

Final Report to the Project funded by the OeNB Jubiläumsfonds

The Transformation of Global Financial Governance: global-local and local-global linkages

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1. Introduction

Many important findings and answers to the research questions have been provided and published already during the course of the project (see list of publications). Turbulent developments in the context of the financial crisis have shown that a systematic analysis of the underlying governance processes and the links to economic developments helps to obtain a better understanding of the stability and the dynamics of global finance. In this research project governance is understood as the institutionalized network of interactions between the relevant economic agents and the totality of regulations. Thereby, it was focused on the financial sector in general and the field of banking regulation in particular.

2. Research questions

In particular, research was guided by the following research questions:

1. What is the specific role of global-local and local-global linkages in the transformation of financial governance?

- What are global-local linkages made of and which role do they play in downloading processes?
 - What are local-global linkages made of and which role do they play in uploading processes?
2. Which are the key-institutions at the local and the global level that shape these processes?
 3. In which way do economic structures determine rule-shaping processes of governance?

3. Answers to the research questions/ key-findings

The theoretical work was based on global governance theory, institutionalism and regulation theory. Although yielding important insights, all these approaches suffer from weaknesses and are limited either in scope or in scale as argued in the research proposal. Therefore we synthesized the existing theoretical approaches in specific aspects. This provided an important theoretical starting point, allowed for a more comprehensive understanding of global financial transformations, and was essential to answer the research questions (see Imhof/Jäger 2007b). The research questions were answered by deepening the historical perspective in order to arrive at a better understanding of the current processes of transformation (Imhof/Jäger 2007a).

The answers to the key research questions can be summarized as follows: Regarding the specific role of global-local and local-global linkages in the transformation of global financial governance (the role of uploading processes and downloading processes), we found that the USA are still at the core of global financial regulation with a high capacity to upload their respective regulations to the global level. This is closely related to the crucial economic role the USA is playing in general and in global finance in particular, which provides an important leverage for US-based institutions (Imhof/Jäger 2008d). The selection of the different case studies was very helpful to obtain important insights given the fact that Europe and Latin American countries play a considerably different role in processes of uploading as well as in processes of downloading (Becker/Jäger 2007, Imhof/Jäger 2008b). While the EU proves to be an active power in shaping global rules, it also makes use of

uploading processes in order to reregulate internal financial structures (see Bieling/Jäger 2009). This is substantially different from Latin American countries. Their role in uploading processes is almost irrelevant. Nevertheless, by comparing the two countries Chile and Mexico by in-depth case studies we found that the processes of downloading may show important variations over time and between the countries (Imhof/Jäger 2008a). For both cases - Europe and Latin America - we distinguished key-institutions at different spatial levels and analysed their interactions and the resulting processes. Such key-institutions included e.g. global institutions such as the Basel Committee, the IMF but also regional institutions such as the European Commission, regional development banks and local governments and regulatory institutions. We observed that specific local economic patterns and their interaction with global structures were closely related with specific forms of financial governance (Correa/Jäger 2007, Imhof/Jäger 2008a, 2008c, 2008d, Jäger 2009). Moreover, for all cases (with the exception of Mexico) we found that the transformation of financial governance is characterized by an increasing importance of local or regional dynamics respectively (Imhof/Jäger 2008d). The processes of regulation downloading are increasingly mediated by local institutions and are linked to specific local economic strategies. The capacity to upload rules to the global level by the USA is diminishing although still highly relevant. This tendency in the transformation of global finance is likely to continue in the long-run although it is affected by the present financial crisis (see Imhof/Jäger 2008d, Bieling/Jäger 2008, Bieling/Imhof/Jäger 2009a, 2009b, Imhof/Jäger 2009a, Jäger/Küblböck/Novy 2009).

4. Conclusions

The research questions were answered by the project and important insights were obtained. Most important findings have already been published; some are still forthcoming in 2009. In addition, crucial findings have been presented and discussed at several important international scientific conferences and will be made accessible to important groups of stakeholders at rather policy-oriented conferences such as the European Forum Alpbach in August 2009. Moreover, our findings suggest that the transformation of global financial governance is a process with an important impact on local economic developments. This implies a crucial importance of different regional regimes of development for processes of (financial) governance. The

analysis of how the transformation of global financial governance shapes local economic developments would have gone beyond the aims and scope of the present research project. Furthermore, this question has not been addressed adequately by academia in general. This is for two main reasons. Firstly, aspects of existing theories, although providing important insights, need to be combined and adapted in order to address this specific issue. Secondly, the developments in the current transformation of global financial governance described above are, in part, a very recent phenomenon and have therefore not been addressed explicitly by empirical research. Further research is required to obtain insights about the direction of present and future developments. This implies the necessity to extend the analysis substantially beyond the financial sector and analyse the interaction with processes of accumulation at different spatial scales. Hence a follow-up project focussing on the crucial questions of financial transformations and emerging regional modes of development and the related transformation of spaces and scales is proposed.

5. List of publications and conference papers

5.1 Publications in journals and chapters in books

1. Becker, J./Jäger, J. (2007): Wirtschaftspolitische Entwicklungstrends in Lateinamerika: Ende des Neoliberalismus? In: Intervention – Zeitschrift für Ökonomie, p. 58-65.
2. Correa, J.A./Jäger, J. (2007): Sistema financiero, regulación y crisis: la experiencia chilena. In: Becker, J. (ed): Crisis financieras y sus salidas en América Latina, Montevideo: Coscoroba, p. 133-148.
3. Imhof, K./Jäger, J. (2007a): Internationale monetäre Regime und periphere Entwicklungschancen. in: Becker J. et al ed.: Kapitalistische Entwicklung in Nord und Süd, Wien: Mandelbaum, p. 143-159.
4. Bieling H.-J./Jäger, J. (2008): Global Finance and the European Economy. In: Apeldoorn, B. et al.: From Lisbon to Lisbon. Contradictions and Limits of European Governance. London: Palgrave, p. 87-105
5. Imhof, K./Jäger, J. (2008a): Finanzialisierungsprozesse in Lateinamerika: Mexiko und Chile im Vergleich. In: Küblböck/Staritz: Asienkrise: Lektionen gelernt? Hamburg: VSA, p. 175-189.

6. Becker, J./Jäger, J (2008): Die Subprime Krise und Europa. In: Kurswechsel 2/2008, p. 82-93.
7. Imhof, K./Jäger J. (2008b): Finanzmärkte und globale Dynamiken der Regulierung. In: ÖFSE (ed.): Financing For Development. Wien: Südwind Verlag, p.39-46.
8. Bieling, H.-J., Imhof, K., Jäger, J. (2009): Assessing the Transformation of Global Finance. In: Journal für Entwicklungspolitik 25 (1): p. 4-17.
9. Bieling, H.-J., Imhof, K., Jäger, J. (2009b) (ed.) Special Issue on Assessing the Transformation of Global Finance. Journal für Entwicklungspolitik 25 (1)
10. Jäger, J./Küblböck K./Novy, A. (2009): Die Weltfinanzordnung in der Krise. In: Messner, D./Nuscheler, F. (ed.): Globale Trends 2010. Fakten, Analysen, Prognosen, Frankfurt. Fischer Verlag (forthcoming)

5.2 Conference papers

11. Imhof, K./Jäger, J. (2007b): The Transformation of Global Finance – Critical Perspectives. Paper presented at ESA-Conference, Glasgow, September 3-6 2007.
12. Imhof, K./Jäger J. (2007c): The Transformation of Global Finance: Europe Escaping the Shadow of the USA? Paper presented/published BISA-Conference, Cambridge, December 17-19 2007.
13. Imhof, K./Jäger, J. (2008c): The Transformation of Finance: Financialisation and the (in-)stability of the DWSR. Paper presented at ISA Conference San Francisco, March 26-29 2008.
14. Imhof, K./Jäger J. (2008d): The Materiality of Global Finance. Paper presented at CPE Workshop, Oxford, September 2-4 2008.
15. Imhof, J./Jäger, J (2009a): Global Finance and Europe's Challenge. Paper presented at ISA-Conference, New York, February 15-18 2009.