Embedding Global Markets
An Enduring Challenge

John Ruggie

In 1982, John Ruggie introduced the concept of “embedded liberalism” into the field of international affairs. At the time it was an utterly novel approach, one that studied postwar international trade and monetary regimes and explored how capitalist countries combined the efficiencies of the markets with broader values of the community... hence the “embedding” of markets.

In his new book, Embedding Global Markets: An Enduring Challenge, Ruggie, the Kirkpatrick Professor of International Affairs, has assembled the writings of almost a dozen scholars to explore if and how this concept can be applied on a global scale.

In 1999, United Nations Secretary General Kofi Annan summed up the importance of the concept at the World Economic Forum in Davos: “Our challenge today is to devise a similar [to embedded liberalism] compact on the global scale, to underpin the new global economy... Until we do, the global economy will be fragile and vulnerable.”

Annan’s words resonate nearly a decade later, as the U.S. financial sector meltdown has reached nearly every country in every corner of the globe.

The book is divided into three parts — the analytics of embedded liberalism, a survey of macro-patterns in the industrialized countries that show this concept in practice, and a look forward toward possible building blocks for globalization.

Ruggie, former director of the Mossavar-Rahmani Center for Business and Government, argues that applying this concept to the international arena of globalization may prove daunting, but he is quite sure that corporate actors will play a role.

One reason for the difficulty is that there is no single “government” on the international level as there had been on the national level, and international institutions are not strong enough to counterbalance. “Governments played a key role enacting and sustaining this compromise,” Ruggie notes, especially in not letting markets get too far beyond regulatory capacity and safety nets.

Civil actors and global civil organizations and movements — such as the corporate social responsibility movements and the UN’s Global Compact, along with certification institutions — have moved in to fill the void, promoting codes of conduct. Despite great progress in promoting voluntary initiatives, their scope remains limited.

In addition, great tensions exist around globalization. It has produced a backlash due to the unequal distribution of globalization’s benefits. Also, global rule making has become unbalanced. For example, the World Trade Organization has strengthened rules around property rights, while rules intended to promote social agendas, such as labor standards, in some cases have become weaker. Globalization has for many meant a greater vulnerability to unpredictable forces, such as the 1997 Asian financial crisis and those that global markets are experiencing today.

However, the world still seems to be grappling with the notion of embedding markets. “Ironically,” Ruggie writes, “it seems that the public has never abandoned the social expectations and aspirations expressed in the embedded liberalism compromise.”

There is a fundamental recalibration going on in the public/private sector balance, Ruggie concludes, occurring at the global level as well as domestic. It therefore seems certain that governments, states, businesses, and civil society will continue to struggle — perhaps “haltingly and erratically with something akin to an embedded liberalism compromise.” ✭ MDM