in B. Koremenos, C. Lipson and D. Snidal (eds.), *The Rational Design of International Institutions*, Cambridge: Cambridge University Press, 2004.

interaction because states and other actors willing to effectively operate in the system would have to engage in cooperation. The basic assumption connected with increased interconnectivity is that actors within the globalised system are more unprecedentedly integrated, which strengthens long-term, relation-building strategies. Soft-power instruments like reputation and credibility can play a major role in shaping cooperation, because short-term gains are seen as long-term losses. So the threat of defection and betrayal – which determine realists' view of the international realm – have to some extent been eliminated in this system. According to the logic of the long-term involvement paradigm, if an actor fails to follow the rules, the actor's reputation will be harmed, affecting future cooperation opportunities and gains. Neoliberal institutionalism places shared habits and practices of cooperation as well as mature systems of governance at the centre of this global cooperative game to provide information, rules, monitor behaviours, and mitigate risks. This involves the development of crucial instruments of increasing transparency, mutual responsiveness, and in effect the reduction in uncertainty as to the motives and intentions of other actors.

Such a project, promoting grand ideas of common identity and new start for international actors was questioned, famously, for example by Andrew Moravcsiks with regards to Europe. His theory of liberal intergovernmentalism (LI) rooted in European integration puts things in a slightly different light, stating that they were driven primarily by the pursuit of economic preferences.²⁵ He argued that national preference formation, intergovernmental bargaining and institutional choice present the necessary stages through which integration outcomes should be analysed. Moravcsik, therefore, rejects mono-causal theories and admits that the factors of the major integration steps are complex, but deeply rooted in the traditionally defined interests of the nation states. As a consequence, the European institutional design is still based on a cost-benefits analysis of unitary, rational actors aiming to maximise their gains and minimise their losses in line with their national policy preferences.²⁶

Post-war developments in the financial institutions are often considered to be the bedrock of liberal institutionalism, but their origins fit rather into the framework constructed by the realists, who see such institutions as merely the tools of the leading states, which use them to protect their power and increase their share. John Maynard Keynes, a prominent architect of the Bretton Woods framework, declared that the system was created to seek 'a common measure, a common standard, a common rule applicable to each and not irksome to any'.²⁷ This intention has clearly not been fulfilled by

²⁵ A. Moravcsik, 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach', *JCMS*, 1993, Vol. 31, No. 4, pp. 475–477.

²⁶ A. Moravcsik, *The Choice for Europe: Social Purpose and State Power From Rome to Maastricht*, Ithaca: Cornell University Press, 1998, p. 24.

²⁷ D. Moggeridge (ed.), *The collected writings of John Maynard Keynes*, Vol. 26, London, 1980, p. 101. The unilateral action of the US in August 1971 under President Richard Nixon suspended the convertibility of the dollar and ended the rates regime negotiated by different countries at Bretton Woods. Thus a new form

the Bretton Woods institutions, as they were constructed essentially as an American tool for protecting and managing power. At the moment when post-war structures of global governance were being designed, the United States possessed almost half the world's manufacturing capacity, the majority of its food supplies, nearly all of its capital reserves and absolute military pre-eminence. America became the global net creditor for the restoration of international monetary system, especially to the European countries. The American dollar became an international currency and American economic policies were predominantly aimed at shaping growth in the developing countries. As the United States contributed the most assets to the newly founded institutions, it also gained the most voting rights, including a veto with regard to major policy decisions – not to mention the fact that the headquarters of the newly founded institutions were installed in Washington D.C., so as to secure optimal compliance with the government's policies.

The governance structure of the Bretton Woods system comprises mostly industrialised countries, which make vital decisions and form policies that are implemented by all other countries, as they represent the largest donors.²⁸

The era of the Bretton Woods agreement, although sometimes seen as being a period of international cooperation and global order, revealed the inherent difficulties in trying to create and maintain international stability. As early as in the middle of the 20th century it became evident that the aim of pursuing both free and unfettered trade, while also allowing nations to reach autonomous policy goals, could not be easily met, because of the conflict of national interests and the orientations of the hegemonic power.²⁹ So, instead of the global reorientation of power relations, the United States again projected its power and shaped the liberal order, whose features happened to be in accordance with the interests of other powerful actors, mainly European ones, in order to strengthen its own position: 'In this context, the US national interest became globalized as America set about using its hegemonic leadership to fashion a new world order. Whereas closed economic blocs had exacerbated the rise of nationalist extremism after the First World War, after 1945 American foreign policy elites sought to use the new US hegemony to create an international order based on economic interdependence, a conditional and institutionally bound multilateralism, as well as strategic alliance networks under US leadership'.³⁰

of international monetary cooperation was contemplated and Keynes' ambition for an international monetary authority able to penalise both 'deficit and surplus' nations, in order to balance the global economies.

²⁸ J. E. Stiglitz and A. Weiss, 'Credit Rationing in Markets with Imperfect Information', *American Economic Review*, No. 71(3), 1981, pp. 393–410.

²⁹ C. Norrlof, *America's Global Advantage: US Hegemony and International Cooperation*, Cambridge: Cambridge University Press, 2010; S.G. Brooks, W.C. Wohlforth, *America Abroad: the United States' Global Role in the 21st Century*, New York: Oxford University Press, 2016.

³⁰ D. Stokes, 'D. Trump, American Hegemony and the Future of the Liberal International Order', *International Affairs*, No. 94(1), 2018, p. 138.

But the United States was not willing to be constrained by common economic rules. The Nixon administration's 1972 abandonment of the gold-linked international monetary regime can be interpreted as a sign of a strategy of autonomy. The Bretton Woods system established the dollar as the key currency, convertible at a fixed exchange rate to gold. This system required the American Treasury to adjust American macroeconomic policy to ensure the stability of the dollar against gold. By rejecting the convertibility rule, Washington signalled its objection to the constraints imposed by international arrangements, thus subordinating the stability of international monetary relations to exclusively American national interests. Furthermore, economic policies have become a platform for the promotion of neoliberal market philosophies – liberalisation of trade, deregulation of currency and privatisation of nationalised industries. Attachments to loan conditions were influenced by the Washington Consensus, which brought mixed results globally and in some cases led to the long-term disruption of local markets.

Western security arrangements have also promoted the primacy of American views. As John Ikenberry puts it: 'In NATO, the United States was first among equals. It led and directed security cooperation across the regions of the world. The United States exported security and imported goods. The resulting order was hierarchical – the United States was the most powerful state in the order. It occupied a super-ordinate position manifest in roles, responsibilities, authority, and privileges within the liberal international order. But the hierarchical character of the order was to be more liberal than imperial. The United States did engage in public goods provision, supported and operated within agreed-upon rules and institutions, as well as opened itself up to 'voice opportunities' from subordinate states. To be sure, these liberal features of hierarchy differed across regions and over time'.³¹

Along the way to the introduction of the liberal vision of open markets and a reconfigured global economy, it turned out that it is hard to export the Western political model, and in particular liberal values, including individual rights and democracy. Developed within the unique historical frames of the transatlantic civilization, principles of individual freedoms and human rights travel with difficulty and cannot be easily integrated into different cultural contexts. So the dream of a unitary, integrated global system organized around liberalism has been radically losing its credibility over the battlefields of Iraq and Afghanistan.

As a consequence, the liberal interpretation of international realities, so powerful in the last decades of the 20th century, has been systematically weakened, mostly by the 9/11 terrorist attacks and then a couple of years later by global economic recession. The notion of order has given way to claims of the risk of disruption associated with the end of the unipolar era; the disruption posed by the waves and forces of populism and nationalism in the heartland of the West; and the disruption caused

³¹ J.G. Ikenberry, 'Liberal Internationalism 3.0: America and the Dilemmas of Liberal World Order', *Perspectives on Politics*, (March 2009), Vol. 7, No. 1, p. 77.

by the inability of the major global institutions to deal with economic instabilities and manage international crises, to name just a few.

The hegemony of the liberal world order has been declared to be over – international order is not ‘articulating a commitment to liberal values’, either in rhetoric or in practice, and since the end of the US ‘unipolar moment’ of leadership within that order it has been called fundamentally into question.³² The United States, previously seen as a major power distributing liberal ideals, has become increasingly weakened when it comes to its relative position within the international system and, simultaneously, drifted away from its own liberal position.³³ With the rise of the ‘rest’ of the powerful Asian and Latin American economies, the Western world finds it harder to defend liberal positions or the traditional order established after 1945. This shift in power is combined with the crisis of identity of the Western countries. Three of the most powerful social narratives of Europe and the United States seem to be increasingly in retreat: the internationalist vision, consensus building, and institution-building have ceased to be seen as features of an effective international strategy. Western organizations were built around powerful ideas that provided fuel for political activity for more than a century, but apparently their impact has now diminished. Even if we assume that the notion of the liberal world order built on American hegemony after 1945 was a well-established myth, the liberal orientation provided an institutional framework allowing for dealing with many instabilities of the international system, so it has been successful as a political project.

Individual empowerment and the limits of liberal visions of governance

One of the paradoxes in the rise and fall of the liberal world order is the fact that its collapse as a political program took place exactly at the time when many far-reaching liberal aims had been accomplished. Individual empowerment has become one of the most important macro-trends of our times, and had already led to substantial gains in welfare and prosperity worldwide. The last half of a century brought the most rapid rise in incomes in history. The last 30 years marked a sharp reduction in the level of hunger, higher standards of living, and improvement within major areas of the Human Development Index, including near-universal access to education, the empowering effects of internet technologies, and the betterment of the status of women around the world.³⁴ The rights-based approach to development has long

³² D. Rampton, S. Nadaraja, ‘A Long View of the Liberal Peace and its Crisis’, *European Journal of International Relations*, No. 32(2), 2017, p. 444.

³³ J.P. Kaufman, ‘The US Perspective on NATO under Trump: Lessons of the Past and Prospects for the Future’, *International Affairs*, No. 93(2), March 2017, pp. 251–266; P. Dombrowski and S. Reich, ‘Does Donald Trump have a Grand Strategy?’, *International Affairs*, No. 93(5), September 2017, pp. 113–138.

³⁴ Since the 1970s the concept of empowerment has been broadly used in development studies, as well as social psychology, public health, feminist studies etc. In the World Bank policies empowerment is a cross-cutting issue. From education and healthcare to governance and economic policy, activities that seek

been the primary tool in fighting economic and social inequality. These trends, despite regional differences, are of global character, as since the early 1980s improvements have been noted at a resoundingly similar pace in all regions. The main illustration of these achievements is the global emergence of the middle class, with particular intensity in Asia. Individuals and groups gained new possibilities to make choices and to transform those choices into desired actions and outcomes, to put their vision into reality. The conditions created by the Pax Americana – relatively peaceful coexistence, the defeat of communism and an unprecedented expansion of freedom and trade – at least partially take credit for that. New global circumstances provided new opportunities, leading in some cases to greater political participation, institutions that uphold the rule of law, human rights, and free markets. Increased integration of ideas and opportunities has been associated with the most rapid rise in population and urbanization in human history. Globalization has been central to these trends, although it brought new challenges along the way that have not been mitigated by the global governance framework. While global economic integration has been remarkably successful in helping to address inequality between nations, inequality within nations has grown, often with damaging domestic effects.

What is also intriguing, when analysing recent global trends within the context of liberal governance visions, they demonstrate the fundamental role of the nation states in building peace and stability. Individual empowerment is possible only in regions in which the firm presence of the nation state provides infrastructure, long-term social investments and connectivity. The main factors of systemic instability are connected with the territories of the failed states or fragile statehood. In the absence of structures of law and institutional provision of rules, citizens simply cannot use the opportunities provided by globalization. The presence of the institutions of global governance – international or non-state – has an interventionist character, but they are not able to replace state structures in the long term provision of the public good. So while global changes have created new possibilities that can be leveraged directly by individuals, rather than being channelled through governmental structures, they can only be used when the basic conditions of modern statehood are met.

Analysis of the current crisis of the liberal world order gives rise to the conclusion that leadership reorientations and gaps may have contributed to the rapid transformations from institutionalised to individualised processes. Identities and national discourses play a role here, because they may create an image of the global institutions as being increasingly distant and elitist, representing global and systemic interests rather than

to empower poor people are expected to increase development opportunities, enhance development outcomes and improve people's quality of life. 'Definition of Empowerment', World Bank website (accessed on 12 April 2019); <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTEMPowerment/0,,contentMDK:20272299~pagePK:210058~piPK:210062~theSitePK:486411~isCURL:Y,00.html>; See also: UNDP (2019), 'Human Development Index', United Nations website, <http://hdr.undp.org/en/statistics/hdi/> (accessed on 21 April 2019).

local, particular ones. Even state governance systems are facing a crisis of credibility, so the logic of representation does not reach transnational levels. The question of representation stands at the centre of the contemporary shift towards more nationalistic and populist policies in the Western world. Increasing fragmentation and polarisation within democratic societies creates a situation in which democratic procedures do not guarantee a wide sense of popular representation. Of two of the main international relations theories – realism and liberalism – the latter would have a greater chance of providing a cohesive explanation as it underlines the primary role of the state-society relation in shaping national preferences. Neoliberal conceptualizations, global governance amongst them, assume that individuals and voluntary associations with autonomous interests, interacting in civil society, actively shape the directions of domestic and international political strategies. The logic of this process sees formal governors and power brokers – politicians and policy-makers – as embedded in domestic and transnational nets of influences and relations which decisively constrain their identities and purposes. They are neither autonomous in their decisions nor able to introduce independent programs. As a consequence individuals and privately constituted groups are the central actors in the world of politics, and the behaviour of states reflects the preferences of the individual actors who comprise and influence the state.³⁵ Liberalism concentrates heavily on human agency, the capacity to make decisions and then act based on them, the ability to create and shape institutions and practices in a way that meets the needs of individuals and expresses liberal values. Global governance in this view means the myriad of socially-sanctioned ways in which, in order to improve their lives, people make their political choices and manage the gaps between constraints and aspirations. It would be interesting to identify in this construction the precise mechanism by which the will of individuals and private actors is transmitted to the level of state politics, and further on to the level of international politics. General assumptions underline the role of democratic processes and procedures here, but a general overview of the liberal theories reveals the lack of an explanation of the role of political leadership in power structure and decision making processes. An individual or group leader is expected to mitigate tensions between values and practice and strengthen the feasibility of the liberal ideals. But the instruments, scale of involvement, and codes of conduct pertinent to this are not discussed theoretically and can only be analysed as a result of historical inquiries:

‘One can scan the indexes, contents pages and texts of the canonical writings of contemporary liberal political theory – whether it be the work of Rawls, Dworkin, Brian Barry, Raz, Galston or pretty much any of the other leading liberal theorists – in vain in search of any explicit reference to political leadership, let alone any even

³⁵ A. Moravcsik, ‘Liberalism and International Relations Theory. Working Paper’, Centre for International Affairs (1992), cit. in: A-M Slaughter Burley, *International Law and International Relations Theory: A Dual Agenda*, 87 AJIL, 1993, p. 205.

moderately extensive discussion of it. The topic simply does not figure in their writings as something relevant to or worthy of their attention'.³⁶ Contemporary scholars seem incapable of offering the proper tools to provide relevant understanding on the theme of the transfer of individual desires into applicable political programmes, particularly when we consider liberal democracy's current trends, namely its egalitarian ethos and the personalisation of politics. This seems to be a fundamental factor in the contemporary crisis of governance at the state level, illustrated vividly by the rising tensions within Western democracies, as well as by postulates of the rising economies, whose citizens' aspirations are not met due to the level of governance. Although Gerry Stoker defines governance as that part of human activity concerned with 'creating the conditions for ordered rule and collective action', global governance has failed both to develop concepts of agency and address the possibilities and constraints of political engagement.³⁷ The liberal model of governance is based on the participation principle and does not contain formulas that can be used in times of political apathy and a massive turning away from the public sphere. We can observe in the current crisis of authority and rejection of the major principles of governance the trap set by global success of the liberal model, which facilitated globally individual empowerment and the provision of more choices and more possibilities to people all around the world. But by removing immediate threats, it diminished the role of the political arena, throwing it outside the catalogue of virtues considered to be necessary to live a meaningful life in modernity. As a result, at a time when the relation between a normative vision of the social order and domestic or international realities is starting to break down, neoliberalism is increasingly being abandoned as a key principle of contemporary international relations.

Conclusion

During the last 30 years the world has witnessed a revolution in governance, both private and public, in the areas that have been filled with regulatory bodies, loose initiatives, regimes, ephemeral and more persistent forms of governance whose political activity in most cases takes place outside the channels of formal politics. An entire sphere of authority operating and cooperating beyond the national state has been created and constitutes an effective layer of governance. It forms a vital part of the interaction between active citizens, effective states and transnational organisations which can redistribute power, voice, and opportunity. This should not, however, overshadow the fact that global organizations designed to address global problems are increasingly

³⁶ J. Horton, 'Political Leadership and Contemporary Liberal Political Theory', in: J. Femia, A. Korosenyi and G. Slomp (eds.), *Political Leadership in Liberal and Democratic Theory*, Exeter: Imprint Academic, 2009, pp. 11–30.

³⁷ G. Stoker, 'Governance as Theory: Five Propositions', *International Social Science Journal*, No. 155, 1998, pp. 17–28.

incapable of managing the instabilities created by global interdependence. They will not be transformed soon, as the political impetus for cooperation is less compelling today than it was in 1944, following decades of war and depression. These organisations are only as strong as their member states, so their condition reflects the increasingly apparent, accumulating shortcomings of representative democracy, which tends to ignore factors that stand outside the electoral cycle, such as neighbouring countries or future generations.

Phenomena connected to global governance have influenced but definitely not transformed the nature of international relations. In the realist view, global governance has not had enough of an impact on the state of global affairs to be taken into account. John Mearsheimer openly denies the importance of liberal frameworks as the ‘false promise of international institutions’,³⁸ at least in the vital areas for the existence of states: security and economy. But, as Robert Keohane and Lisa L. Martin note in their response to this view, more and more states have been willing over recent decades to invest resources in institution building and bearing the costs of participation.³⁹ Institutions may not change the very nature of the states, but they create an environment in which the fact that they are rational, selfish, self-oriented and likely to deceive is secondary, and overshadowed by the primary aim of coexistence, perceived as beneficial and rewarding. This choice is based on rational calculations: institutions provide information, reduce transaction costs, strengthen trustful relations, and in general create a system of reciprocity. They are inherently embedded in the operational standards of effective control and coordination and, as Asia’s new institutional architecture demonstrates, are fundamental tools aimed at shaping international relations.

The world has never been as integrated and globalized as it is today, but this has not entirely eliminated traditional problems of instability, such as conflicts over ideas or resources; it has produced many more, arising from connectivity and individual empowerment. For scholars and practitioners, it has become increasingly difficult to distinguish cause from effect and so it has become harder to know how to design appropriate policy responses. International institutions and organisations have been at the core of these policy processes for more than a half of century, and are to stay here even when constellations of power change and dominant narratives continue to shift.

³⁸ J.J. Mearsheimer, ‘The False Promise of International Institutions’, *International Security*, Winter 1994/95, Vol. 19, No. 3.

³⁹ R.O. Keohane, L. Martin, ‘The Promise of Institutional Theory’, *International Security*, 1995, Vol. 20, No. 1, p. 40.