INTRODUCTION

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Most of the contributors to this book labor in ivory towers, though a few are policymakers and policy advisors. The contributors, of course, agree neither with me nor with one another on all points, though we share a belief that the future shape of the global financial architecture is of crucial importance to world economic growth and thus also for international political stability. With the exception of my own essays, the chapters, most written expressly for inclusion in this volume, were last revised in 2000.

I use the first chapter to identify core questions and mental categories employed by scholars from different disciplines to conceptualize the international financial architecture. Economists think in terms of adjustment, liquidity, and stability, while economic historians organize the world in periods: the prewar gold standard era, the interwar period, the Bretton Woods regime, and the post Bretton Woods era since the early 1970s. Political scientists, meanwhile, ask about the international balance of power, employing concepts such as hegemony and multipolarity—while dreaming of greater democracy and institutionalization at the international level. Political scientists may also be sensitive to the peculiar irony of policymakers in the wealthy democracies, which largely have insulated themselves from exogenous financial and monetary shocks, demanding that policymakers in newly democratic emerging market countries expose their populations to the rigors of full integration with volatile world capital markets. I close with a summary of four influential policy positions in the current debate over reform of the international financial architecture.

Chapters two through four address issues of leadership and the politics of global finance. Mark Brawley takes up the question of hegemonic stability. While endorsing the view that a pro-market hegemon may provide useful system management for other participants, he yet reminds us that hegemons can find it convenient to destroy as well as to create and maintain existing structures of international governance (also known as international regimes). Brawley further observes that the U.S. willingness to provide leadership has always been driven by perceptions of the national economic interest. Benjamin J. Cohen notes that

the mainstream of the discipline of neoclassical economics in the 1990s became much more skeptical about the virtues of wholly free international capital flows, yet most incumbent politicians and policymakers have not yet picked up on this message. He wonders why, and speculates on the barriers to policy relevant learning, reluctantly concluding that continued U.S. government opposition to even interim capital controls is the most likely explanation of their rarity.

C. Fred Bergsten, director of the eminent Washington, D.C., think tank, the Institute for International Economics, reports on his experience as a member of two rival expert committees on reform of the international financial architecture. One was sponsored by the Council on Foreign Relations, whose consensus report represents the position that chapter one terms that of the transparency advocates, with a few nods to the financial stabilizers. The second, popularly known as the Meltzer Committee after its chairman, was commissioned by the Republican-dominated United States Congress in late 1998, at the height of the Asian financial crisis. Its majority views are those of laissez-faire liberalizers. The reason that the conservative majority was joined by Harvard economist Jeffry Sachs, sometime transparency advocate turned idiosyncratic financial stabilizer by his experience advising Russia in the 1990s, may be Sach's agreement with the left anti-globalizers on the dim possibilities for genuine democratic reform of the IMF and World Bank.

Chapters five to seven address issues of stability, equity, and the economics of global finance. David Felix takes the main theses of the laissez-faire liberalizers' canon and debunks them, one by one. Eduardo Fernández-Arias and Ricardo Hausmann were at the time of writing the senior and chief economists, respectively, of the Inter-American Development Bank, here writing in their private capacity. Their greatest concern is that the regulatory fixes to the current post–Bretton Woods financial architecture that seem most likely to be implemented address several of the important concerns of the advanced industrial countries, such as their fears of taxpayer-funded bailouts and financial contagion from emerging markets crises, but are unresponsive to the concerns of many developing countries, such as maintaining the access to global capital markets to which their relatively rapid growth and attractive investment possibilities would seem to entitle them. Fernández-Arias and Hausmann—like Cohen, Felix, and other contributors to this book, but unlike most of the influential expert commissions on international financial reform created in the past decade—would explicitly include issues of currency choice and exchange rate regimes in the debate over the global financial and monetary architecture. Ashima Goyal, a senior economist at one of India's premiere economic think tanks, takes issue with Fernández-Arias and Hausmann on a number of specifics, for example arguing in favor of loan contracts that bail in private creditors, an arrangement about which the Latin Americans are dubious. But like them, she laments the paucity of lender of last resort facilities for developing countries confronting liquidity

crises due to financial contagion, and the sad reality that the views of emerging market countries are typically marginalized in the high-level committees most likely to influence actual reforms.

The three final chapters directly tackle the political conundrum of multilateral reform. Henry Laurence's highly entertaining account of Japan's not yet successful efforts to exercise international monetary leadership illustrates the degree to which policymaking in this international arena remains extraordinarily hegemonic. His discussion also spotlights the multiplicity of views—and rising regional multipolarity—in Asia, an area still largely sidelined in global financial governance, despite its wealth. Tony Porter and Duncan Wood, based in the "other" NAFTA countries of Canada and Mexico, respectively, trace the progress of global negotiations over reform of the rules governing international financial flows. They do not hide their frustration over the structural inequities of the process, though they choose to end on a hopeful note, predicting a trend of greater inclusiveness in the future. Erik Jones writes of, and from, the region of the world that has pursued monetary and financial integration the furthest: Western Europe. Jones's essay explicitly confronts and critiques a defining worry of many in both of the broad, and in most respects dissimilar, alliances that I have labeled laissez-faire liberalizers and anti-globalizers. This is the fear of both conservative "new sovereigntists," on the one hand, and organized labor and other interests hurt by globalization, on the other, that faceless and unresponsive supranational institutions will come to determine their fates if multilateral economic and financial cooperation continues and even deepens. Jones asserts, on the contrary, that the European Monetary Union is on its way to becoming the greatest aid to buffering national economies from international shocks since the postwar Bretton Woods regime. He does not, however, directly address the closely related question of how monetary union in a single region might affect the future of monetary and financial multilateralism across geographic and cultural areas, although the existence of the EMU makes this question urgent.

To close the book, Laurence Whitehead's lighthearted yet provocative afterword considers reform of the financial architecture in light of enduring themes of political philosophy, revisiting the issues of democracy and representativeness also raised explicitly in chapter one.

We leave the reader, and ourselves, with a number of unresolved questions, among the most significant of which are these: Can the international financial system safely be left to "the markets," or are intentional regulation and supervision necessary to ensure adjustment, liquidity, and/or stability? Does the United States merit praise or blame for its dominance in global monetary affairs since the Second World War? Is U.S. monetary hegemony now exhausted, or nearly so? Is the frustration with, and vulnerability to, the international monetary status quo felt by newly enfranchised publics in Russia, Indonesia, Argentina, Turkey, and South Africa merely a cause for regret and crocodile tears in the

advanced capitalist democracies, or are there critical implications for managing future global financial crises? Finally, is representative multilateralism in the financial sphere even remotely possible?

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