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Post-American Moments in Global Financial Governance in the New Millennium

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Introduction

The American-led international economic order that emerged from the second world war featured the dominance of embedded liberal ideas and practices (Ruggie 1982, 1991). This first American-led order involved, inter alia, a unipolar global financial governance architecture organized around the dollar and the Bretton Woods institutions (BWIs) and wide consensus around Keynesian principles of economic management. The order featured domestic and international economic arrangements designed to promote growth, along with mechanisms to protect domestic policy objectives (and the domestic economy itself) from external pressures and volatility—especially those emanating from the financial sector (Katzenstein and Kirshner 2020, Blyth 2020, Kirshner 2020).[1] The ambitions and compromises at the heart of this order reflected the widely held view, cemented during the second world war, that economic nationalism was untenable and dangerous. The way forward required cooperation and multilateralism as cornerstones of economic restoration and international peace.[2] The multilateralism was permissive, providing space for cross-national domestic policy heterogeneity. Indeed, the agreement to disagree on matters of domestic policy was hardwired into the system through Article IV of the newly created International Monetary Fund (IMF).

The second American-led international order was characterized by the displacement of Keynesian sensibilities by the neoliberal doctrine of Friedman and Hayek. The order reified markets, diminished the role of the state as an economic actor and protector while installing a restrictive multilateralism that promoted convergence to US policy and institutional norms. The neoliberal order placed a straightjacket over national policy autonomy. The emergent neoliberalism reinforced existing US-led financial unipolarity in ways that amplified the role and power of the BWIs and US-based financial actors and interests. With notable exceptions, this order promoted the primacy of the hyper-liberalized American financial model as the global ideal. The result was to slay embedded liberalism where its foundations were weakest, and to put it on the defensive elsewhere.

A series of financial crises exposed internal contradictions in the neoliberal order. Unlike the demise of the first order, the crises of the 1990s and the global crisis of 2008 (hereafter global crisis) threatened not just the predominant economic model, but also the centripetal force of the global financial governance architecture. The global crisis generated contradictory effects on the global financial governance architecture and on

[1] I follow Katzenstein and Kirshner (2020) in using the term embedded liberalism to refer to international and domestic aims.
[2] Compromise and consensus are frequent descriptors of this order. While these terms capture important attributes of the first order (especially in comparison with later periods) the terms conceal actually existing contestation, not least by actors from the global south and east and those in the global north excluded from the rewards associated with what many see as the "golden age of capitalism" (on the former, see Helleiner (2014)).

neoliberalism, deepening fissures in the US-led regime while also reinforcing the central role of the US.

But where does this leave us today? The best that can be said is that we are in an interregnum in which there is no consensus among economists and policymakers, no coherent, singular "ism" to guide policy formation, or even a set of contending coherent systems of economic arrangements. Instead we confront the simultaneous proliferation of a range of regimes that include kleptocratic capitalism, state capitalism, social democratic multilateralism, neoliberal nationalism, neonationalism (as per (Blyth 2016)), and what I call below "embedded populism." An expanded set of diverse actors and institutions has joined the conversation in global economic governance, pushing forward with ambitious new institutions and initiatives. Many are encouraging; others certainly are not. Some of the initiatives threaten existing arrangements, while others mimic practices pioneered by established actors and institutions. Still others are establishing new networks beyond the direct control of established institutions.

Interregnums are unwelcomed by social scientists (and especially by economists), trained as we are to value analytical fastidiousness, certainty, and coherence.[3] I call that longing for coherence "ism-ism," reflecting the professional imperative to capture the proliferation of discordant tendencies in a neat analytical package, some "ism" or other, so that we can impose analytical order. Today that new ism is proving to be elusive. Instead, we confront the 2020s anxious about the shape of what is emerging and what is to come. The current conjuncture provides few indications of a new ism. A post-embedded liberal, post-neoliberal American order may yet emerge, but it is difficult today to see just where the seeds of such an order lie.[4] I maintain that the unease helps to explain the continuing appeal of what I term the "continuity" view—the view that in the absence of a new, well-defined ism that nothing of consequence has changed. Continuitists argue that we remain locked in the coherent (and coherently damaging) neoliberal order (Grabel 2017b). Academics and other observers are drawn to coherence, tidiness, the orderliness of orders. Sustaining continuity requires the need to make the case--again and again--that the US is still top dog (e.g. Sharma 2020). Proving this is taken as the rejoinder to the naivete of those (like me) who hold less certain and messier views of the present and near future. To head off confusion let me say that there is no doubt that the US has powerful legacy advantages and the Fed and the dollar still

[3] Not all social scientists celebrate fastidiousness. Most notably, and as I argue elsewhere (Grabel 2017b, chap. 2) and below, Albert Hirschman embraced messiness, experimentation, and rejected grand plans and narratives. See DeMartino (2015) and DeMartino and Grabel (2020) on fastidiousness in economics.

[4] However, it is a safe bet to say that whatever emerges will be less centripetal, tidy and coherent, and less centered on the US. This is a theme that cuts across most chapters in this volume. Blyth (2020) is an exception insofar as he argues that the order taking shape is of uncertain contours, but will nonetheless remain American because the dollar is hardwired into the global financial system.

matter. But that concession does not undermine the point that the world—well before the Covid-19 crisis--bore little resemblance to the world of the second American order. Features of an order can persist long after their order-giving capacities have evaporated.

I view the current state of affairs as at loose ends. If this period of aperture has one dominant feature, it is that it is "incoherent" (on this concept, see Grabel (2017b, pp. 15-7). By incoherence I mean dissensus in the domain of ideas, and inconsistency in the domain of policy. Incoherence is particularly acute in international economic governance, especially as concerns finance, where we find evidence of fragmentation, conflict, experimentation, and unevenness at the same time that we see the resilience of legacy practices. No "ism," unless "incoherence-ism" counts (I think it does not). Instead there is a proliferation of conflicting norms, ideals, and strategies, and a profound and disturbing nostalgia for the tidiness of the embedded liberal and neoliberal eras, even among their critics. After all, the playbook was clear. Advocates knew what they were pushing for, while critics knew exactly what they were up against. Nostalgia perhaps stems from the fact that the first order looks awfully good from where we now stand. In contrast, many fewer are mourning the eclipse of the second order given the ravages associated with neoliberal convergence. Writing during a previous interregnum, Gramsci spoke of the "morbid symptoms" that were readily apparent as "the old is dying and the new cannot be born"(Hoare, Nowell-Smith, and trans. 1971, 278). This is an apt description of the current conjuncture. Our current morbidity includes a popular rejection of expertise, especially economics, a profession that certainly shares responsibility for the contemporary crisis (on the latter point, see DeMartino 2018 and essays therein, DeMartino and Grabel 2020, relatedly, see Abdelal 2020).

It is difficult to find much to celebrate about the current conjuncture. Incoherence entails risks, some of which are deeply threatening. The list of contemporary maladies is a long one. It includes bourgeoning household, corporate, and public debt burdens which have created pervasive financial fragilities, the assault on postwar multilateral traditions and institutions; the exhaustion of central bank arsenals; and a trade war between the US and China that is recruiting them into currency wars not of their choosing. In addition, the world's central bank, the Federal Reserve (or Fed), faces populist resentment mobilized by an erratic, churlish executive. Domestic and international politics have turned inward, nasty, and conflictual in many contexts as a Polanyian double movement plays out (Blyth 2016). The countermovement has many roots, but among the most important are the real and perceived damages associated with the creation of a coherent internationally integrated system under the banner of US-led neoliberalism and elite-led cosmopolitanism. The same cocktail of resentments fuels a variety of authoritarianisms and illiberalisms. Progressive and retrograde deglobalization impulses have undermined the prospects of regional and international cooperation, especially as concerns the provision of public goods and protection of the global commons. These developments jeopardize essential international projects, such as the pursuit of the United Nations' Sustainable Development Goals (SDGs) and the prospects of a "New New Deal," while substantially weakening collective responses to challenges in the global commons, such as the refugee, environmental, and Covid-19 crises.[5] The world economy is listing toward another Great Depression as a consequence of the Covid-19 crisis, which is worsening already vast national and cross–national inequalities in human development, while exposing and intensifying the effects of racism and other forms of structural violence. It should also be said that the prospects for global coordination in response to imminent financial crises are, in a word, dim.

All of this is deeply worrisome. But today's incoherence also includes productive and even transformative moments. In other work I have used the deliberately provocative term "productive incoherence" to capture this idea (Grabel 2017b). Productive incoherence is deeply indebted to Albert Hirschman's epistemic and theoretical commitments (ibid., chap. 2). Hirschman's embrace of "possibilism" and his epistemic commitment to uncertainty and humility led him to reject entirely the social scientist's penchant for pre-narrating the future. Hirschman also emphasized the vital role of experimentation, pragmatic problem solving in response to unforeseen or underestimated challenges, the centrality of learning by doing and from others, and the virtues of messiness over real and contrived coherence and parsimony. Hirschman urged us to look at processes of change in the small, and to interrogate grand narratives and the tendency to valorize epochal visions of institutional and ideational change.[6] These are key features of what I have elsewhere termed a "Hirschmanian mindset" (Grabel 2017b). This mindset informs the claims I advance in this essay.

Incoherence in global financial governance should be understood as productive in several respects. Incoherence is creating and widening alternative spaces in which some of the values, practices, tools, objectives, and goals associated with embedded liberalism can be rearticulated in a world in which there is no "order," American-led or otherwise. The silver lining of incoherence is that it creates space for experimentation and

[5] The failed response to the Covid-19 crisis in the US is a perfect illustration of destructive incoherence. Balanced budget rules at the state and municipal levels constrain their fiscal capacity and cancel out much of the effects of federal expansionism. At the same time the absence of federal leadership in implementing closures and openings of schools and workplaces, and in securing ventilators and personal protection equipment, have led to damaging deficiencies in constraining the virus. Nonetheless the US federal government and the Fed implemented expansive economic and social protection programs, such as the extension of unemployment compensation to "self-employed" gig economy workers, some features of which are consistent with embedded liberalism, which may stick long after the pandemic has passed. National governments in many European contexts went much further in the direction of expansive, universal social protection.

[6] Ruggie's (2020) contribution echoes Hirshmanian themes, highlighting gradual, uneven evolution as concerns transnational norms and evolving standards.

innovation unconstrained by an overarching "ism." Incoherence is creating what we might think of as exits or leakages from a noxious national and global policy environment, rendering it less poisonous than it would be in the absence of ideational aperture and contestation, competing policies, institutions, networks, and poles of power. The abdication by the US of its traditional role, as exerted under American orders 1.0 and 2.0, is creating opportunities for more permissive and varied "reembededness" and diverse structures of economic integration. Agile, pragmatic, ideationally elastic, networked actors, and those that enjoy high levels of policy autonomy are in the best position to thrive in an environment of incoherence (Katzenstein and Seybert 2018). China is the exemplar in this connection. The evolving and reinvented BWIs, and even many entirely new players in the financial landscape, are stepping forward with strategies that defy theoretical encapsulation.

To be clear: my intervention here should not be read as deriving from an "optimistic" disposition. But I do seek to push back against what Hirschman identified as "futilism"—the common social scientific indulgence to pronounce on the inadequacies in emerging experiments in economic arrangements. Hirshman pointed out that such narratives have performative force, undermining initiatives that might otherwise flourish . My goal is to explore spaces where aperture and agency are emerging as sites of possibility. The crumbling of the American financial order is providing many such spaces, even while it creates serious risks. An unscripted world provides opportunities for actors to carve out new roles--for better or worse.

In this essay I examine the contradictory implications of this era of incoherence for rearticulations of embedded liberalism*s* in the context of global governance that is more heterogeneous, pluripolar, resilient, and permissive. I focus only on global financial governance, encompassing institutions, policies, and practices, because this is where my interests and expertise lie and because, for several reasons, it is particularly germane to discussions of embedded liberalisms. Global financial governance was a crucial supporting pillar for both embedded liberalism and neoliberalism. Transformations and conflict in the arena of global finance were central to the unraveling of post-war embedded liberalism and to the emergence and ultimate fracturing of neoliberalism. But I argue that incoherence in global financial governance is also creating opportunities for reconstituted embedded liberalisms. This is the case even though financial incoherence also incorporates retrograde or destructive impulses. The emerging regime reflects neither your grandmother's embeddedness nor her liberalism—but it may achieve some of the results of her embedded liberalism nonetheless.[7]

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[7] It bears mention that rearticulations of embedded liberalisms are occurring on the intrastate level. For example, in the US many states and cities have made commitments to the Paris Climate Accord and living wages. Other examples include Medicare programs in Massachusetts; policies on immigration, the environment, and private prisons in California (on California, see Gavin 2020); and protective policies enacted by

I do not want to be misunderstood as suggesting that the two American-led international economic orders were internally consistent or all encompassing, whereas the current moment is uniquely marked by incoherence. To a large degree, order is something we impose on regimes—they are not simple, obvious, objective features of the arrangements we designate as an order (Hirschman 1970). Moreover, when making comparisons between the present and prior eras we should remember that much scholarship has amply demonstrated that the emergence of embedded liberalism and neoliberalism involved contestation, contradiction and exclusion that were never overcome. These regimes unfolded unevenly over long periods, and they co-existed with other "isms" in a heterogeneous global landscape (Brenner, Peck, and Theodore 2010, Helleiner 2014, 2019).[8] Coherence is always a matter of degree; it is not a matter of present-absent. In my view, these earlier eras were coherent only in comparison to the present period. Expert understandings, policy practice, and institutional design were significantly guided by an overarching "ism" that established a logic of appropriateness and structured choices, even if the logic was widely violated in practice. Coherence is typically more of an aspiration than an accomplishment. Social scientists and social engineers tend toward visions that are analytically neat and clean. These visions exceed in parsimony, tidiness, and purity the degree to which these attributes are achieved in practice. The question, "is there a coherent project?" is just as important as, "is there a coherent regime in practice"?

Global neoliberalism and the dismantling of financial architectures of embedded liberalism

There are four pathways by which the neoliberal project undermined the financial architecture that supported embedded liberalism of the first order. Pressures to converge around the policy, institutional, and ideational norms of neoliberalism manifested through several mutually reinforcing channels.

A first channel was financial liberalization, which undermined the ability of states to direct credit, foreign exchange, and capital flows toward macroeconomic and other objectives central to embedded liberal ideals. In addition, financial liberalization weakened the power of states to repress financial interests. Equally important, the regime eliminated the mechanisms that insulated the real economy from external financial disturbances that generated instability for vulnerable actors. A central result was the creation of conditions for contagious financial crises. Financial liberalization

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US states and municipalities during the Covid-19 crisis. Much of the New Deal architecture was modeled on successful state level initiatives (Galbraith 2020).

[8] Treatments of embedded liberalism in Berman (2020) and Gourevitch (2020) and the first American order in Blyth (2020) underscore the messiness, contestation, and contingency that is underappreciated in most accounts.

also facilitated tax avoidance and tax evasion, which threatened the tax base and eroded the financial foundation of the welfare state (DeMartino and Grabel 2003, Rodrik 1997).

A second pathway involved the BWIs. These institutions enforced structural adjustment and neoliberal convergence in the context of economic reform programs and stand by arrangements (SBAs) negotiated during crises. Homegrown neoliberals seized the opportunities provided by crisis to implement reform programs that were not otherwise politically viable. Neoliberalism undermined the capacity of developmental states to pursue strategies that subordinated finance to real sector and other domestic social and economic objectives and that protected or compensated the losers from economic integration (Chang and Grabel 2014[2004]).

The third pathway entails the importation of external constraints—incorporated into multilateral and bilateral treaties and other commitments—into domestic policy formation (DeMartino 2000). The goal was to lock-in neoliberal arrangements in the face of future possible popular resistance. For instance, this involved strictures over the ability to implement capital controls and to enact environmental or social protections.

Fourth, the depth and speed with which financial interests and their boosters succeeded in transforming the ideological landscape is, in a word, stunning. The new worldview installed an inaccurate reading of history in which the failure of dirigiste models—from forms of socialism to embedded liberalism—proved that there was no alternative to a finance-led neoliberal economic order.

The crises of neoliberalism and the beginning of the end of the second American order

The crises that swept through countries of the global south and east (hereafter the developing world) in the 1990s had paradoxical effects on neoliberalism, global financial governance, and the second US-led international economic order. Most importantly the crises of the 1990s, especially the East Asian crisis (hereafter Asian crisis), laid the groundwork for the ideational, policy, and institutional transformations that deepened significantly during the crisis of 2008. One critical effect was the opening of space for the rearticulation of central pillars of embedded liberalism (Grabel 2017b, chap. 3).

In the first instance the Asian crisis solidified neoliberalism. The SBAs of the crisis dismantled key attributes of the developmental state model.[9] But the crisis also induced cracks in the neoliberal consensus. Prior to the Asian crisis, the IMF was poised to enshrine capital flow liberalization in its Articles of Agreement. The Asian crisis put paid to that effort. Moreover, and despite the neoliberal tenor of the times, some

[9] European SBAs after 2008 had similar effects on remaining vestiges of embedded liberalism.

countries stubbornly maintained capital controls, with notable success (Grabel 2017b, 2003). Partly in response, the Asian crisis precipitated the beginning of a begrudging, uneven reevaluation of capital flow liberalization (Grabel 2011).

The Asian crisis had contradictory effects on the BWIs, especially the IMF (Grabel 2017b, chap. 5). The crisis was ultimately costly to the IMF insofar as its crisis response led developing economies to implement strategies to escape its orbit through self-insurance programs. The combination of a curtailed geography and widespread condemnation of institutional performance undermined the IMF's legitimacy and reduced the material resources at its disposal.

The Asian crisis also renewed interest by developing economy policymakers in the creation of institutions that supplement and even substitute for the BWIs. The Asian Monetary Fund, proposed in the summer of 1997, failed to materialize. Nevertheless it had powerful effects in the region and across developing economies more broadly. Indeed, and as I argue below, the roots of today's more pluripolar global financial architecture lie here, in the Asian crisis.

The crises of the 1990s also induced policymakers to create informal financial governance networks. This informal architecture of networked financial governance evolved and broadened during the global crisis (Grabel 2017b, chap. 4, Helleiner 2016).[10]

Where are we now? Rearticulating embedded and other isms in an incoherent world

The brief history sketched above suggests a degree of aperture that was not in evidence over the past several decades. The global crisis deepened and widened that aperture in numerous respects. I draw attention here to those aspects of global financial governance in the present period that bear most directly on the fate of embedded liberalisms. These include the eclipse of the US-centric neoliberal financial model; an expanded central bank toolkit; the resurrection of capital controls; the hollowing out of the BWIs in a more crowded landscape; and trends pointing in the direction of deglobalization, reglobalization, new multilateralisms, and "networked bilateralisms."[11] My chief argument is that the evolving, incoherent nature of global financial governance can support the financial pillars of rearticulated, heterogeneous embedded liberalisms, along with other and less appealing isms.[12] The diverse policy responses to the Covid-19 crisis provide a window into the operation of the incoherent "order," revealing both its productive and destructive potential.

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[10] Luckhurst (2012)--too uncriticially--identifies these networks, especially the G-20, as a space for "ad hoc embedded liberalism."

[11] The issue of how to think about the nature of economic integration today is complex when it comes to China. I return to this matter later.

[12] Discussion in this section draws on Grabel (2017b, chaps. 3-7, 2018, 2019).

The eclipse of the US order, and the rise of hybridized financial models

The global crisis tarnished claims for the superiority and universality of the liberalized, liquid US financial model. The crisis validated the views of critics of the model in the US, China, and elsewhere who had long identified the failings of "light touch" financial regulation (Kirshner 2014).

The hegemony of the neoliberal financial model was threatened by the sharp divergence between the performance of the US and Europe during the global crisis and that of many developing economies, and by pivotal retreats by the US in financial governance. A large set of developing economies navigated the challenges of rapid growth, inflation, and the currency appreciation and asset bubbles caused by large capital inflows. Many developing economies facing these favorable conditions had messy, hybridized financial systems. These systems combined financial openness with stringent regulation, including capital controls. Policymakers were attuned to and had the ability to adjust financial regulations and close channels of evasion. Robust mechanisms influenced credit allocation through networks of public and private institutions.

Emboldened by their superior performance, developing economy policymakers exploited the global crisis to call for alternatives to a US-based financial order. The most widely publicized salvo was the 2009 essay by Xiaochuan Zhou, Governor of the People's Bank of China. The Chinese also downgraded US government debt in 2011 and 2013, something that would have been unthinkable just a few years prior, and took steps to internationalize the RMB. Since 2015 China has promoted development of a Cross Border International Payments System (CIPS) as an alternative to SWIFT (Society for Worldwide Interbank Financial Telecommunication), the West's dominant international financial messaging system used widely for cross-border payments (Campanella 2019, Farrell and Newman 2020). China's monetary and financial internationalization have been far less impactful to date than some predicted. Moreover and paradoxically, some Chinese initiatives have actually confirmed the pivotal role of the dollar in international finance. (In point of fact, the dollar has outperformed most predictions regarding its role as an international money since the global crisis.) But this is to be expected given both the legacy advantages that the dollar and US institutions enjoy and the cautious approach that marks China's policy strategy.

Chinese policymakers in general have taken an experimental, uneven, incoherent, impulsive, and quasi-Keynesian approach to finance.[13] For instance the government has used offshore markets as sites of experimentation, while also conducting experiments in national and local markets on the mainland (Subacchi 2017). We can understand Chinese policy as being both backward and forward looking. A number of initiatives

[13] Experimentalism is a key feature of Chinese policy. See Ang (2016) on experimentalism in regards to poverty reduction strategies.

involve practices and instruments associated with neoliberalism and financialization, such as securitized lending and shadow banking (Gabor 2018). In 2018, for instance, the government announced an ambitious 3-5 year plan to liberalize financial services, including international capital flows. This is surprising given the fragilities that such practices necessarily induce, especially in an economy already overstretched by domestic and foreign overlending. Nonetheless these measures are consistent with the overall messiness of China's approach. The government typically introduces new controls even as it liberalizes, especially during moments of financial and political volatility. The start-stop of RMB liberalization in late 2015-early 2016 is one such example. Unlike the US' ideological commitment to financial openness, China's initiatives are best viewed as pragmatic, ad hoc, and inconsistent innovations in financial governance in a state that is increasingly challenged by competing demands and pressures. The political crackdown on Hong Kong in 2020 exemplifies the internal tension between pressures for change and the commitment to maintain control. Repression off the mainland (coupled with early efforts to hide the spread of the coronavirus) has seriously undermined trust in China, domestically and internationally.

China's Belt and Road Initiative (BRI) and numerous other cross-border investment and aid initiatives are outgrowths of China's muscular state capitalist model. The model reflects embedded liberal "adjacent" aims on the one hand, and realpolitik on the other. The former is seen in prioritization of commitments to financial and broader economic stability, high levels of policy autonomy, real sector and employment growth, and maintenance of export markets. Realpolitik involves securing control over natural resources through an ambitious vision of reglobalization that places the country at the center of a hub and spoke model of global integration, cultivating political allies, crushing dissent in Hong Kong, using the Covid-19 crisis as an excuse to increase surveillance, and stepping into the void created by the withdrawal of the US from its traditional global role. Chinese policymakers do not share the US presumption that its model should be universalized, though there is ample evidence of significant ambition and rivalry with the US model and the dollar (Chin 2014, Kirshner 2018, pp. 16-7,fn46).

The trade and currency wars unleashed by the Trump administration are providing additional momentum to the case against US economic leadership, especially as these conflicts unfolded in 2019 and early 2020.[14] The erratic nationalism of the Trump administration widened the void in global economic governance opened by the Obama administration's refusal to accept China's invitation to join the Asian Infrastructure Investment Bank (AIIB) as a founding member in 2015. Moreover, the failed, chaotic, and inward looking response by the US to the Covid-19 crisis moves it even further away from any semblance of global leadership.

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[14] However the dollar is benefiting from Trumpian chaos and the Covid-19 crisis just as it did in late 2008 as the US emerged as the epicenter of the global crisis (Norrlof et al. 2020, Setser 2020).

There are a range of early stage innovations and blue sky discussions among US foes and allies that aim to gradually reduce the dependence on the dollar and to provide some protection from the Trump administration's weaponization of finance and trade relations, such as its (ab)use of sanctions (Economist 2020a).[15] Among US allies, former Bank of England governor Mark Carney proposed far reaching adjustments that would demote the role of the dollar (Giles 2019). He argued that the world's reliance on the dollar "won't hold" and that the IMF should manage a multipolar system of currencies (ibid.).

The fractured hegemony of the US model has created space for a pluriculture of financial models, features of which are consistent with embedded liberalism. China's "model" is the most notable of these alternatives, but we should keep an eye on other inchoate initiatives in South Korean, Indian, Malaysian, and Islamic finance, which represent alternative modes of organizing finance.[16] We should also keep in mind that even in the case of China, the term model should be treated cautiously as it suggests a degree of orderliness and consistency that is apparent mostly in hindsight.

A broadened central bank toolkit in a strange, crisis prone environment

Central banks scrambled to respond to the uncertain dimensions and geography of the global crisis by drawing on a broad range of tools to stabilize markets, support financial and non-financial firms, and inject liquidity into the financial system.

What became known as "unconventional monetary policies" became a norm for central banks in many advanced economies (AEs) during the global crisis. That inflation targeting fell away as the primary objective of the central bank agenda in AEs, during the global (and the Covid-19) crisis, is less indicative of a change in priorities or ideas than it is of the deflationary environment.[17] At the same time central banks in developing economies and other national contexts began to target financial stability and asset bubbles and the reduction of systemic risk through macroprudential policies (Benlialper and Cömert 2016). It also became more acceptable for central banks in AEs and developing economies to target the exchange rate to protect exports and

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[15] Russia is developing an alternative to SWIFT that will connect to CIPS and India might connect with Russia's platform (Chaudhury 2019). CIPS is still in its infancy--in 2018 it processed less than SWIFT did in a day. This is not surprising since it is new and the dollar enjoys numerous incumbency and structural advantages (Economist 2020a). Moreover, Europe has built a new clearing house called Instex, though it has not yet been used (Economist 2020b). Europe's officials are playing the long game, seeing Instex as a 10-20 year project (Economist 2020a).

[16] Islamic finance takes many forms, but all prohibit speculation and prioritize the real sector and productive investment.

[17] Always dependable, the Bundesbank remained doggedly committed to fighting the ghost of inflations past during the global crisis. This was not the case early in the Covid-19 crisis.

employment from currency appreciations fueled by foreign capital inflows. Central banks created large, broad, ad hoc international liquidity networks through vast swap lines. Swap agreements were driven by a variety of concerns, including financial stability, but also domestic bank exposure, geopolitical considerations, national interest, and export market protection.

The "new normal" for central banks is unconventional monetary policies in an environment marked by erratic executives, low and even negative interest rates, inter-bank conflict reminiscent of the 1930s, disruptions in international trade, and contagious crises. Indeed the 2019 Jackson Hole central banker conference focused on the strange new environment (Greeley 2019). Populists have also attacked the credibility and independence of central banks as part of broader attacks on expertise.

Central banks in AEs have responded to the Covid-19 crisis with multipronged, aggressive and, in many cases, innovative policy responses that made them the lender of last resort for the financial and real sector. The banks have bought unlimited amounts of Treasury bonds; signed swap agreements; created temporary liquidity facilities for central banks not party to swap agreements; supported the credit needs of small, medium, and especially large firms; and backstopped banks, municipal and corporate bond markets, commercial paper, and repurchase markets. During the global and Covid-19 crises central banks pivoted in the direction of "embedded central banking," deploying new tools and attacking new targets, including real sector conditions and financial instability.

I should note as an aside that beyond the policy imperatives driven by the global and Covid-19 crises, central bank officials (such as those at the Fed and the ECB) are increasingly emphasizing the importance of developing new tools to "green" monetary policy. The goal is to use monetary policy to support a transition to a low-carbon economy and to build climate risk assessments into lending decisions (Jones 2019). IMF Managing Director Kristalina Georgieva made similar calls for the IMF to place climate risk at the centerpiece of its work (ibid.) Central bankers have also recently begun to speak openly about racism and inequality and speculated in public fora about whether and how to use the tools at their disposal to respond to these inequities (Smialek 2020).

The resurrection of capital controls

Capital controls were a defining feature of the first American-led order. Capital controls were legitimized by the then dominant Keynesianism. Capital controls fell out of favor in the 1970s and remained so during the long neoliberal era. But ideas and practices began to evolve during the crises of the 1990s. As the global crisis emerged, capital controls were quickly re-legitimized (Grabel 2015, 2017a, chap. 7).

A wide range of developing economies used diverse capital controls to slow the tide and dampen the negative spillover effects of large capital inflows. Examples of countries that used controls for this reason include Brazil, China, India, Indonesia, South Korea, Thailand, and Uruguay. Other countries, including Ukraine, Iceland, Indonesia, Greece, Cyprus, and Argentina, used capital controls to mitigate the effects of crisis-induced capital outflows. Formerly denigrated as a policy tool of choice of the weak and misguided, capital controls were normalized as a legitimate tool of prudential financial management. Particularly notable in this context is the behavior of the IMF. It prescribed capital controls to both borrowing and non-borrowing economies during the global crisis, and the resulting initiatives were validated by the credit rating agencies. The deeply conservative neoclassical heart of the economics profession followed the lead of those IMF researchers, who domesticated the idea of capital controls by referring to them as a "legitimate part of the policy toolkit."

The restoration of capital controls has by no means been consistent, as recent experiences in Argentina (2018-19), Ecuador (2019), and Lebanon (2019) underscore. As with most rebranding exercises there is also uncertainty about whether the new framing will prove sufficiently sticky, especially in the context of tensions and countervailing impulses at the IMF and elsewhere. The emergence of illiberal governments that pander to capital owners, and a resilient bias against state management of economic flows among many economists who were trained and cut their professional teeth during the neoliberal era, also threaten the endurance of controls. But it is most unlikely that we will see a return to the reification of capital flow liberalization given the widespread, productive use of capital controls during the global crisis. IMF Chief Economist Gita Goinpath now discusses controls used in "normal times" as prudential measures in what she terms an "Integrated Policy Framework" (Gopinath 2019). Those of us who remember the IMF effort to banish capital controls for good as recently as the early 2000s can't help but take note of the sea change in thinking that this statement reveals.

The rethinking of capital controls marks a decisive shift back toward the vision of BWI architects Keynes and Dexter White. The implications for the emergence of embedded liberalisms are profound.[18] Most immediately, the restoration of capital controls provides a degree of policy autonomy as developing economies shoulder the effects of currency depreciations, capital flight, financial crisis, and severe economic and social dislocation associated with the Covid-19 crisis. Indeed, IMF staff recently highlighted the role that capital controls can play in this context (Rhee 2020). This is in keeping with the insulating and supportive role that capital controls played in the embedded liberal era. Beyond the serious challenges associated with the Covid-19 crisis, capital controls are an important component of the "Global Green New Deal" in conjunction with the 2030 SDG agenda.

The hollowing out of the BWIs

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[18] A parallel line of rethinking is emerging in new IMF research on industrial policy, which recently caught up with decades of work in the developmental state tradition (Cherif and Hasanov 2019).

President Trump's Treasury team and his appointments to the IMF and the World Bank display the administration's deep hostility to multilateral organizations, and its hope to weaken the institutions from within. In a 2017 speech at the Council on Foreign Relations (then) US Treasury official David Malpass asserted that "Now is an opportune time to discuss…the rapid increase in globalism…multilateralism has gone substantially too far" (Johnson 2019). In 2018 Malpass urged the Inter-American Development Bank not to hold its annual meeting in China in 2019. He made clear that the administration was increasingly discomforted by China's growing influence at the multilateral development banks. The IADB again became a flashpoint in the Trump campaign to ring fence China in the summer of 2020. The administration nominated a hardline China critic, Mauricio Claver-Carone, to serve as president the institution. In 2020 Malpass, by then President of the World Bank, skipped the annual World Economic Forum. This was widely seen to reflect the Trump administration's go it alone approach. So was Malpass' veto of the word "multilateralism" in the collective statement issued at the G7 2019 summit (Elliot 2020). As with his predecessor, Malpass also appears to be hostile to large scale cross-border infrastructure projects that might involve co-financing with China.

The administration's attack on multilateralism is also reflected in a 2019 decision to block an IMF quota increase and redistribution of voting rights. Observers speculated that the administration's move to block quota reform sought to prevent China from garnering more voting power (BWP 2019). The US Treasury blocked efforts to increase the influence of the IMF during the Covid-19 crisis by allocating a large new tranche of Special Drawing Rights (SDRs) to members.[19] The Trump administration's decision to halt funding to the WHO during the Covid-19 crisis reflects the strength of its anti-globalist impulses and the commitment to punish a multilateral institution for (a real and an exaggerated) tilt towards China.[20]

To sum up, the present conjuncture is a time of uncertainty at and for the BWIs and their roles in economic governance. There are ample signs of evolution in ideology and strategies, as we see most clearly in the case of capital controls. The new stance toward prudential financial management is a necessary though insufficient condition for the reconstruction and sustenance of embedded liberal strategies. In addition, a new and as of yet underdeveloped open-minded approach to industrial policy might ultimately

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[19] Under existing rules 70% of new SDRs would have gone to G20 members, most of which did not need them. However, those countries could have lent the new SDRs to poor countries, providing large pools of liquidity to developing economies, especially the poorest among them. The US crisis response has been inconsistent even as concerns multilateralism. The first of the disaster recovery packages in the US, the CARES Act, included increased funding for the BWIs, e.g., by authorizing continued and expanded US participation in the IMF's New Arrangements to Borrow.

[20] The Trump administration has gone so far as to defund a US NGO doing vitally important research on coronaviruses in China (National Public Radio 2020).

prove to be just as consequential (see fn18); as could the proposed Global Green New Deal. The BWI's might become more relevant in the Covid-19 crisis, especially as they are called upon and have begun to respond to the needs of low-income countries. Nonetheless, the BWIs and other multilateral institutions face hostility from the US, their primary sponsor over the long post-WWII period. The Trump attack is intended to hollow out the BWIs, in part to deny China and other developing economy competitors a foothold to extend their role in global economic affairs. But the Trump strategy is short-sighted and likely to fail. Not least, it is incentivizing friend and foe alike to create new institutions and linkages that circumvent and constrain US influence over financial flows and financial governance. Moreover, Trump's timing could not be worse. The uncertainty around the BWIs provides possibilities for more permissive and varied multilateralisms at a time when at least some developing economies have the resources and backbone to withstand Washington's threats. We see clear signs that the shape of multilateralism is being contested and rethought. Since the global crisis a new, more densely populated ecosystem of financial governance has emerged, which was already threatening the privileged place of the US even before Trump's election.[21]

A more heterogeneous institutional landscape

Reserves accumulated after the Asian crisis and robust developing economy performance during the global crisis provided the means to support innovations in financial governance architectures. For institutions whose existence pre-dates the global crisis there was expansion in the scale of activity, geographic reach, and the introduction of novel mechanisms. New developing economy institutions were also created during the crisis, a few focusing on counter-cyclical support, others on development finance, and a handful doing both. Many of the institutions signed cooperation agreements with one another. A subset of these institutions hews to the Bretton Woods model in various respects while others formally and informally even link their decisions to IMF surveillance programs. Others deploy entirely different models, disbursement criteria, approaches to surveillance, and extend loans in local currencies. In contrast to its opposition to the Asian Monetary Fund proposal, the IMF has been encouraging the expansion of and connections among these institutions and between them and the IMF. This engagement surely stems from several factors—namely, institutional self-preservation in a world of hollowed-out and contested multilateralism and recognition that the IMF's resources are inadequate in the face of a turbulent financial horizon.

The new arrangements do not coalesce around a singular, grand new global architecture that might replace the foundering BWIs. Indeed, they are explicitly not intended to do so. Nor do they yet amount to a potent challenge to the financial power

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[21] There is evidence of declining US influence in other multilateral organizations along with the attempt to dismantle them. For instance, in 2018 the International Organization of Migrants rejected President Trump's choice for Executive Director (Cumming-Bruce 2018).

of the USA and other leading AEs. But displacement is the wrong standard against which to measure their significance. Instead, we are observing productive incoherence in the expansion of disparate, overlapping, and interconnected institutions that complement the BWIs. Taken together, they are diversifying the financial landscape and introducing the possibility of a transition to a more complex, decentralized, multi-tiered, pluripolar global financial and monetary system. The initiatives are complicating the terrain on which the BWIs operate—and that's a good thing. A more densely populated, pluripolar global financial governance architecture is more likely to be tolerant or supportive of experimentation and a diversity of economic models, and to enable a variety of embedded liberalisms. That kind of tolerance is typically absent under an architectural monoculture that exerts a gravitational pull towards a single idealized model. Today, new players hold diverse ideas about policy autonomy, the role of the state in the economy, and the importance of financial stability. Is this inconsistency disconcerting? I propose instead we assess the emerging incoherence with Hirschmanian sensibilities, or via Ostrom's (1999) complimentary arguments for polycentrism. We should also keep in view related arguments in complexity theory concerning the benefits of heterogeneous, adaptive systems and the dangers of monocultures and centripetal systems (Elsner 2017).[22]

Deglobalization, reglobalization, and new forms of economic integration

During the first and second American-led order lending by the BWIs amplified and transmitted economic policy norms and reinforced the role of the US in global financial governance. Today, China's international aid, investment, and lending magnify the country's role in reshaping the landscape of global development finance. The stock of outstanding loans made by the China Development Bank alone was US$1.6 trillion in 2017, much larger than loans by the World Bank. Outstanding loans by China grew from approximately zero in 2000 to more than US$700 billion today; it's the world's largest official creditor, more than twice as big as the World Bank and IMF combined (Economist 2019). And there is evidence that even these figures understate China's international lending (Horn, Reinhart, and Trebesch 2019). Many observers have compared the BRI to the Marshall Plan. But it is important to note that 90% of Marshall Plan funding involved foreign aid, not loans (Economist 2018b). The Belt and Road funding comes from a variety of sources including profit-seeking private entities (ibid.). The Marshall Plan gave liberal markets a decisive role, whereas the BRI does not (ibid.)

[22] For some, pluripolar systems induce instability and aggravate uncertainty (Drezner 2008). Strong versions of this argument reflect the gravitational pull that coherent systems have on social scientists. These arguments also underestimate the benefits of pluripolarity (namely, bargaining power offered to smaller countries, competitive pressures on legacy institutions, and the potential of complex systems to enhance anti-fragility (as per Taleb 2012), especially if rules of engagement are negotiated outside of a crisis context).

During the global crisis the Chinese government positioned itself as a savior of multilateralism. The government was alone among the BRICS in its decision to provide finance to the European Financial Stability Facility during the Eurozone crisis. The government also signaled its commitment to multilateralism and Chinese-led reglobalization during the crisis by launching the AIIB, BRI, other loan and aid programs, the CIPS, and playing a leading role in the financial structures developed by the BRICS. Chinese President Xi Jinping launched a robust defense of globalization and multilateralism at the World Economic Forum in Davos in 2017 (Xi 2017). Since then Chinese officials have seized the stage on many occasions to defend multilateralism (which in practice often takes the form of networked bilateralism), a rules-based international order, and the benefits of global integration (Economist 2018a). BRICS representatives have also defended multilateralism while arguing that its traditional institutional supports need significant modernization.

China sought to rebrand its role in the Covid-19 crisis after several months of mismanagement and misinformation. The country stepped into the void created by the US abdication from multilateralism, not least by announcing new funding for the WHO following Trump's decision to halt it. China also donated and sold medical supplies on several continents and sent medical personal abroad.

Many observers worry about the kind of reglobalization and economic integration that is emerging as China steps into the void created by the fracturing of postwar traditions of multilateralism and deepening illiberal nationalisms. For example, Eichengreen (2018) raises concerns about a reglobalization that features illiberal politics and where the rules of a new world order are shaped to fit Chinese preferences. Others worry about forum shopping opportunities (Drezner 2014) while others raise concerns about the construction of a parallel system at a time of US retreat and expanding global demand for project finance (Palacio 2019). To be sure, China's lending raises numerous concerns, particularly its implications for financial fragility, power over borrowers and control of natural resources, and the carbon footprint of its loans. The Covid-19 crisis also highlights the obvious fragilities associated with a global supply chain organized around one country.

But China is not the only actor seeking to recast the international system. There is substantial support for an unspecified but presumably modernized, heterogeneous, and permissive liberal multilateralism. French, Canadian, and German heads of state and IMF leadership (starting with former Managing Director Lagarde) have promoted multilateralism. In addition, the "Democracy 10" (D10) involves senior officials from a group of leading democracies. The group has been meeting for the past four years once to twice per year to discuss how to coordinate strategies to advance the liberal world order.[23]

[23] The D10 aims to increase cooperation among a small number of strategic minded and capable states.

The chief inference to be drawn at this point, I think, is that the shape of economic integration are being contested and reshaped. The most likely outcome in the near and medium term involves deglobalization, reglobalization, and a variety of new forms of economic integration, against a backdrop of illiberal nationalisms. The latter has been given new life by the exigencies of the Covid-19 crisis, which has been a gift to illiberal politicians and propagandists the world over.

What do we expect in this era of incoherence?

The developments discussed above don't resurrect 20th century embedded liberalism, as it was theorized then and now, and they do not guarantee any particular outcome concerning the role of the state in promoting economic and social welfare. But I contend that they do open the door to a rearticulation of central features of embedded liberalism—especially forms of social protection for actors whose well-being has been imperiled by the long neoliberal experiment and by the Covid-19 crisis. We might expect a proliferation of diverse embedded liberalism*s* that take root at multiple levels via a wide range of instruments. For example, the social protections we associate with embedded liberalism might be pursued through decidedly non-liberal political means. Indeed, we might posit a continuum of approaches to the achievement of social protection. At one pole are forms we might easily recognize as embedded liberalism, with universal protections via democratic, participatory engagement that is universal in scope but that benefits those most vulnerable to the shocks of international economic openness. At the other pole we might find something very different—partial rather than universal protections, directed at particular constituencies that are tied to nationality, race, and other identities, which have experienced the damage of neoliberal engagement as an erosion of rights by the incursion of others who are seen to threaten their claims. I refer to this pole of social protection—particular and exclusionary — as "embedded populism." But the present conjuncture of productive incoherence does not dictate any particular form of social protection. We should indeed expect to see, and indeed are seeing, the proliferation of diverse and contending forms of social protection across the liberal-illiberal continuum—even within individual nations.

The US case is particularly illustrative of the many risks associated with incoherence, such as the inability to manage innocent but damaging spillovers (such as those associated with the return of ultra-accommodative monetary policies), beggar thy neighbor policies, systemic risk, currency and trade conflicts, and the absence of a federal response to the Covid-19 crisis.[24] Indeed, all manner of destructive incoherence becomes more apparent daily in the US as the Covid-19 crisis unfolds. Destructive incoherence is also on full display in the failure to develop a coordinated global or even an EU-wide response to the crisis. That said, many important European states are continuing to hold down features of the embedded liberalism pole—though even here there are important exceptions, such as the Macron administration which liberalized the

[24] See Grabel (2017b, chap. 8) on the threats associated with incoherence.

economy and especially labor markets while becoming Europe's most powerful champion of multilateralism. However, even Macron changed course as the Covid-19 crisis developed. As in most European contexts, French policies supported furloughed workers in ways that were inconceivable in the US. And even Germany moved away from its deficit obsession early in the Covid-19 crisis. Thus, which countries support the tent poles of embedded liberalism and how they do so is fluid and evolving.[25] We can also situate countries like China, India, and other developmental states—and even states with more liberal politics, like Chile—at various points along the continuum reflecting their apparently contradictory mix of liberal and illiberal strategies that inter alia promote social protection.

Dismal as this account might seem it presents opportunities that may be taken to begin to restore protections of especially the most vulnerable. The changes in global financial governance surveyed above provide far more extensive policy space than was available during the neoliberal era that can be exploited for progressive purposes. Policy space can of course be exploited for regressive ends. But Hirschman was able to look out on unpromising development terrains and yet hold to his "bias for hope," represented so strongly in his commitment to possibilism (Hirschman 1971, 2013[1971]). Hirschman's possibilism provides a basis for considering the current incoherence as productive. Incoherence is agnostic and permissive, opening up opportunities for progress and experimentation even as it induces the risk of regress. Incoherence also provides the opportunity to shatter shibboleths, such as the neoliberal claim that budget deficits are necessarily damaging, government direction of economic affairs is necessarily and always harmful, democratic socialism is just one stop on the road to serfdom, etc. Moreover, Hirschman urged us to push past easy pessimism since yielding to pessimism could blind us to chances all about us to achieve meaningful reform. Our rhetoric, Hirshman also reminds us, affects not just what we see, but also how we intervene, and so has consequential effects in the world (Hirschman 1965, 1991, 1973[1963], 247-9). Best, then, to err on the side of potentiality.

Conclusions

What have we found? The possibilities for embedded liberalism are returning even if the mid-20th century form has largely passed us by. Nostalgia is not warranted. After all, the American orders were far from benign. Indeed, the bloody history, harms, and exclusion that indelibly mark the first and second liberal orders are too often underplayed or even overlooked by their champions (see correctives, e.g., by Bevins 2020, Rothstein 2017). The particular form of 20th century embedded liberalism depended on a unipolar system of global financial governance that was biased in terms of its benefits and costs – toward the global north, large firms, and other privileged actors. The new forms of social protection that can arise in the next context of

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[25] Much the same will likely be said about the manner and speed with which tent poles are removed after the Covid-19 crisis subsides.

productive incoherence might be more heterogeneous in forms and effects, but also better suited to the institutional configurations and needs of diverse countries and diverse social groups. Not all forms promise to be benign – indeed the nationalist, illiberal impulses in play today suggest that social protections will be sought via beggar-thy-neighbor strategies, cronyism, racism, misogyny, xenophobia, propaganda, and other means that offload risk onto weaker parties at home and abroad. These strategies in fact test the limits of what we mean by liberalism—they may be better characterized as embedded populism(s).

Examples of embedded populism include the Trump administration's decision to put American farmers on welfare, the administration's decision to cut taxes (with disproportionate benefits for the rich) without cutting spending, vilifyng China, browbeating US corporations into investment decisions that favor domestic job creation, defending steel tariffs that contravene the market in order to give at least the illusion of protection to his base, and putting pressure on the Fed to pursue expansionary monetary policy at a time of relatively strong growth prior to the Covid-19 crisis. Similarly, during the Covid-19 crisis we should take note of the Trump administration's decision to bail out large firms while starving state and local governments and hospitals of much needed funds while stirring anti-Asian nativism, and exploiting historical racism against Blacks and Black Americans. Another example is given by attacks on central bank independence by Presidents Trump and Erdogan; as is the use of economic sanctions against Iran. These strategies have nothing to do with neoliberalism, and I therefore reject what is becoming the common characterization of the Trump (and other backward looking populists) as neoliberal nationalists.[26]

From Polanyi's perspective, Trump and embedded populism can be understood as a reaction against the social damage wrought by the pursuit of neoliberal coherence. The neoliberalism and elite-led globalization of the second American-led order bred resentment among its victims and primed them for illiberal leaders peddling contrived analyses and solutions. I nonetheless hold that the present incoherence creates space that was unavailable under neoliberalism. It provides opportunities for varied forms of re-embeddednesses along with permissive and diverse forms of economic integration. Incoherent systems create space for experimentation, heterogeneity, and complexity,

[26] Embedded populism refers to a rejection of political liberalism—universal recognition of equality, appreciation of difference, equal participation, and tolerance—combined with continued economic protections, but now severely circumscribed by factors such as citizenship, nationality, ethnicity, race, and gender. In contrast "disembedded populism" would be a rejection of political liberalism and a full bore dismantling of social protections from market processes and outcomes--neoliberal authoritarianism, perhaps best represented by Pinochet. Totalitarianism versus authoritarianism in Hayek might map onto the distinction between embedded populism versus disembedded populism.

this despite the fact that incoherence also creates space for discord, nationalism, racism, and authoritarianism. Polanyi above all others understood the simultaneity of risks and opportunities. Wisely, he provides us with no reassuring guarantees.

The original embedded liberalism of the postwar era was based on rules with universal aspirations and formal multilateral institutions seen as necessary to protect an open international economic order that had the US at its unquestioned center. Perhaps in light of the uneven changes highlighted in the discussion above--and in light of the rise of informal governance networks and the networks emerging among developing economy financial institutions and officials, and between them and the IMF--we should think more about how to nurture informal and varied networked, cross cutting, messy embedded liberalisms coexisting in a world marked by many isms. The present period has one thing in common with the embedded liberal era. Both provide space for national heterogeneity. Today's permissiveness is not driven by expert consensus on the importance of heterogeneity and/or the presence of a framework of multilateralism that supports it. Rather it is in the nature of the uncertainty that mark interregnums that openings emerge for policy autonomy.

Making space for alternative embedded liberalisms necessitates a degree of permissiveness in the international order—what Rodrik (2011, 205-6,280) refers to as a "thin versions of globalization." Thin globalization accepts a collection of diverse national strategies (such as capital controls) whose interactions are regulated by a set of simple, transparent, and common-sense rules by a range of actors and institutions, which are themselves representative and inclusive. My claim is that this reconstruction can enable but by no means assures a restoration of embedded liberal principles. It may well be that thin globalization is all that is possible or even desirable given the pending conclusion of the era of US hegemony. In this morbid interregnum there is no singular "ism" or "alternative order," a fact that I do not mourn (Grabel 2017b).

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