Participation in the Deliberative Spaces of the Global Financial Architecture: A Transgovernmental Analysis

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ABSTRACT

This paper argues that a renovated version of the concept of transgovernmentalism, first advanced over thirty years ago by Robert Keohane and Joseph Nye in a seminal article in the journal *World Politics*, can make a significant contribution to our understanding of the political dynamics of the current global financial architecture. As a concept transgovernmentalism can tell us quite a lot about the nature of interstate co-operation in contemporary global financial governance, but more significantly, by bringing the participatory deficits in the global financial architecture into sharp focus, it also points us in the direction of a workable reform agenda that would expand inclusion, participation and by extension deepen legitimacy. The paper begins with a brief discussion of the growing significance of the concept of deliberation for the study of global governance, including some consideration of the importance of the issues of participation and representation in the act of deliberation. In the next section, the concept of transgovernmentalism is outlined and applied to the contemporary global financial architecture. The final section of the paper focuses on the normative question of whether the degree of participation represented by this transgovernmental politics is adequate. It advances a reform agenda based on the concept of 'deliberative equality' forwarded by Ann Marie Slaughter. The application of 'deliberative equality' would provide a means of addressing the defects of the current transgovernmental governance structure by reducing participatory and democratic deficits. Unfortunately, 'transgovernmentalism' is entirely incompatible with 'deliberative equality' and it is precisely the transgovernmental characteristics and qualities of the current global financial architecture that have to be reformed and challenged if we are to arrive at anything approximating 'deliberative equality'.

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Over thirty years ago Robert Keohane and Joseph Nye published a seminal article in the journal *World Politics* that outlined the concept of transgovernmental relations (Keohane and Nye, 1974). In the intervening period political scientists have rarely applied the concept in empirical research, less still sought to revise it for the contemporary era. In this paper I make the argument that a renovated version of the concept of transgovernmentalism can make a significant contribution to our understanding of the political dynamics of the current global financial architecture – (the collection of key decision making processes and discursive and deliberative spaces that organise the international financial system and determine the mechanisms for preventing and responding to international financial disturbance, together with the procedures and norms that set the parameters for and inform transnational market operations). As a concept transgovernmentalism can tell us quite a lot about the nature of interstate co-operation in contemporary global financial governance, but more significantly, by bringing the participatory deficits in the global financial architecture into sharp focus, it also points us in the direction of a workable reform agenda that would expand inclusion, participation and by extension deepen legitimacy.

The review of the global financial architecture undertaken after the Asian financial crisis involved three distinct trends. Firstly, there was a partial privatisation of financial governance, most evident in the emergence of an International Accounting Standards regime presided over by the International Accounting Standards Board (ISAB), but also to a degree in the creation of twelve codes and standards that were designed to enhance market scrutiny of national policies and practices (Mosley, 2006, Katzikas, 2006, Nölke, 2006). Secondly, there was a very partial shift away from the 'club' model of diplomacy evident in the creation of the G20, which brought new emerging market countries to the table and challenged the monopoly of leading developed countries – the G7. Thirdly, and most significantly, the architectural exercise consolidated and deepened the transgovernmental characteristics of global financial governance. The transgovernmental nature of the global financial architecture restricts participation in key deliberative spaces to a limited number of regulators and central state agencies (almost exclusively finance ministries, central banks and specialist regulatory agencies), which dominate and control the deliberations that determine the terms and content of global financial governance, resulting in a narrow, technocratic, closed insider policy process that remains largely impenetrable to a wider range of concerned societal interests. While there is some evidence of a shift in global governance arrangements towards a more poly centric form of 'complex multilateralism' in which various civil society groupings, non state actors and developing countries participate alongside more traditional advanced capitalist state bureaucracies in the form of tri-sectoral networks (Kahler, 2003, Benner, Reincke and Witte, 2003, O'Brien, 2002, O'Brien et al, 2000, Scholte, 2004, Reincke 2000), I will argue in this paper that the principal defect of the global financial architecture is that it remains insufficiently pluralist and this is a direct result of its overriding transgovernmental character.

The paper has three sections. It begins with a brief discussion of the growing significance of the concept of deliberation for the study of global governance, including some consideration of the importance of the issues of participation and representation in the act of deliberation. In the second section of the paper, I discuss the concept of transgovernmentalism and apply this to the contemporary global financial architecture. The third section of the paper focuses on the normative question of whether the degree of participation represented by this transgovernmental politics is adequate. I advance a reform agenda based on the concept of 'deliberative equality' forwarded by Ann Marie Slaughter (Slaughter, 2004). The application of 'deliberative equality' would provide a means of addressing the defects of the current transgovernmental governance structure by reducing participatory and democratic deficits (Porter, 2001). Unfortunately, 'transgovernmentalism' is entirely incompatible with 'deliberative equality' and it is precisely the transgovernmental characteristics and qualities of the current global financial architecture that have to be reformed and challenged if we are to arrive at anything approximating 'deliberative equality'.

Deliberation and Global Governance

Recent global governance research has been characterised by a 'deliberative turn' (McGrew and Robotti, 2006). This 'deliberative turn' has concerned itself with how processes of deliberation might advance the accountability of global governance. Generally, advocates of a form of deliberative transnationalism (Jorges, 2002, Bohman, 1999, King, 2003, Verwuij and Josling, 2003, Slaughter, 2004), have contended that deliberation, by sharing and making information available, has the capacity to re-shape interests and participant understandings, leading to social co-operation and policy that is acceptable to a wide range of interested parties, and therefore producing more responsive and inclusive global governance. Arguments in favour of deliberation include that it has epistemic value, improving the quality of information on which decisions are based and that it means decisions are justified and based on a process of reason giving leading to informed and careful judgements (King, 2003 p.24). What results is a very optimistic view of the progressive potential of deliberation in the global governance literature, which associates deliberation with participatory reasoned argument and social learning, resulting in communicative interactions among various associations in cosmopolitan public spheres (Bohman, 2000, Germain 2004). Yet it is also a conception of the potential of deliberation based on ideal types and assumptions reflecting its origins as a concept in normative democratic theory (Rawls, 1971, 1993, Habermas, 1989, 1996).

What is Deliberation?

In the global governance literature too little attention is paid to the question of what constitutes deliberation. What qualities do verbal discussions and interchanges have to display to qualify as deliberation? Does a mere conversation qualify as deliberation for example? Here, we can turn to Thomas Risse for guidance. Drawing on Habermas, Risse equates deliberation with arguing, or truth seeking, that is designed to produce a consensus that satisfies the participating parties. He highlights four pre-conditions seen as necessary for argumentative or deliberative logics to apply. First, an ability to empathise, or see matters through one's interaction partners. Second, a common shared collective interpretation of the world, stemming from shared language, common history or culture, including a common system of rules, norms and understandings to which actors can refer when making truth claims. Third, actors need to recognise each other as equals and have equal access to a prevailing discourse. Fourth, all interested parties should be able to participate in the argumentative discourse and all participants should have equal rights in terms of making an argument or challenging a validity claim (Risse, 2000, pp.10-11).

While the first three of Risse's criteria seem relatively uncontentious, the fourth is more debateable as a qualification for deliberation, at least as an observable empirical phenomenon, rather than on normative grounds. All societies are characterized by power asymmetries and inequalities between different social groupings of various hues. Yet if actors have a relationship that is asymmetrical and unequal, it would seem to be very difficult for them to engage in genuine deliberation, as opposed to simple verbal exchanges, at least according to the criteria set out by Risse, (although this will obviously depend on the nature of the inequalities in question.) In this respect, while some degree of equality and mutual respect might be a precondition of deliberation, it does not necessarily follow that deliberation *per se* is an inherently inclusive process. On the contrary, interactions can still have a deliberative quality, while taking quite an exclusive and elitist form, precisely because deliberation is something that takes place amongst relative equals. In other words, the very fact that some degree of equality, in terms of shared knowledge, understandings, norms, respect, empathy and professional standing, appear to be necessary for deliberation, makes it a potentially exclusive process, precisely because most societies around the world continue to be characterized by power asymmetries and inequalities of various descriptions. In this sense it is quite possible that the progressive potential of deliberation has been overstated in much of the existing global governance literature. As Risse puts it, ‘where genuine deliberation is evident we might expect issues of material power to recede, as processes of arguing and reasoning take over.’ However, power, in terms of access to resources, knowledge, information and status, very definitely continue to lurk in the background where deliberation is concerned, often setting the parameters for deliberation, or at least determining who participates in a given set of deliberations. In any event, some of the claims made about deliberation as a force for delivering more accountable and responsive global governance need to be subjected to greater empirical scrutiny, and alternative analyses need to pursued.

From an empirical perspective it is useful to draw a clear distinction between genuine communicative deliberations between actors that view and treat one another as equals, and mere conversations, dialogues, or consultations, which simply indicate that an exchange between various parties may have taken place. An unequal dialogue between two parties in which a conversation takes place, but in which one party can ignore the views of the other party, despite the appearance of listening, and take action or reach decisions, while more or less completely discounting the views of the other party, should not be categorised as meaningful deliberation. In these circumstances, it is dialogues of the deaf that take place, rather than genuine deliberation. Therefore, how various parties relate to, and interact with one another, whether they have shared understandings and mutual respect, and whether viewpoints can be modified and adjusted, as participants show a willingness to learn from mutual exchanges, all remain crucial indicators of deliberation.

The Global financial architecture and Deliberation

One of the few far reaching applications of the concept of deliberation to the global financial architecture has come from Randall Germain. Germain’s argument is that an emergent global financial public sphere is taking form, consisting of the multiple interactions between four nodes consisting of the government led institutional framework at the global level, globally integrated financial markets, global media and civil society (Germain, 2004). For Germain this emerging global financial public sphere needs to be strengthened by increasing the participation of concerned stakeholders in the decision making mechanisms of global finance. Germain uses Bohman’s definition of a critical public sphere – ‘clear modes of public reasoning, a plurality of participants and a growing critical reciprocity between participants,’ - to suggest that these operational features of a global financial public sphere are becoming progressively realised (Germain, 2004, Bohman, 1999). However, while Germain’s conceptualisation of a global financial public sphere is a useful device in terms of imagining what a more progressive and accountable form of global financial governance might look like, it is not a particularly accurate portrayal of how global financial governance actually currently operates in practice, or at least it overstates the development of a global financial public sphere.

Certainly, as Germain points out global financial governance, relies on consensus, with argument and reason being used as guiding precepts of debate. The crucial question however, is who participates in these key debates and deliberations and it is this question that reveals the principal problem with the notion of a critical public sphere in the field of global governance. Certainly there are modes of public reasoning at work in the global financial architecture, although the extent to which they are genuinely open to the public at large remains questionable, while the plurality of participants and the critical reciprocity between them is quite restricted. To explain this further, the relationships between the four nodes identified by Germain, the inter-state institutions, global markets, global media and civil society have a pronounced asymmetry. Global media and global markets, may influence agendas and priorities in a very loose sense, but the process of deliberation and participation in it and the subsequent outcomes remain very much concentrated in the various (inter-state, trans-state) institutions that make up the global financial architecture[1]. Where the global financial architecture is concerned meaningful deliberation takes place in institutionalised, or semi institutionalised settings in which policy priorities, agendas and content are established amongst a limited number of technocrats and officials. Informal consultations outside of these institutionalised settings are precisely that – informal consultations, however they are not deliberation, and they should not be conceived as such, precisely because they invariably take place on an unequal footing, especially when those consulted with do not share the same basic premises, world view and technical knowledge, as those officials that dominate the institutionalised settings or deliberative spaces of the global financial architecture. These deliberative spaces become sites of shared understandings and knowledge, which can be difficult for outsiders to grasp or influence[2]. In other words, there is a distinct lack of critical reciprocity amongst participants in the global financial architecture and the plurality of active participation is severely restricted.

[1] While that architecture remains largely inter-state, it also consists of private sector bodies such the International Accounting Standards Board (IASB) and the International Organization of Securities Organizations (IOSCO), which involves regulators and private sector representatives.
[2] In a similar vein Tim Sinclair refers to global knowledge networks, to describe the linkages and exchanges between officials and regulators and private sector industry specialists such as credit rating agencies (Sinclair, 2004). Likewise Geoffrey Underhill claims that global finance is characterized by integrated ensembles of state-market governance. The remarkable thing about the global financial architecture is that direct private sector participation remains quite restricted and limited to bodies such as IOSCO and the IASB.

Consequently, access to, participation or representation in, these key institutional settings, or deliberative spaces, is the crucial question to be answered when assessing the degree of inclusion evident in global financial governance.[3] From a normative perspective therefore, deliberation itself is not inherently positive or negative, it is the terms on which it takes place and who participates that is the key determining factor. In the next section, I argue that the concept of transgovernmentalism can shed light on the issues of participation and representation in the key deliberative spaces of the global financial architecture, and can even point us in the direction of a workable reform agenda.

Transgovernmentalism and the Global Financial Architecture

What is Transgovernmentalism?

The origins of the concept of Transgovernmentalism lie in a seminal article by Robert Keohane and Joseph Nye published in the journal *World Politics* in 1974 (Keohane and Nye, 1974)[4]. Keohane and Nye defined transgovernmentalism as direct interactions among sub-units of different governments that are not controlled or closely guided by the cabinets or chief executives of those governments. The aim of Keohane and Nye was to focus attention on bureaucratic contacts that take place below the apex of the organizational hierarchy of states and demonstrate not only that states cannot be understood as unitary actors in international affairs, but also that state bureaucracies often enjoy varying degrees of autonomy in international affairs. They identified two principal forms of transgovernmental activity – transgovernmental policy co-ordination and transgovernmental coalition building, with the former often providing the prelude to the latter. Transgovernmental policy co-ordination was used to refer to activities designed to smooth the implementation of policy in the absence of higher direction. Transgovernmental coalition building on the other hand, was seen by Keohane and Nye to involve like minded agencies acting together, against other domestic bureaucracies to steer domestic policy in a particular direction (Keohane and Nye, 1974). Keohane and Nye noted that, when the same officials meet recurrently, they sometimes develop a sense of collegiality, which maybe reinforced by their membership of a common profession, such as economics. In such instances, officials even begin to define themselves in relation to their transgovernmental reference group as well as in national terms. Transgovernmental elite networks, or

[3] It is precisely for the reason that overarching regulatory objectives, priorities and principles are rarely ever simply technical questions and free from value choice, especially when the impact upon individuals material welfare and because too little attention is given to the nature of deliberations, who participates and who is excluded, or not listened to, that what David Beetham and Christopher Lord describe as the 'technocatic' and 'indirect' models of legitimacy will not suffice where the global financial architecture is concerned. (Beetham and Lord, 1998).

[4] This article was in many respects the forerunner of their later references to the club model of multilateralism

coalitions, involve officials in different governments becoming linked to one another through ties of common interest, professional orientation and personal friendship and of course they subsequently become key sites for acts of deliberation. In this sense, transgovernmental processes engage in fluid deliberations involving reason giving and evidence based argumentation, and mutual enlightenment, rather than more traditional inter state bargaining were interests remain national, pre-defined and relatively fixed[5]. More recently, Ann Marie Slaughter has become the great champion of transgovernmental networks, following the publication of her book *The New World Order* (Slaughter, 2004). However Slaughter seemingly uses the term to refer to governmental networks more generally and as a result, her definition lacks the conceptual precision and nuance of Keohane and Nye. Consequently, she overemphasises the emancipatory and progressive potential of transgovernmental networks, as I will argue in greater detail later in the paper.

Understandably, Keohane and Nye's model of transgovernmentalism has now become a little dated. In particular, as issues global in scope have come to the fore, such as financial stability, the domestic variables identified by Keohane and Nye (see footnote 5) appear to be less central to transgovernmental activity. Moreover, taking domestic factors as the only incentives for engaging in transgovernmental activity, by considering policy areas primarily defined by geographical territory and heavily associated with national politics and issues of sovereignty, such as macroeconomic policy, will almost certainly produce a distorted picture by highlighting the disincentives for engaging in transgovernmental activity. For example, in his comprehensive rebuttal of the transgovernmental thesis as applied to questions of payments financing and domestic policy adjustments among the G10 in the 1960s, Robert Russell noted that national, or territorial concerns are always likely to be to the

[5] Keohane and Nye sought to explain transgovernmental activities with reference to domestic variables, such as degrees of conflict between domestic actors and the capacity of the central executive to control subordinates. High levels of autonomy for subordinate bureaucracies and high degress of conflict between domestic actors were seen to be the conditions most likely to lead to transgovernmental coalition building. On the basis of this Keohane and Nye constructed a two by two matrix and sought demonstrate the likelihood of transgovernmental coalition building taking place was at its highest when there was weak central control and high degrees of conflict with other domestic agencies. Building upon the Keohane and Nye understanding and using a five point sliding scale, in which obtaining intelligence into other country's policies and understanding of responses to one's own policies represented the intergovernmental end of the spectrum, and educating one another, building consensus, developing an international consciousness with a mutual commitment to reach agreement was at the transgovernmental end of the spectrum, Robert Russell found that intergovernmentalism was a more significant activity in one of the few empirical applications of transgovernmentalism to the study of the international monetary system between 1960 and 1972. Russell's focus however was very much on the distribution of domestic adjustment costs on balance of payments financing questions, which of course was becoming increasingly politicized during this period. Today balance of payments financing questions do not have the importance attached to them as in the 1960s (Webb, 1995, 2005).

fore (Russell, 1973) [6]. In the contemporary context, the concept of transgovernmentalism can be reactivated, providing we appreciate that state agencies face multiple incentives to engage in transgovernmental coalition building and often seek to maximise their influence in a whole host of sites that deal with issues of varying spatial scales. Notably, the exercise of reviewing the global financial architecture created incentives for states to engage in transgovernmental activities, precisely because it was driven by a need for a common response to threats posed to global systemic financial stability, and this was an issue where a collective public good was rather more readily identifiable than in the case of states discussing national balance of payments financing and domestic policy adjustments in the 1960s, in which national self interest tended to predominate, because policies were set nationally by national politicians. Reaching decisions on the institutional design and mechanisms for enhancing global financial stability and the procedures for responding to systemic crises was entirely more conducive to states seeking to educate one another, build consensus, develop a shared consciousness and reach international agreement, because they are questions that are outside of the immediate sensitivities of (or at least one step removed from) national policy adjustment, and they require a collective common approach and common base line agreement[7]. Indeed, deliberation is the principal policy instrument open to officials when formulating the procedures and practices of the global financial architecture, and to some extent in operating those procedures and deciding the terms on which they operate. Crucially however, if it is to have relevance, we must move beyond Keohane and Nye's concept of transgovernmentalism, as a device by which national bureaucracies can initiate domestic policy shifts, or enhance their domestic standing, and recognise that transgovernmentalism has become a rather more complex multifaceted activity that can take several forms, while acting as a mechanism through which state bureaucracies can construct alliances and coalitions with their counterparts in similar bureaucracies so as to influence 'world order' more generally. The targets of transgovernmental activity are no longer just other domestic bureaucracies and decision making procedures, but have multiplied in accordance with the transnationalisation and globalisation of political and economic life more generally.

[6] Indeed, this is particularly pronounced in macroeconomic policy, where it is widely accepted that making specific demands of one another's macroeconomic policies would constitute a breach of appropriate practice in the context of multilateral surveillance exercises. Moreover, such concerns relating to the national (or macro-regional in the case of the euro) focus for macroeconomic policy have been accentuated in the major industrialised countries by the move towards independent central banks with distinct price stability targets and decisions being reached by committees of experts (Bergsten and Henning, 1996). Participants in multilateral surveillance consequently have difficulty in giving commitments to their counterparts on the future course of national policy on the basis of these institutional arrangements.

[7] That is not say the global financial architecture is not necessarily deeply intrusive where domestic politics are concerned, merely that it involves states engaging in deliberations, the adjustment costs of which are not always immediately apparent.

In its simplest form, transgovernmentalism refers to the fact that national government bureaucracies develop shared interests, codes and objectives and steer policy outcomes autonomously, free from central co-ordination, with shared understandings and consensual outcomes being developed through an ongoing process of deliberation. In reality most of the institutional venues and forums that clutter the global financial architecture, are characterised by a combination of transgovernmental and more traditional intergovernmental activities involving the promotion of distinct national positions. The problem here is that transgovernmentalism and intergovernmentalism are abstract constructs and are not static categories. Dynamic interactions and technical exchanges will inevitably lead to some degree of continuous social learning amongst individuals, meaning that transgovernmental and intergovernmental activities are continuously in flux, occur simultaneously, feed into one another and overlap, as ostensibly national positions soften and consensus on a particular set of issues starts to form. Measuring the extent of either with any degree of reliability or accuracy given such fluidity is highly problematic.

In any event, the distinction between intergovernmentalism and transgovernmentalism is not as important as we might suppose. I maintain that four basic criteria have to be fulfilled for a particular forum to have a transgovernmental character: A) Participants in a particular forum share some strategic objectives, beliefs, norms, social practices; B) National positions show evidence of softening, moving towards consensus over time as a consequence of repeated and regularised deliberation, exchange and interaction; C) National delegates and representatives in the particular forum under consideration have views and ways of reasoning that are quite distinct from other national actors; And D) they must have some capacity to act independently of central direction. There need not be any sequential or causal chain, between these criteria. Any one can lead to or cause the others, but all four criteria need to be evident. Indeed, it would be perfectly natural to expect the sequence and interaction of these criteria to vary over time in accordance with the particular case and issues being discussed, as well as the conjuncture of historical circumstances surrounding them.

Does the Global Financial Architecture have transgovernmental characteristics?

Clearly the contemporary global financial architecture is not just transgovernmental. The IMF, and World Bank are suprastate bureaucracies answerable to national governments (finance ministries and central banks). The IASB is a private sector body and IOSCO bring private and public actors together. Nevertheless, many of the key settings and deliberative spaces have a transgovernmental quality. Many of the main bodies in the global financial architecture are the product, or spill over of over 40 years of collaboration between regulators, finance ministries and central banks, which as Tony Porter has argued, has created a legacy of research and institution building, exerting a powerful influence on what are considered viable policy outcomes in the governance of global finance, that one might not expect if one looked solely at power relations between states (Porter, 2003). Indeed, to be considered a viable policy option, proposals will invariably have to be grounded in prior research and deliberation and the consensus and understandings this has generated as a body of accumulated knowledge. In other words, a legacy of transgovernmental interaction and deliberation will set parameters to what is considered viable and what is not, and in turn create the foundations for future deliberations. To some extent a dynamic of path dependency is at work here.

The term global financial architecture is now well established in the policy makers' lexicon and in academic discourse (Armijo, 2002, Soederberg, 2004, Germain, 2000, Porter and Wood, 2002, Story, 2003, Eichengreen, 1999, Group of Seven, 1995, 2000). Policy makers first began making reference to the need to reform the global financial architecture in 1994, culminating in an extensive series of reports at the Halifax G7 summit of 1995[8]. Global financial architectural issues have remained a constant agenda item featuring in policy discussions ever since and they were comprehensively re-visited in 1998 and 1999 following the Asian Financial Crisis[9]. Throughout the review process, the Group of Seven finance ministries and central banks dominated the formulation of proposals, occasionally operating in conjunction with a broader G22 grouping (Culpeper, 2000, Baker 2000, 2003). Finance ministry deputies (the most senior international official), their deputy-deputies (one or two places below the deputy in the finance ministry hierarchy), the central bank deputies (usually deputy-governors) and national executive directors at the IMF (mid ranking finance ministry officials on secondment), handled most of the detailed preparations for the architectural review exercise. The finance ministers and central bank governors themselves would invariably have only one or two issues they would wish to push strongly, but the officials dominated the preparatory agenda setting process, shaping substantive discussions, with only the occasion higher level steer[10]. A flavour of the transgovernmental nature of this process is conveyed by former Canadian Finance Minister Paul Martin.

[8] Group of Seven Finance Ministers, Report to the Heads of State and Government at the Halifax Summit of 1995, Group of Seven Finance Ministers Halifax Communique: Background Document: Promoting financial stability in a globalized world.
[9] Group of Seven Finance Ministers and Central Bank Governors' statement, 20 February, 1999. Cologne Summit Communique, 1999.
[10] Point made in confidential interview by finance ministry official February 1998.

> Really very little negotiating takes place at these meetings. What really happens at G7, G20 or IMF meetings is that essentially ministers come together. There will be a lot of corridor discussion. Consensus will begin to develop on a certain set of issues. Officials maybe pushing for a certain set of issues, or individual ministers may have very strong views. Then they have their committee meeting. They will basically establish the agenda and the officials will then go away, and in the interim months work on that agenda and come back and report. At the reporting stage, it would either be this is the progress we've made, or this is the progress we haven't made. So it's an ongoing process all the time. But the detailed work is done by officials in between meetings[11].

During the architectural review exercise national leaders were consulted with through occasional briefings, but their input was largely restricted to one of emphasis and on the whole the leaders' annual summit meeting, merely re-iterated the reports of finance ministries and central bank governors, with their high profile annual gathering providing an additional means of publicising finance ministry and central bank findings[12].

The architectural review exercise extended from the Halifax summit, right up to and beyond the Asian financial crisis. Its principal outcome was the creation of two new institutions the Financial Stability Forum and the G20, and twelve codes of practice: monetary and financial transparency: fiscal transparency; special data dissemination standard/ general data dissemination system; all presided over by the IMF; principles of corporate governance monitored and evaluated by the OECD; International Accounting Standards reported on by the International Accounting Standards Board (ISAB); International Standards on Auditing monitored by the International Federation of Accountants (IFAC); core principles for systemically important payments systems and recommendations for securities settlement systems overseen by IOSCO; core principles for effective banking supervision evaluated by the Basle Committee; objectives and principles of securities regulations monitored by IOSCO; and insurance core principles evaluated by the International Association of Insurance Supervisors (IAIS). The table below outlines the key institutions in the current global financial architecture, their functions and membership.

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[11] Interview with Paul Martin, Canada's Minister of Finance and chair of the G20, Conducted by Candida Tamar Paltiel, University of Toronto G8 Research Group, November 18 2001, Ottawa

[12] Point made repeatedly in interviews with finance ministry and central bank officials in the US and the UK in 1997-98.

Figure 1

Institution	Membership	Function/remit
Group of Seven (G7)	Finance ministers, central bank governors, senior officials (deputies and deputy-deputies)	Conducts macroeconomic surveillance, develops collective exchange rate policy, drafts reports on architectural issues and sets priorities and agendas for the entire decision making complex *Deliberative Transgovernmentalism (senior co-ordinating coalition)*
Group of Ten (G10)	Central bank governors, but also involves finance ministry officials in various working groups. Finance ministers occasionally meet in this context.	Manages IMF's GAB. Venue for regular monthly exchanges between central banks on international financial and monetary matters. Working groups draft reports on specialist topics. *Hybrid of deliberative and technical problem solving transgovernmentalism*
Group of Twenty (G20)	Finance ministers and central bank governors from developed and emerging market countries, deputies	Deliberate on a range of financial and monetary matters in an effort to arrive at consensus. Similar to G7 trys to steer other bodies *Deliberative transgovernmentalism*
International Monetary Fund (IMF)**	Suprastate bureaucracy, national representation in the form of finance ministry officials (executive directors). Ministerial committees involve finance ministers and central bank governors. Only does business with finance Ministries and central banks	Lender of last resort. Crisis Manager. Growing interest in regulatory issues and their impact on financial stability.
Basle Committee on Banking Supervision (BCBS)	Central banks of G10 countries and the leading banking supervisor when this responsibility is not carried out by the central bank	Devises standards and core principles for international banking regulation *Technical problem solving Transgovernmentalism*
International Organisation of Securities Commissions (IOSCO)	Independent national securities regulators some finance ministry and central bank officials.	Produce technical reports and devise standards for securities regulation. Seeks to prevent cross-border fraud. *Technical problem solving transgovernmentalism*
International Association of Insurance Supervisors (IAIS)	National insurance supervisors	Agrees best practice in the area of insurance supervision. Co-ordinates with BCBS and IOSOCO on cross border

		Conglomerates *Technical problem solving transgovernmentalism*
Committee on the Global Financial System	Sub-committee and offshoot of the G10. Finance ministry and central banks.	Monitors growth and development of financial markets.
Joint forum	Brings together representatives from BCBS, IOSCO and IAIS	Prepares reports on the supervision and regulation of cross border Conglomerates for parent bodies
Financial Stability Forum (FSF)	Three reps for each G7 country (Finance Ministry, Central Bank, leading Supervisory authority), IMF, World Bank IOSOCO, Basle Committee two members Each. BIS, Committee on payment and Settlement System, Committee on the Global Financial Stability, OECD one member each	Fosters collaboration and information exchange between its members. Monitors the implementation of the twelve standards and codes of practice *Multi-agency synergised transgovernmentalism*

* These agencies cover most of the main actors that make up the global financial architecture, although it would be possible to add the Committee on Payments and Settlement Systems, the Financial Action Task Force and International Accounting Standards Board (IASB) to the list above. The IASB is the notable outlier in the sense that it is primarily a private sector body. However the principal point to be made is that this architecture has an overwhelmingly transgovernmental character.
** Authors such as Woods (2001) and Culpeper (2000) have noted that very little happens in relation to the IMF without the consensus of the G7 finance ministries and central banks.

Figure 1 above indicates clearly that participation in the key discursive, deliberative and decision making spaces that comprise the global financial architecture, at least as far as the state is concerned, as the principal democratic and representative entity in political life, are almost entirely restricted to finance ministries and central banks (predominantly from the G7/ G10 countries), specialist national regulatory authorities and a limited number of officials from institutions such as the IMF, World Bank, the OECD and the BIS.

As a consequence of the review of the global financial architecture that has been ongoing since 1994, an increasingly diffuse and stratified transgovernmental governance structure, characterised by a complex division of labour and functional specialism has emerged. While transgovernmentalism is not the only characteristic of the global financial architecture, it is an increasingly important characteristic of that architecture, which helps to explain some of its prominent political dynamics. At least three types of transgovernmentalism can be identified in the contemporary architecture and one of the initiatives of the review exercise has been to improve the interconnectedness between the various bodies and types of transgovernmentalism (see table 2).

Three types of Transgovernmentalism

The first of these types of transgovernmentalism is senior deliberative transgovernmentalism, of the type practised by the G7 and the G20 (both restricted to finance ministries and central banks). It involves efforts to construct consensus on priorities, agendas and broad policy orientation, before that consensus is promoted and communicated to other bodies that comprise the global financial architecture. The key feature of this kind of deliberative transgovernmentalism is that it takes place amongst the most senior officials from finance ministries and central banks, who use their meetings to set agendas for a host of other specialist committees and bodies, which are often staffed by more junior officials, often from within their own domestic bureaucratic structures. This kind of transgovernmentalism follows a logic of arguing in which participants seek to achieve a reasoned consensus that sits comfortably with the technical ideas and causal beliefs the various protagonists hold about monetary and financial governance, while avoiding any serious breach of key domestic or national interests (Risse, 2000). For example, Paul Martin, the first chair of the G20 has emphasized the importance of being able to argue back and forth across the table in settings such as the G7 and G20, resulting in 'a genuine interchange of views, rather than the reading of set piece meetings, which can occur in larger IMF meetings[13]'. Martin has also stressed that such meetings involve 'very competent people with lots of expertise[14].' Similarly, David Dodge of the Bank of Canada has highlighted the collegiate discursive nature of such meetings by drawing attention to the way participants 'talk to each other on very much equal terms, because a lot of our backgrounds are similar and we understand the issues in a similar way[15].' According to Nigel Wick, former UK deputy, 'exchanges tend to have a highly technical character and assume the language of economics and finance, rather than that of politics. Political points are occasionally made but are usually done so within the terms of economic language'.[16] Consequently, officials acknowledge that better arguments can carry the day[17]. This has very real consequence for outcomes. Most notably, it implies that even US preferences and interests are not fixed, but have a degree of fluidity and are open to change and refinement, as a consequence of interactions with partners. Wicks refers to a process of 'testing

[13] Interview with Paul Martin, Canada's Minister of Finance and chair of the G20, Conducted by Candida Tamar Paltiel, University of Toronto G8 Research Group, November 18 2001, Ottawa. On University of Toronto's G8 website at http://www.g7.utoronto.ca/oralhistory/

[14] Interview with Paul Martin.

[15] Interview with David Dodge, Governor of the Bank of Canada, Conducted by Candia Tamar Paltiel, G8 research Group, November 18 2001, Ottawa. On University of Toronto's G8 Website at http://www.g7.utoronto.ca/oralhistory/

[16] Nigel Wicks, 'Governments, the international financial institutions and international co-operation', in Nicholas.Bayne and Stephen Woolcock (eds) *The New Economic Diplomacy: Decision Making and Negotiations in International Economic Relations*, Aldershot: Ashgate, 2003.

[17] Point made repeatedly in confidential interviews conducted with US and UK finance ministry and central bank officials during 1997-98.

different positions in interactive debates within certain normative parameters.'[18] There is some evidence to support this in the aftermath of the Asian Financial Crisis as the US position moved from promoting the liberalization of capital transactions as broadly and as speedily as possible, to a situation where it was acknowledged that capital liberalization had to be properly sequenced and proceeded by certain pre-conditions, including a well established market economy, trade liberalization, a strong financial sector supported by an efficient supervisory system capable of monitoring the risks involved in exposure to foreign currency denominated loans and a macroeconomic framework consistent with a liberalized financial system[19]. Likewise the US conceded that IMF involvement in structural policies should be restricted to areas directly relating to financial crisis.

A second type of transgovernmentalism involves technical\problem solving networks that generally take place at a lower level and involves specialists in a particular regulatory area, striving to come to an understanding of the international regulatory challenges confronting them by conducting research and compiling reports, identifying new challenges, exchanging information and ideas relating to regulatory practice in different national territories, striving to arrive at definitions of best practice and formulate universal standards. The Basle Committee and IOSCO are examples of this type of technical problem solving transgovernmentalism. This type of transgovernmental activity is characterized by a paradox. On the one hand deliberations are more technical than in the G7 or G20, because they are more tightly focused on specific regulatory challenges and outcomes and are designed to generate concrete standards, practices and rules that entire segments of the financial services industry are supposed to comply with. Discussions consequently focus on detail, are highly technical in character and to wider publics appear to be impenetrable and opaque. These networks of regulators build upon previous work and legacies of technical collaboration and knowledge, which as noted above gives their proposals an evolutionary, technocratic and conservative dynamic (Porter, 2003). On the other hand however, precisely because they generate specific regulatory practice and outcomes that affect industry players, they are intensely political as national financial interests lobby their respective national authorities to adopt specific positions in settings such as the BCBS (Wood, 2004). Intense private lobbying means that despite the fact that debate takes a highly technical form, conflict, acrimony and spoiling tactics periodically erupt in such regulatory networks, particularly when policy is being developed in relation to a particularly controversial issue, such as the Basle II accord (Wood,

[18] Nigel Wicks 'Governments, the international financial institutions and international co-operation',
[19] A small shift in anyone's money, but one that nevertheless represented a movement from the instinctive reaction of simply blaming 'crony capitalism' in Asia for the crisis.

2004). Crucially however, while the functioning and practices of financial sectors are of broad interest and importance to the community as a whole, it is only significant players in national financial sectors who tend to be listened to by the constituent regulatory authorities, involved in these types of technical problem solving networks.

Figure 2 – Three Types of Transgovernmentalism

<u>Transgovernmental Criteria</u>

A) Participants in a particular forum share some strategic objectives, beliefs, norms, social practices.

B) National positions show evidence of softening, moving towards consensus over time as a consequence of repeated and regularised deliberation, exchange and interaction.

C) National delegates and representatives in the particular forum under consideration have views that are distinct from those of other significant national actors and interests, or most strongly reflect relatively narrow sectional interests.

	Function	Domestic relations	Criteria
Type I – Senior Deliberative Transgovernmentalism, G7, G20	Consensual deliberations based on shared sense of collegiality, informal relations and personal friendships. Define overriding governance principles, challenges and approaches. Effort to set strategic priorities and agendas for the entire governance architecture.	Senior officials dominate. Relative degree of Insulation from domestic political pressures. Political interests channelled through finance ministers and occasionally leaders' summits. Heavily dependent on personalities of participants and relations between minister and deputy.	A Strong B Strong C Mixed. Least evident In Anglo-Saxon world. General tendency of bias towards internationally active financial concerns.
Type II – Technical problem solving networks – Basle Committee, IOSCO	Highly technical exchanges between regulatory specialists in a single issue area with the intention of producing international regulatory standards. The aim of generating tangible outcomes that impact directly on national interests constituents results in some degree of bargaining and conflict	Intense lobbying of national delegates by effected domestic interests. Outcomes therefore the subject of political bargaining and some degree of conflict. Only narrow sectional interests consulted with rather than an inclusive society wide process	A Mixed, technical exchanges, but distinct national positions often produce conflict. B Mixed. Uneasy politically manufactured consensus. C Strong. Highly sectional interest representation
Type III – Multi-agency Synergistic Transgovernmentalism – Financial Stability Forum, Joint Forum.	Information exchanges, brain storming, identifying new challenges, regulatory gaps, keeping abreast of private market innovations and developments. Idea and knowledge generation. Avoid regulatory conflict and conflicting priorities. Creating consensus on regulatory challenges and shared understandings about future priorities	Idea and knowledge generation takes place in relative isolation from domestic lobbying. Little direct lobbying because outputs are largely indirect in the form of reports or recommendations. National officials and politicians in type I maintain some oversight and occasionally attempt to steer	A Strong B National positions not that pronounced to start with C Strong. Relative insulation from national politics

In a seminal article over a decade ago, Geoffrey Underhill pointed out how transnational policy communities, dominated by private interests made crucial decisions about the structure of global financial markets, while broader segments of society were excluded (Underhill, 1995). Underhill was referring primarily to IOSCO, although similar claims can be made about the Basle Committee. Nevertheless, this is a strong demonstration that this type of network complies with criteria C listed on page 11 concerning the representation of narrow sectional interests. In short, a potent mix of conflict and consensus, transgovernmentalism and intergovernmental type bargaining, characterizes technical problem solving networks, as actors in this type of network strive to attain a balance between the achievement of technically optimal collective solutions and the protection of key financial interests in their national societies[20].

A third type of transgovernmentalism is a relatively new form of multi-agency synergistic transgovernmentalism. The concerns of such networks tend to be global or systemic. Rather than focusing on a specific industry segment or sector, they are concerned with how interactions between different sectors impact upon financial stability as a whole. Their principal aim is to bring different regulators and national authorities to the same table, so as to encourage exchanges of information and concerns with the aim of facilitating learning processes, minimizing conflict over turf and priorities, and to establish certain shared macro priorities and facilitate a shared sense of purpose. Multi-agency forums are by their very nature designed to co-ordinate responsibilities between different bodies and groupings, but most crucially to produce consensus amongst discrete institutions on particular policy challenges. In effect, they represent an attempt to monopolise technical expertise on financial matters, in an effort to give authority to their findings, while making them difficult to dispute. Multi-agency transgovernmentalism therefore typically involves the generation of expert reports on cross-cutting financial issues that affect a number of sectors. In this sense, the multi-agency approach is an effort to keep up with and respond to market developments and to generate an enhanced understanding of the complex synergies that tie contemporary financial markets together (Porter, 2003). Officials are usually one or two positions below G7 deputies in terms of national hierarchies, and because policy outcomes are less tangible than in the case of technical problem solving networks, they are usually subject to a less intense process of national lobbying by private financial interests. This is reflected by the fact that multi-agency settings tend to generate ideas, knowledge and specialist reports rather than

[20] Further research is required into precisely how responsive national regulatory authorities are to the demands of different financial interests from within their own societies, the willingness to promote these different interests in various regulatory networks and the strategies they employ in doing so, including the trade offs between these national interests and any obligations and shared professional commitment to transgovernmental colleagues.

specific forms of regulatory practice and rules. Examples of this kind of transgovernmentalism are provided by the Financial Stability Forum and the Joint Forum (see Figure 2). Such networks have significant potential for socialization and learning processes and are generally characterized by a less developed sense of national interest than individual problem solving networks, although national pressures can be exerted through type I deliberative transgovernmentalism and indirectly through the manner in which national conflict and politics influence type II outcomes, which will inevitably inform the work of this type III multi-agency transgovernmentalism. In this respect, the wording of FSF reports on Hedge Funds, clearly involved some degree of political compromise that generally reflected the US position, rejecting direct regulation, but also leaving open the possibility that this position would be reconsidered at some point in the future, depending on performance and future instances of instability, in concession to European and Japanese concerns that hedge funds encourage herd behaviour and instability.

The Outcomes and Implications of Complex Stratified Transgovernmentalism

It should be clear that the transgovernmental processes described above all comply with the four criteria laid out on p.10 to varying degrees. There is evidence in each case of shared beliefs, norms, social practices, of national positions softening over time, of the existence of distinctive views and modes of reasoning and of capacity to act independently of central direction (see figure 2). Moreover, this in turn has a broader set of implications for outcomes and questions of participation. Senior officials from finance ministries and central banks attempt to catalyze their bureaucracies' capabilities, by urging them to work together, sharing findings, experiences and information. Well established procedures for consultation, dialogue and collaboration amongst the most senior officials and politicians with direct responsibility for monetary and financial governance play a crucial role in defining the acceptable parameters of global financial governance. For example, initial tensions between Japan and the United States, following the Japanese Asian Monetary Fund proposal during the Asian financial crisis were managed through the deputies network, with the friendship between Eisuke Sakakibara and Lawerence Summers being used to rebuild relations and develop the consensual proposals that followed on the future of the global financial architecture and to which Japan contributed fully, expressed satisfaction with outcomes based on transparency (Kiuchi, 2002). Most of the consensual norms, ideas, approaches and principles that inform contemporary global financial governance, are either authored or approved by the G7 (Culpepper, 2000, Baker, 2000, 2003, 2006, Porter, 2005). Even if relatively little beyond the definition and endorsement of broad approaches is achieved at G7 meetings, the G7 as the forum most representative of deliberative transgovernmentalism, does sit at the apex of the diverse specialist committees and networks that populate the domain of global financial governance. Ultimately, the day to day detailed work that informs the governance of global finance is conducted and formulated elsewhere. The Group of Seven remains reliant on this more detailed work and can offer direction to the bodies producing this work, but cannot dictate to them for fear of undermining their technical credibility, which they may need to draw upon at a later date. The G7 can of course prioritize and selectively promote the lessons and findings of these committees and bodies, but the relationship is best characterized as one of mutual, if slightly asymmetrical dependence. For example, lower level technocrats owe their existence to the deputies involved in the G7, but at the same time the G7 are dependent on the information, analysis and recommendations provided by the technocrats. The G7 do set deadlines, priorities and agendas for this broad array of technocrats and therefore define the parameters of their debates, but within these parameters, the technocrats have considerable discretion.

Relations between technical problem solving networks and multi-agency settings are even more interdependent. The work, policy outputs and legacy of technical collaboration of technical problem solving networks set the parameters for multi-agency synergistic transgovernmentalism and provide the basis for their own reports and information exchanges, but the new challenges, knowledge and understandings generated by these exchanges and interactions, simultaneously feed back into and inform the work of technical problem solving networks. The more generalized systemic brief of multi-agency transgovernemtalism, means that exchanges are not characterized by the same stark clash of national interests that sporadically emerges in specific technical problem solving networks. While national interest is not entirely absent from settings such as the FSF, it is usually channeled through the steering mechanism of deliberative transgovernmentalism and national command structures. Multi-agency settings are consequently relatively insulated from national lobbying and interests, allowing them to concentrate on knowledge and idea generation, mutual learning and education, one step removed from interest driven political bargaining.

Crucially, official positions remain heavily dependent upon the reports produced by these specialist bodies, which in turn are often grounded in previous research and over forty years of technical collaboration. Deliberations consequently, tend to informed by and based upon existing knowledge and therefore have a heavily conservative, incremental trajectory. Modest evolutionary subtle policy adjustments rather than sudden shifts are consequently characteristic of the global financial architecture and its constituent agencies. Moreover, finance ministries and central banks are populated by economically literate technocrats, many of whom have sympathies with and have been trained in the neo-classical tradition that has come to dominate the economics profession in the Anglo-Saxon world over the last thirty years (Stiglitz, 2002, Marcussen, 2000, Baker, 2006, Kanbur, 2000). Furthermore, this has tended to be most true of the international sections of these agencies, where the officials who participate in the global financial architecture generally reside (Baker, 1999). The international sections of finance ministries and central banks also tend to be quite insulated from direct societal lobbying and political interests (McNamara, 1998). Consequently, the deliberations between senior finance ministry and central banks officials in settings such as the G7 and G20 are not necessarily representative of the wider political economies and constituencies of their societies, but generally have a more neo-liberal and neo-classical orientation reflective of officials' formal economics training, which in turn is a further strong indicator of criteria C on page nine.

Several authors have argued that the architectural exercise has been predominantly technical in nature (even if it has be potentially intrusive where domestic governance structures are concerned), broadly market based and has institutionalized a neo-liberal agenda (Soederberg, 2004, Underhill and Zhang, 2003, Best, 2003, Langley, 2004). Leslie Elliot Armijo's account of the debates about the future of the global financial architecture is instructive in this regard. She identified four principal political camps, - the transparency advocates, the stabilizers, the laissez faire liberals and anti-globalizers (Armijo, 2002). According to Armijo the transparency advocates dominated the architectural debate largely because this view held sway in the key agencies of the leading industrialised states – finance ministries and central banks. The implicit claim of an approach based on transparency is that the principal cause of malfunctioning financial markets is imperfect, or inadequate information, which in turn is based on a modern theory of the markets, that expects market to tend towards equilibrium and clear (Blyth, 2003). This in turn shifts the emphasis and blame for financial crisis onto authorities in crisis affected countries, domestic cronyism, domestic banks and inadequate local procedures. According to Mark Blyth, transparency, 'allows market participants to blame the victim, to take the reward and disavow responsibility for generating any of the costs' (Blyth, 2003). The twelve standards and codes of practice introduced after the architectural review represented an effort to institutionalize transparency as the overriding norm of global financial governance and to promote complete financial and capital account liberalization as a universal goal all states should be working towards, by encouraging the kind of domestic institutional practices and norms that will be compatible with such an eventuality. The other camps identified by Armijo lacked the links to the key agencies which dominate the deliberative spaces in which the future of the global financial architecture is decided and determined Arguments in favour of stabilisation and capital controls in particular, which identified the scope, speed and speculative nature of financial transactions as the key source of financial instability and the principal problem to be resolved, received scant attention in these settings (Cohen, 2003, Culpepper, 1999). Consequently, global financial architectural debates in the period after the Asian financial crisis involved a narrow definition of the principal problematic of global financial governance and privileged a particular view of the world largely derived from neo-classical economic theory and this directly reflected the narrow participation in key deliberative spaces that were dominated by finance ministries and central banks whose officials either had formal neo-classical training, or sympathies[21].

If participation in the initial architectural debates immediately following the Asian financial crisis was restricted and took a narrow form, the prospects of broadening that participation in the post-crisis architecture diminished still further. As already reported a more complex stratified transgovernmentalism, characterised by functional specialism and a division of labour between various networks of regulators and technical specialists who report to the finance ministry and central banking community, but retain a certain degree of autonomy based on their technical expertise, emerged from the architectural review exercise. The G20, the FSF and the twelve codes of practice represent a technocratic governance machinery that is largely impenetrable to outsiders. This technocratic machinery defines the terms on which global financial governance is conducted, the language used and most crucially who has a legitimate right to participate in key debates. Future governance trajectories are determined and driven by specialist reports produced by this technocratic machinery and the findings of those reports are increasingly difficult for non-participants to contest. This is most evident in the case of the FSF, which effectively represents an attempt to monopolise, or at least control debates on issues such as hedge funds and offshore

[21] Here I am in disagreement with Armijo in relation to the position of Japan. Armijo places Japan outside the transparency coalition, but Japan participated fully in the exercise and expressed satisfaction with the outcomes and the focus on greater transparency. The rift between Japan and the rest of the G7 on capital controls was also often overstated. Ministry of Finance vice minister for International Affairs expressed the point starkly. “It has sometimes been suggested by the press and others that Japan is advocating more controls on capital flows while other G7 countries are arguing for free capital movements. This is simply not true. If one reads the Miyazawa speech of last December carefully, it is clear that Japan’s position from the outset is was that maintaining market friendly controls that would prevent turbulent capital inflows should be justified when a country wants to keep capital inflows at a manageable level according to the stage of development of its financial sector, and there might be some cases that would justify the re-introduction of controls on capital outflows as an exception, for example in order to avoid bail out by IMF loans. As the report shows this stance is shared by all G7 countries.” (Sakakibara, 1999.) Accompanied by these qualifications the MOF remained supportive of capital account liberalization.

financial centres by bringing a range of experts, regulators and officials together in one setting. The G20 brings finance ministries and central banks from emerging markets to the table, - agencies that are on the whole sympathetic to neo-classical premises and a transparency based approach. Such an intensification of deliberations with predominantly like minded agencies in emerging markets, rather than a wider range of state agencies, was a deliberate attempt by the G7 to replicate the kind of informal collegial deliberations that they themselves have been involved in a *de facto* extension of G7 transgovernmentalism. Viewed in these terms it is difficult to believe that this modest institutional development will make global financial governance substantially more inclusive in terms of the range of social and political voices represented in key debates, even if it does offer some prospect of authorities in emerging markets having some sense of ownership of global norms and standards. If concerns of equality, social justice, employment and poverty reduction are to become genuine concerns in global financial governance, featuring alongside more technocratic concerns, current institutional arrangements for governing global finance will need to be reformed in a way that fundamentally challenges the transgovernmental status quo. Currently, the principal deliberative spaces of the global financial architecture remain exclusive, elitist and most crucially of all given their overriding transgovernmental character, insufficiently pluralist. Participation and representation remain far too restrictive.

Participation, The Legitimacy Problem and Reform

Of course, not everyone shares these doubts about the downside of the operation of transgovernmentalism. Most notably, Ann Marie Slaughter sees transgovernmental networks as representing the possibility for creating a more effective and just world order, in which governments are able to represent and regulate their people. Slaughter proposes five principles to produce an 'inclusive, tolerant, respectful and decentralized world order.' Of these principles the one with the most direct relevance to the global financial architecture and the one with possibly the most progressive potential is *global deliberative equality* (Slaughter, 2004, p.29.) Global deliberative equality is based on a principle of maximum inclusion and participation by all relevant and affected parties in deliberations. Slaughter has derived global deliberative equality from the work of Michael Ignatieff and the basic moral precept that our species is one and each individual is entitled to equal moral consideration (Ignatieff, 2001). A plural world of cultures, Ignatieff argues, requires that those cultures have a right to equal consideration in arguments about what we can and cannot, should and should not do to human beings, producing a situation of conflict, deliberation, argument and contention (Ignatieff, 2001). James Bohman has taken a not altogether dissimilar view arguing in favour of ‘equal access’ or ‘availability’ of political influence within the process of deliberation and decision making (Bohman, 1999). Equal access, Bohman argues, is about the reasonable expectation to be able to influence deliberation about decisions that affect one’s lives (Bohman, 1999). This in turn is an issue of capability and the capacity of citizens to avoid being excluded in the sense that their public reasons do receive effective uptake in the course of deliberation. According to Bohman therefore when democratic norms are effective, no group of citizens possess sufficient control to determine outcomes, or to define criteria that determine which reasons ought to be accepted by everyone. However, the reasonable expectation that it is possible to influence a decision making process that is responsive to reason is seen by Bohman, as being sufficient to meet the minimum criterion of ‘non-domination’ (Bohman, 1999, p.504).

Applying this to the global financial architecture does present problems however, not least because deliberation and argumentation has taken a particularly narrow form and has been conducted in exclusive settings. For Slaughter, because global governance is a conversation, or collective deliberation about common problems, all affected individuals, or their representatives are entitled to participate (Slaughter, 2004, p.246). However, it is precisely participation, that transgovernmentalism, as it currently exists in the existing global financial architecture, restricts. The right to participate is effectively being defined by the knowledge and ideas participants hold about the nature of global finance, because participation is restricted to a number of key agencies, that as we have seen, tend to start from similar sets of assumptions. Slaughter warns that in the absence of global deliberative equality, transgovernmentalism will become a euphemism for clubs and a symbol of elitism and exclusion. Yet it is elitism and exclusion that defines transgovernmentalism as a form of governance, precisely because it rests on dialogues between like minded officials that share certain overarching ideas and normative beliefs and values. Thus far conversations with those outside of the key deliberative transgovernmental spaces of the global financial architecture have delivered little, with the exception of the area of official debt relief. The debate in these spaces remains technical and involves a narrow definition of governance problems and solutions in accordance with neo-classical theory. Those advocating a different perspective on global finance emphasising a broader range of national political and social requirements see that their arguments and ideas barely feature in those deliberative spaces. For example, while Germain applauds the growing ‘publicness’ of key deliberative spaces in the global financial architecture, based an extensive system of outreach involving the publication of growing number of reports and or communiqués. Too often however, the purpose of these reports is not to encourage debate, but rather to close off public debate, as key issues are constructed as narrow technical affairs, in which politics, political interest, distributional consequences and implications for wider society are still seldom mentioned, while liberalised finance is repeatedly lauded as a collective public good, irrespective of contrary evidence, and making the current liberalised regime work better is taken as the overriding policy priority. The result is an implicit effort to depoliticise the global financial architecture and its attendant issues[22].

The kind of confusion that can arise when transgovernmentalism is at work, is evident in Slaughter's claim that the recent G20 initiative represents a philosophy of representation rather than direct participation. Yet, the G20 remains a narrow conception of representation precisely because of its transgovernmental nature. Slaughter's optimistic position would seem to stem from her broad definition of transgovernmentalism, which she simply equates with governmental networks more generally. Crucially, transgovernmentalism is not a country based concept. It is not about states, but about agencies and bureaucracies and the sectional interests they represent, or the shared ideas they hold and the means of reasoning, interacting and deliberating they employ. Advocates of the G20, either ignore that it is transgovernmental, with representation being channeled through finance ministries and central banks, or overlook transgovernmentalism's fundamental contribution in its original conceptual form thirty years ago - that the state is not a unitary rational actor. Simply adding some finance ministries and central banks from selected emerging markets is not an adequate application of the principle of representation because of the interests to which these agencies tend to be closest and most crucially the ideas these agencies tend to hold. Transgovernmentalism actually restricts and channels both participation and representation in key deliberative processes, precisely because it involves exchanges between a restricted number of government and quasi-governmental agencies. In this respect, country representation is only part of what is at stake in the global financial architecture. Interest and idea representation are just as important, if not more so. Application of the principle of *deliberative equality* to the global financial architecture will need to recognize this and involve extending participation to a broader range of agencies and interests.

What are required are multi-agency, multi-participant deliberative spaces that take representation and inclusion as their starting points, rather than expertise, knowledge, function or ideological

[22] See Stephen Gill's arguments on the new constitutionalism for a similar analysis. Gill (2000)

beliefs. Moreover such networks should be given a key deliberative and agenda setting role for the broader global financial architecture. The key challenge therefore, is to broaden representation and create more representative and inclusive deliberative spaces that will reflect a broader range of affected interests. For global financial governance to be really made more progressive and inclusive, it is its overwhelmingly transgovernmental character that needs to be addressed. Some see the G20 as a promising development because it increases the participation of emerging markets in a key decision making forum (Germain, 2001). However, following the transgovernmental analysis developed here the restriction of the G20 to finance ministries and central banks is unlikely to deliver a more progressive debate, or produce a significant shift away from the current technocratic focus of global financial governance. Many officials in finance ministries and central banks in emerging market remain sympathetic to neo-classical positions and premises and are regarded by their G7 counterparts as reliable and competent individuals possessing technical expertise for precisely this reason. Moreover, these agencies have been instrumental in forming a key state-society coalition with financial and commercial interests, advocating financial liberalization and opposing the use of capital controls (Maxfield, 1991, Woo-Cummings, 1997, Cohen, 2003). To reinstate capital controls as a legitimate tool of economic management, for example, Benjamin Cohen has argued that it will be necessary to build a more effective transnational coalition of proponents (Cohen , 2003). Even the more modest aim of broadening debates beyond their current technocratic focus, repoliticising them and bringing them within the reach of a broader range of social forces require that any such transnational coalitions be given access to key deliberative processes that effectively define the parameters of global financial governance debates.

A wider range of government agencies representing a wider range of key societal interests need to be included in global financial governance debates[23], if the principle of global deliberative equality is to implemented and put into practice to even a minimal extent. More precisely, if what Bohman terms as ‘equal access’ to deliberation is to be secured, representation in he global financial architecture needs to be broadened beyond the finance ministry-central bank community as purveyors of financial orthodoxy. Currently the transgovernmental nature of the global financial architecture has produced a situation of stark global deliberative inequality in terms of its socio-political complexion. This poses the question of who should participate? As Germain correctly points out it is hardly feasible to expect the US Treasury or European Central Bank to be

[23] I’m a little sceptical of the benefits and possibilities of including civil society groupings in global financial governance. For a more optimistic assessment of the potential for civil society participation Germain, (2004)

responsible to farm workers in India, factory workers in China, or the subsistence fisherman of the coast of Gabon. But notions of deliberative equality suggest that these grouping at least have the right to have their views represented in the circles that matter.

One of the features of finance as a technical system, according to Tony Porter is that the reason certain proposals appear viable and obtain support, is that they are based on a legacy of supportive research. More ambitious reform proposals frequently lack these foundations. When the research and deliberation that provides the foundations for future reform proposals are the result of interactions between a narrow range of participants, with a relatively narrow set of concerns and priorities, that clearly restricts deliberation and ensures it takes a particularly narrow form, a conservative and incremental governance trajectory takes hold. Broadening representation in the deliberative and research machinery that generates the reports that delineates and defines what is viable is therefore essential if deliberation is to become more inclusive, participatory and sensitive to a broader range of concerns and interests. There are other ways to approach the issues of how to regulate and distribute the global supply of credit and there are alternative views to those of the current dominant orthodoxy. Technical competence is clearly a consideration, but ministries of labour and social affairs, for example, will be more aware of the concerns of currently marginalized groups and will most certainly have economically competent officials who will understand the issues at stake, albeit that they may have different take on them than current finance ministry – central bank complex. There is consequently a strong case for a mixture of government agencies from the developed and developing world being represented in a broad agenda setting process, similar to the current G7 or G20, so as to break up the current finance ministry-central bank monopoly of debate. This would include some representation from welfare, labour, social affairs and industry ministries from certain selected countries (possibly on a rotational basis, the precise details would need to be worked out) as well as finance ministries and central banks[24]. Moreover, there should be some representation for wider international institutions that have an interest in and have contributed expert reports on global financial affairs, most notably the UN. In 1999, a UN task force on international financial volatility, produced a report that included a list of recommendations including transforming the IMF into a genuine lender of last resort able to issue its own liquidity, more concerted approaches to debt re-structuring including the use of concerted payment standstills

[24] This would involve a finance minister, or central bank representation alternating with labour, welfare and industry ministry representatives, particularly those in emerging markets, so that at any one time finance ministries and central banks would not monopolise the deliberative setting.

mandated by the IMF, a flexible approach to capital account liberalization including capital controls not as instruments to be inexorably abolished, but permanent safeguards invoked as necessary, greater regulation of non bank funds including portfolio equity and hedge funds and greater country ownership of adjustment policies and negotiated conditionality (United Nations, 1999, Culpeper, 2000). Yet these kind of proposals received relatively scant attention in architectural debates. A UN representation in the deliberative settings that really matter, would at least ensure a greater hearing for these proposals and a genuine debate. Likewise debate would be broadened by the inclusion of several renowned academic economists from a variety of perspectives, including those more critical of current financial orthodoxy. Such a forum need not go beyond 30-40 representatives, but it would broaden representation and include voices that are currently excluded, particularly if it was given a broad oversight and agenda setting mandate. Ultimately re-configuring global financial governance will also require broadening the national delegations that participate in the IMF, the FSF and other key decision making processes. These developments would constitute an important first step forward, from which further issues of representation, participation and legitimacy could be worked through and considered. More interesting deliberations about macroeconomic policy, exchange rates and the use to which supplies of private credit could be put, rather than simply being based on private accumulation for the few, could then be given a hearing. Cozy intellectually orthodoxies, perpetuated by like minded officials who refuse to contemplate, alternative ways of doing things, have to be continually challenged and deconstructed, if a progressive, inventive and just society is to flourish. Unfortunately, the window of opportunity that briefly opened following the Asian financial crisis may now have closed.

As Richard Higgott has pointed out we need new discursive spaces where the policies and actions of global economic institutions can be discussed in a more open manner (Higgott, 2004). Crucially however, in accordance with the principle of global deliberative equality, the range of voices represented in these key discursive spaces have to be extended beyond finance ministries and central banks and the narrow views they tend to represent. Without this global financial governance is unlikely to become substantially more inclusive, or reflect concerns with social justice. Nor, given the current dominance of the finance ministries and central banks and their general neo-classical bias, is global financial governance likely to avoid financial crises that are often rooted in the very nature of the financial markets whose behaviour is determined by market trends as much as by underlying fundamentals. A pressing question over the next decade is whether states will be sufficiently enlightened to curtail the finance ministries and central banks current control of global financial governance and extend participation in key debates and dialogues to a wider range of government agencies and societal interests.

Conclusions

What the transgovernmental analysis in this paper has revealed is that we cannot afford to think about resolving problems of inclusion and participation in global financial governance simply in terms of countries. Transgovernmentalism is an agency based concept as much as a country based concept that makes us think in terms of ideas, mind sets, elite practices and the social forces those practices represent. Crucially, it encourages us to disaggregate states into bureaucracies and the social forces that benefit from particular sets of arrangements and the pre-eminence of certain bureaucracies. Problems arise when those sets of arrangements have a stark societal and political bias, and distort or restrict participation to a narrow set of concerned parties and perspectives. The paper has illustrated how this applies in the case of the global financial architecture and how that restricted participation in turn leads to a narrow definition of the problems and solutions to the governance of global finance. This has resulted in a neo-classical bias and conscious efforts to depoliticize the global financial architecture, involving the construction of the issue as a technical affair, to be dealt with by technicians, while simultaneously placing it out of the reach of a broader range of interested parties and affected interests. Following the Asian financial crisis, the global financial architectural exercise was quite successful in doing precisely this by further consolidating and deepening the transgovernmental characteristics of that architecture.

Application of the concept of transgovernmentalism has also demonstrated that issues of participation and legitimacy facing global financial governance were not adequately dealt with following the Asian financial crisis. Participation in key deliberative spaces remains too exclusive. Ultimately, participation remains dependent on understandings and expertise, not on notions of fair and just representation. Consequently, too many constituencies remain excluded. As a concept therefore, transgovernmentalism, also points us in the direction of a workable reform agenda that involves challenging and over turning the very transgovernmental characteristics of the current global financial architecture. The problem with global financial governance and its lack of legitimacy, lies with the very nature of transgovernmental processes, how they distort representation, strengthen ties between like minded officials, while shutting out and excluding alternative voices. Interaction and participation in key deliberative spaces is so restricted in terms of a limited number of agencies and officials, that it perpetuates and sustains a particular intellectual orthodoxy. But if finance is truly the infrastructure of the infrastructure, as Philip Cerny once argued, nourishing, linking and influencing every area of social life, then participation in the deliberative spaces of the global financial architecture should be as broad as possible, not as narrow as possible, as is currently the case.

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