

The Social Embeddedness of Transnational Markets

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Abstract 2

Jens Steffek

Jacobs University Bremen

Who compensates the losers?

Embedded liberalism, inequality and the limits of global governance

In this paper I adopt a Polanyian perspective on the division of labour between the state and the institutions of global governance. Traditionally, the state had the dual task of creating and embedding markets. Today, most markets are global in scope and created through international action, but still embedded nationally. In industrialized countries the embedding typically takes the form of social policies that compensate the losers of globalization. The resulting compromise between international liberalization and domestic welfare state development is usually called 'embedded liberalism'. An international embedding of market forces, which would be another option, has remained conspicuously underdeveloped. In this paper I highlight the often-forgotten controversies over attempts at a genuinely international embedding of markets. In the empirical section of the paper I first trace the history of the global trading regime from the beginning in the 1940s to the debates over a new international economic order in the 1970s. In a second step I compare the lessons from the field of world trade to the global policy of climate change that is marked by a commodification of the atmosphere and the development of transnational carbon markets without much regard to questions of social embedding.