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Transnational State Formation and the Global Politics of Austerity

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Abstract

A perennial concern among scholars of globalization is the relationship between global social formations and national and subnational political and economic developments. While sociological understanding of "the global" has become increasingly rich, stressing the complex relationship between material and cultural pressures, an undertheorized nation state often sits on the receiving end of the sociologist's model of globalization. The goal of this article is to help move the sociology of globalization out of the analytical trap of global-national dualism by developing an account of the transnationalization of political authority. Building on neo-Marxist and Weberian theories of the transnational, or global state, which explicate the macro-structural dynamics that have led to the transnationalization of the state as such, I look at the process of the transnationalization of political authority from an institutional perspective, one that focuses on processes of transnationalization within, and across, specific state agencies. These theoretical points are empirically motivated through an historical investigation of the transnationalization of monetary authority and its relationship to the international diffusion of policies of austerity from the era of the classical gold standard through the economic crisis of 2008.

Keywords

globalization, global finance, state theory, international policy diffusion

Prevailing models of economic development have typically fared poorly when confronted with economic crisis. Laissez-faire gave way to Keynesianism in the wake of the global crisis of the 1920s and 1930s, and Keynesianism was quickly discredited by the advocates for a neoliberal approach to economic management in the wake of the economic crisis of the 1970s. Breaking this pattern, neoliberal models have been strikingly resilient in the face of the global financial crisis of 2008 as governments across North America and Western Europe have attempted to impose austerity measures to deal with accumulated debts. Why have the politics, and policies, of austerity proven so resilient? In addressing this question,

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this article takes up one of the central concerns of the sociology of globalization, namely, the way in which global social formations shape national political, economic, and social developments.

Sociology's understanding of "the global" has become increasingly nuanced and complex. Studies of economic globalization map the contours of the global by tracing cross-border flows of goods and capital, the multinationalization of capitalist firms, and process of transnational class formation (Chase-Dunn 1998; Sklair 2001). The global is also understood to contain powerful normative prescriptions and cultural forms that coalesce into increasingly formalized and ever-denser networks of international governmental and non-governmental organizations (Boli and Thomas 1997; Meyer et al. 1997). The other side of this equation—the state—remains undertheorized. In much of the research on globalization, the national state is understood to be the subject of globalization. Whether that subjection is the result of structural economic forces, the power and influence of powerful international organizations, or prevailing norms institutionalized within the world polity, it is the Westphalian national state that confronts globalization.

In this article, I critically evaluate a particular line of research in the broader sociology of globalization, namely, the study of international policy diffusion, as a means of entry into a deeper engagement with the theory of the state under globalization. Theories of international policy diffusion try to explain when, and how, international, global, or transnational social forces influence the practices of national policymakers. Whether theorized as occurring through global market pressures, global normative pressures, or interstate competition, the nationally bound, institutionally unified state is subject to the global. The study of international policy diffusion, like the broader sociology of globalization, is thus caught in the trap of what William Robinson (2001:157) identified as a "global-national dualism," an analytical perspective that seeks to adjudicate the relative importance of, and relationship between, global and national social formations.

The primary goal of this article is to advance the sociology of globalization out of the global-national trap by reconceptualizing both the nature of the state and the relationship between national-level political institutions and global social forces. In this effort, I build upon neo-Marxist and neo-Weberian theories of the state, particularly the critical international relations theory of Stephen Gill, studies of the transnational bureaucratic field inspired by Bourdieuian theory, and theories of the transnationalization of the state developed by William Robinson and Martin Shaw. These alternative perspectives recast the question of the state under globalization by distinguishing the state, as institutionalized political authority, from its historically specific national form. Just as economic and cultural forces are increasingly organized across national lines, scholars from this critical perspective argue that structures of political authority have followed suit and have also become transnationalized.

I propose an alternative vision of the transnationalization of political authority that, while compatible in many respects with these visions of a transnational state, corrects for what I argue is an underlying theoretical reductionism in both neo-Marxist and neo-Weberian theory that stems from efforts to theorize the state as such. Gill and Robinson reduce the state to a "condensation of class dynamics," Bourdieusian theory reduces the state to its bureaucratic and technocratic symbols and functions, and Shaw reduces the state to its military functions. In order to break with this reductionism, which obscures the variation and unevenness in the process of state transnationalization, I begin by first conceptualizing the state as an institutional complex of more or less integrated departments and agencies, each with their own functions, powers, and resources; relationships to distinct sets of non-state actors; and professional norms and practices.

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This view of the state yields important implications for the theory of the transnationalization of political authority. Rather than identifying a single "transnational state" or "global state," that can be defined according to a single set of institutional logics and historical processes, this approach opens analytical space for multiple transnationalizations of different dimensions of political authority. The processes of transnationalization may proceed according to an overarching factor identified by neo-Marxist and neo-Weberian scholars, or according to a combination of factors, but those factors will be specific to particular agencies, departments, or functions. A key argument of this article, that I hope will become clearer as the analysis unfolds, is that existing theories of the state have not misspecified the social forces, institutional logics, and historical legacies that make the state what it is. Rather, existing theories have applied these factors to the wrong unit of analysis, trying to define the whole without giving due attention to the parts and the way that the parts are held together.

I develop this alternative view of the state under globalization through an historical investigation of the transnationalization of monetary authority, emphasizing developments in the postwar period from the 1970s through the current era. By this, I mean the increasing cohesion of state financial officials—central bankers and finance ministers—in transnational and intergovernmental institutions and the increased centrality of these institutions in the regulation of the international financial system. My central empirical claim is that the transnationalization of monetary authority is a key feature of the contemporary world polity and helps to explain the rise, fall, and then reemergence of the politics of austerity from the era of the classical gold standard through the present. Such a discussion, confined to a fairly short space, necessarily glosses over some key points of historical detail. With respect to the sociology of international policy diffusion, I organize the historical narrative to emphasize two interrelated processes: the dynamic relationship between monetary authorities (central banks and finance ministries) and the central government and the evolving structures of transnational monetary cooperation between different national monetary authorities. In addition, I stress how these two dynamics are deeply connected to the politicization of monetary orthodoxy. From the First World War forward, national monetary authorities have confronted strong domestic resistance to monetary orthodoxy, either from other state agencies, or mobilized societal forces, or both. International organizations and cooperative arrangements between national monetary authorities became a way for national monetary authorities to come together to advocate their shared interests and, in key historical moments, overcome domestic political resistance.

GLOBALIZATION AND INTERNATIONAL POLICY DIFFUSION

Privatization, deregulation, marketization—processes that scholars lump under the term *neoliberalism*—have unfolded at different rates, to different degrees, in different national contexts, but they have unfolded nonetheless across wide swaths of the globe. Clearly, domestic factors matter for understanding contemporary political developments in very important ways, but the spread of neoliberal practices and policy frameworks is not just global in scale, it has been driven by the rapid globalization of economic activity, political institutions, and prevailing ideologies. The task, then, for scholars interested in the international dimensions of national political change is to trace the concrete mechanisms that link national economies to global economic forces. Reviewing the scholarship on the international diffusion of neoliberal policies, Beth Simmons, Frank Dobbin, and Geoffrey Garrett (2006) identify three mechanisms that translate international political, economic, and cultural processes into national policy effects: competition, emulation, and coercion.

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Competition and emulation models see states as deeply embedded in global structures. Economic competition is now, more than ever, global in scale. Strong national industries in poor countries may suddenly look very weak when forced to compete with the industrial giants of the rich countries. Investment capital, critical for growth, is now in the hands of foreign investors who, quite literally, have a whole world of opportunities before them. The idea that global economic competition shapes national-level state practices and frameworks of policymaking has not only attracted considerable scholarly attention, but also informs many more popular views about the consequences of globalization for national political development. Faced with such pressures, the competition story goes, national governments have little choice but to join the "race to the bottom" by pushing through pro-market, business-friendly policy reforms in an effort to remain competitive in the new global capitalist environment.

The competition thesis is elegant in its simplicity and gives a perfectly plausible account of the effects of globalization. It appears to capture the reality of not only many developing countries that, in the 1970s and 1980s, were forced to abandon nationalistic growth experiments at the behest of private investors and powerful international organizations, but also of many industrialized countries in the West where Keynesian social democracy gave way first to neoliberalism and now austerity. There are no doubt cases of policy transformation in specific country settings for which the competition thesis provides a good explanation, but as an explanation of the more general process of international policy diffusion, the competition thesis comes up short.

One problem with the competition thesis is that it is not at all clear that economic globalization should have the effect of pressuring states to retreat from the economy. In the late 1970s David Cameron (1978) offered an alternative, somewhat counterintuitive argument that globalization would not weaken the national state but strengthen it as domestic social forces demanded that their national governments protect them from global market forces. While Cameron's research did not support this variant of the competition thesis, neither did it support the race to the bottom story. Cameron found no direct relationship between a country's "economic openness" to the global economy and the size of the national government. Rather, he found that important, domestic institutional variables—including the composition of national industry and the structure of labor organizations—mediated the effects of global economic forces.

Cameron's (1978) work has sparked a whole generation of scholarship seeking to tease out the finer points of the competition story. Cameron's study, after all, was limited to a small number of relatively advanced, OECD countries over the period 1960 to 1975 when, many would argue, the forces of economic globalization had yet to be fully unleashed. After more than 30 years of work, with studies incorporating data from over a hundred countries across decades of time, the only general finding to emerge is that by themselves, global economic forces have an ambiguous and sometimes contradictory effect on the size, composition, and practices of national governments. Economic globalization neither necessarily strengthens the welfare state, nor does it necessarily eviscerate it (Brady, Seleib-Kaiser, and Beckfield 2005; Cohen and Centenno 2006).

Emulation models take a different approach to the question of the state under globalization and the relationship between global structures and national political development. Stressing the role of cultural and institutional diffusion as opposed to flows and movements of economic goods, emulation models suggest that if specific policies and practices diffuse across the globe, it is not because of economic pressures but rather because national-level policymakers emulate world cultural norms of bureaucratic rationality, national citizenship, rational justice, and managed economic growth (Meyer et al. 1997; Strang and Meyer

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1993). These institutional forms—and the norms, values, and practices that inform them—are rooted in an increasingly organized world polity, a dense network of international governmental and nongovernmental organizations that seek to make formal rules and set standards of behavior for humanity (Boli and Thomas 1997).

Empirical research drawing from a world cultural perspective does seem to show that integration into the world polity leads to a homogenization of national-level institutional forms and practices. National states with strong world polity connections, as measured by active participation in international governmental and nongovernmental organizations, have larger and rapidly growing science infrastructures (Finnemore 1993; Schofer 2004), are more likely to adopt national environmental protection policies (Frank, Hironaka, and Schofer 2000), and are more likely to sign onto international human rights conventions (Avdeyeva 2007; but also see Cole 2005).

While the idealism of emulation models of policy diffusion distinguish them from the materialism of competition models, just as competition models tend to envision a single, unified economic system as the defining characteristic of global society, in parallel form emulation models view the process of globalization as the creation of a single world cultural system, a coherent ideational and normative space with clear structural properties (Robertson and Lechner 1985). The world polity that emulation models envision is flat and even. It is a two-dimensional network of international organizations and nation states, each holding equal weight in the composition of the larger structure. It is a view of the global that is shared by many theories of globalization, which, as Raewyn Connell (2007:368) notes, attempt to "name the world-as-a-whole."

Yet, by carefully tracing the structure of the world polity, Jason Beckfield (2008) finds that far from to being a universal, nonhierarchical, flat space, it is uneven, with some organizations and some nation states carrying much more weight in the broader institutional structure than others. The world polity is lumpy and fragmented, with nodes of concentrated power and influence within the larger network (Beckfield 2008). Emulation models of policy diffusion based on world cultural theories of globalization thus share with competition models a blind spot when it comes to understanding the role of power and dependency.

Coercion models of international policy diffusion, frequently framed within a broader world-systems analytical framework, stress the role of power and the uneven distribution of material and discursive resources in the process of international policy diffusion. Rather than viewing the global space as a relatively calm, uniform pool of normative and ideational resources that political actors dip into, coercive models see the world structure of international organizations and institutions as both an arena of political and economic conflict and as resources to be strategically used by economic and political actors to assert their policy goals and preferences upon other states.

At the core of world systems analysis is the theory of the international division of labor whereby *core* areas exploit *peripheral* areas through a combination of direct (often military) means and indirect, structural relationships of dependency. At the same time, however, the theory of world systems also argues that though economic relationships are organized globally, the political system that structures these economic relationships is based on relationships between national states (Brenner 1999). Thus, power relations in the world system are those between core states and peripheral states, whose position in this hierarchical structure is determined through their position in the global division of labor (Chase-Dunn 1998). This is very much a neo-realist vision of power relationships within the global society. Interests are attributed to states, which in turn are unified, coherent actors seeking to advance those interests in the international arena (Beckfield 2003).

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THE QUESTION OF THE STATE UNDER GLOBALIZATION

Contained within this debate over the shape of the global order, the defining characteristics of global social forces, and the mechanisms through which global social forces influence, constrain, or even determine the policies and practices of national political elites is a deeper question about the fate of the state itself under globalization. The sociology of globalization has been consumed with the question of whether the global, however conceptualized, will subsume, make irrelevant, or even annihilate the national state. It is a question, in other words, of which of these two sides of a conceptual binary is the stronger. Each of the models of international policy diffusion offers its own take on this question.

The retreat—or resiliency—of the national state has long been at the heart of the research program concerned with the effects of economic globalization and global market competition. World culture theory, which serves as the theoretical core of emulation models of international policy diffusion, tells a more complex story of the state under globalization. On the one hand, world culture privileges "stateness" and thus encourages political actors to adopt the trappings and practices of national statehood (Robertson 1990). States are not at risk of withering away, but merely of becoming more and more homogeneous. On the other hand, this makes the national state largely epiphenomenal: Distinct national identities are real, but only because such diversity, and the equating of "societies" with "nations," is valued by the world culture (Robertson and Lechner 1985). Coercion models of international policy diffusion, based wholly or in part on a world systems conceptual framework, challenge this world cultural vision by asserting that what we see as the global is in fact a structure of interstate relations (Mann 1997; Martinelli 2005). In this way, world systems theory is the mirror image of world culture theory not just in the sense that it emphasizes material as opposed to ideational mechanisms of diffusion, but also in the sense that it sees the global as an almost epiphenomenal expression of the national interests of core states (Sklair 1999).

The point that needs to be emphasized from this discussion is that for all of the nuance and sophistication that the sociology of globalization brings to the conceptualization and study of the global, the field—as exemplified by research into the process of international policy diffusion—continues to work within the global-national dualism, a binary that presumes that the global and the national are the two dominant yet fully distinct players in the story of globalization and then seeks to determine which of the two sides of this relationship is the stronger. In this respect, the sociology of globalization remains caught in the trap of "global-national dualism," in the same way that research in international studies and economic sociology continues to struggle its way out of the trap of "state-market dualism" or the bifurcation of international social forces into a political and an economic realm (Robinson 2001; Underhill 2000).

By treating policy diffusion as occurring through the global-national binary, scholars of globalization have a tendency to misspecify the relevant actors and institutions that shape a society whose contours frequently transcend national borders. Advancing the sociology of globalization thus requires breaking out of the trap of global-national dualism. This necessitates a more deeply historicized conceptualization of the form of organization of political authority, one that recognizes that while states are often represented as (and even represent themselves as) a centralized, nationally bound totality with a singular purpose, they are in fact fragmented social institutions defined by dynamic internal relationships between an array of agencies and actors, each of which has its own historically evolving relationship to geographical space.

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THE STATE UNDER GLOBALIZATION BEYOND THE GLOBAL-NATIONAL TRAP

It takes only a brief encounter with the history of political organization to come to the conclusion that the national state is a historically unique phenomenon. The national state only became the dominant form of institutionalization of political authority through the political and economic settlements of the Second World War. As Mark Berger (2006:15) observes, after World War II, and through the 1960s, successive U.S. government administrations took the lead in a "dramatic international modernization project," which was to universalize the nation-state system around the United Nations framework. The postwar growth in the number of international organizations did not transcend the national state, but rather provided an international scaffolding upon which to build a global state system (Giddens 1987:264). From a strategic standpoint, the spread of the national-state served the national security interests of key U.S. officials who wanted to manage the processes of decolonization and to form military alliances with new sovereign powers. In addition to the geopolitical and strategic motivations behind the universalization of the nation-state system, economic development had taken a nationalistic turn in the late nineteenth and early twentieth centuries. Political elites in North America and Western Europe promoted national development models through various forms of Keynesian growth policies while in the global south political elites promoted import-substitution industrialization strategies (Brenner 1999; Cerny 1995).

The national state form of political organization was thus the product of a historically specific set of interrelated political and economic conditions. While this point is fairly straightforward, and denied by none, the full implications of it are often neglected by theorists of the state who on the one hand recognize the historical uniqueness of the national state form yet on the other hand "freeze the image of state-territoriality into a general ontological feature of social life" and therefore fail to recognize how the form of the state continues to evolve (Brenner 1999:50). In other words, the state, as a general term to express a system of political authority, need not take the form of the nation-state, which is a historically specific geographic encapsulation of political authority.

Recognizing this distinction provides a way to recast the question of the state under globalization. Whereas the overriding question for sociologists of globalization is whether national states have become more relevant or less relevant, bigger or smaller, in the face of global pressures, critical theories of the state stress processes of state transformation and in doing so blur the binary distinction between globalization and the state. Drawing on the work of Gramsci, Poulantzas, and neo-Marxist state theory more broadly, Stephen Gill and William Robinson argue that as economic activity has become increasingly organized at the global level, so too has the state escaped its national confines and become transnationalized, performing the same role that it did in the postwar period, though now organizing capitalists and capital accumulation at the transnational level.

Both Gill's and Robinson's theory of a globalized, transnational state begins with an analysis of what Leslie Sklair (2001) identifies as the transnational capitalist class, the heads of the globalizing corporations whose economic activities and interests transcend national boundaries. Gill (2008:131) argues that while globalization is a multidimensional process that encompasses all areas of social life, at its core it is the increasing domination of an increasingly liberal global economic system by a specific fraction of the capitalist class, "large institutional investors and transnational firms that control the bulk of the world's productive assets, and that are the principal influences in world trade and financial markets." Similarly, Robinson (2001:165) argues that the foundations of the transnational

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state are located in an emergent "global ruling class" that includes "the owners of the leading worldwide means of production as embodied principally in the transnational corporations and private financial institutions."

Under the weight of these historic transformations in the structures of global capitalism, states have not retreated, but rather have been reconfigured in terms of both their scale and in terms of what they do. Just as the reproduction of national capitalism required strong national states, Gill and Robinson argue that the reproduction of global, neoliberal capitalism demands a powerful, globalized state (Gill 1994; Robinson 2003a). Building on the conceptual language of Gramsci and Poulantzas, Gill (2008) describes the emergence of a new, "transnational historic bloc" that includes not only transnational capital but also "elements of the G-7 state apparatuses" and key international organizations like the Bank for International Settlements, the International Monetary Fund (IMF), and the Organization for Economic Cooperation and Development. Through patterns of routinized, institutionalized, transnational social interaction, political leaders who take part in the transnational historic bloc serve as a "globalizing elite" charged with the critical function of resolving tensions between the emergent global order and national forms of political authority (Gill 1994; Gill and Law 1989).

Robinson makes a similar set of claims with respect to the origins of the transnational state, which, he argues, has emerged out of the national state system to enforce pro-market, neoliberal policies that support the interests of transnational capital as against the interests of nationally or locally oriented fractions of the capitalist class (Robinson 2001:164, 2008:183-84). Like Gill, Robinson emphasizes that this new, transnational state apparatus includes supranational organizations but cannot be reduced to a supranational structure of global governance. Rather, national states are incorporated into the transnational state as "component parts" of the larger apparatus (Robinson 2003b:43-4).

What are the "elements of the state apparatus" that have globalized into the transnational historic bloc or the transnational state? Robinson and Gill are often unclear here, though in his study of transnational state formation in Latin America Robinson (2008:186) does identify "ministries of foreign affairs, finances, economic development and Central Banks" as being especially tied in to the transnational state apparatus. Gill offers a slightly more theoretical account, suggesting that the answer lies in the changing role that the globalized state plays in supporting global, neoliberal capitalism. Unlike the national state, which sought to integrate subordinate social groups into the postwar regime of accumulation through the provision of social citizenship rights, the globalized state apparatus that forms part of the transnational historic bloc protects and nurtures global market forces by enforcing a separation between those things "political" and those things "economic," giving capital the space to pursue its neoliberal agenda free from the constraints of direct political pressure (Gill 2002). As a consequence, while some state functions and agencies will grow weaker and decline in importance (e.g., those charged with protecting subordinate social groups from the market), at the same time state agencies charged with policing labor, maintaining law and order, and otherwise supporting the regime of accumulation will grow stronger and become more important (Gill 1994).

The global diffusion of neoliberal economic policy is, according to Gill and Robinson, a direct consequence of the emergence of the transnational state, though this does not mean that, as world systems theory would argue, the diffusion of neoliberalism can be related to particular state interests. Rather, Gill's and Robinson's parallel theories of transnational state formation argue that neoliberalism is best understood as a class project, a set of policies that serves the political and economic interests of a global capitalist class that in turn

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leads to global patterns of development and underdevelopment along class, rather than national, lines.

In contrast to Gill's and Robinson's neo-Marxist theory of the transnational state, which emphasizes the state in relation to economic and class forces, neo-Weberian theories of the state emphasize its "institutional reality" and the way in which state forms and practices emerge from factors internal to the historical emergence of state institutions (Weir and Skocpol 1985). While states are complex institutions, for neo-Weberian theorists of the state, two features stand out. The first is the state bureaucracy and the norms, practices, and professional backgrounds of state officials who have a great deal of influence over political outcomes through intellectual and administrative activities that are autonomous from economic or class forces (Heclo 1974). Bourdieu takes this argument even further, arguing that the process of the historical emergence of the modern state was one where claims to technocratic expertise and bureaucratic rationality supplanted traditional claims to political authority within premodern states. The modern state, or the "bureaucratic field" in Bourdieu's language, achieves power over other, competing social forces because the state both symbolizes and monopolizes the universalism of technocratic and bureaucratic rationality (Bourdieu 2004; Bourdieu, Wacquant, and Farage 1994).

While it was Weber who conceptually linked the state to an historically specific geographical configuration into territorially demarcated nations, neo-Weberian theories of the state separate these two developments (Bourdieu et al. 1994). "Stateness," or the bureaucratic field of power, need not be organized within the confines of the territorial nation (Bigo 2011). This is because symbolic struggles over "stateness" and efforts to universalize bureaucratic and technocratic forms of knowledge are structured along professional norms and practices that are increasingly defined by a transnational interaction of experts. Both world polity theory and constructivist international relations theory have documented the ever-accumulating connections between state officials through intergovernmental and nongovernmental international organizations (Boli and Thomas 1997) and the formation of international "epistemic communities" of expert knowledge (Haas 1992), but suggest that these global structures stand outside of, and interact with, well-defined national states. Bourdieusian state theory, on the other hand, suggests that these connections between state officials and policy experts represent what Dezalay and Garth (2011:276) refer to as a "globalized field of state power," or the transnationalization of the bureaucratic field.

The other feature of modern states that stands out in Weberian political sociology is of course the state's monopolization of the legitimate exercise of violence. While some scholars of politics may be willing to concede that some aspects of stateness have escaped the confines of the national state, for most this particular feature of the state remains contained within the territorial confines of national borders. Martin Shaw, however, argues that even here we see a globalization of the state. Like Weber, Shaw argues that the state is best understood as institutionalized political authority backed up by violence. Unlike Weber, however, Shaw argues that the state's legitimate exercise of violence need not be confined to its national borders. This spatial organization of the state, Shaw argues, is really a mid–twentieth-century phenomenon. Beginning with the Second World War, the projection of military power has escaped national borders. This in turn has undermined the autonomy of national states (Shaw 1997, 2000). As a result, state military capacities have become increasingly networked into what he calls a "worldwide web of authoritative relations" (Shaw 2000:193).

Concretely, this "globalization of authority" manifests itself in the growth of supranational authorities, like the European Union, the United Nations, and NATO. Such regional, international, and transnational forms of organization blur the lines of sovereignty between

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individual states and, most critically, organize individual political authorities into a globalized state system that Shaw calls the "Western state." Comprised of the military power of the governments of North America, Western Europe, Japan, and Australasia, the borders of political violence now extend across the bloc as a whole and thus support the hegemony of the West over other regions (Shaw 1997). Thus, according to Shaw, Weber's classic definition of the state still holds in that the state remains a territorially demarcated institutionalization of legitimate political force. What has changed is the nature of that territorial demarcation. The monopolization of military force is transnationalized into a set of treaties, international organizations, and a transnational deployment of troops and bases.

In summary, neo-Marxist and neo-Weberian theories of the state distinguish the form of the state from its territorial configuration, which provides an analytical escape from the trap of global-national. No longer confined to a national, territorial boundary, the structures of the state are allowed to expand and flow along with the globalization of other social institutions and social relationships. In neo-Marxist theories, the structure of the state follows the evolving structure of class relationships, particularly the transnationalization of the capitalist class. In neo-Weberian theories, the boundaries of the state expand to encompass transnational networks of experts, flows of bureaucratic and technocratic knowledge, and regional military alliances.

While this is an important theoretical advance, I argue that both neo-Marxist and neo-Weberian theories of the transnational state suffer from theoretical reductionism. In neo-Marxist accounts the state is reduced to a "condensation of class forces," the function of which is to support the necessary conditions for capital accumulation. The state loses much of its autonomy and analytical specificity as the transformation of the state is read through the study of social class dynamics. Neo-Weberian theories maintain the autonomy of the state but also reduce the state to a field of bureaucratic/technocratic expertise or to its military function. This theoretical reductionism stems from the underlying premise upon which theories of the state are built, namely—to paraphrase Bourdieu et al. (1994)—that there is an entity that is the state and the task of the research is to determine what the state is.

One way to move past the reductionism of existing state theory is to ground the theory of what the state "is" or "does" within an appreciation for what the state "looks like" (on this distinction, see Mann 1984). While states, and state actors, speak in the language of "stateness," of a universal set of principles shared among all who occupy positions within the state (Bourdieu et al. 1994), in their institutional forms, states are, in fact, "complex amalgamation of agencies, charged with distinct functions, having domains that are frequently overlapping, and often compelled to compete for resources" (Chibber 2002:957-58). The history of modern state formation is that of a dual process of state centralization: the consolidation of centralized authority over a specific territory and the consolidation of centralized authority over other institutions of political authority—perhaps most significantly, the institutions of military power (Tilly 1985). As J. P. Nettl (1968) observed some time ago, which of these subunits is inside or outside the state cannot be explained with reference to a single, overarching logic. Rather, the successful integration of various subunits and functions—each of which is defined by its own professional practices, prevailing ideologies, and ties to economic forces and societal actors—is an historical achievement that must be continuously reproduced

Appreciating the institutional reality of states has important implications for the theory of the transnationalization of the state. It suggests that the appropriate unit of analysis is not the state as such, but particular state agencies, departments, branches, or other relatively distinct, long-lasting entities—"subunits"—that carry out a specified set of state functions. State subunits tend to have their own set of recruitment practices that imbue them with

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particular sets of professional norms, shared expertise, and social backgrounds of their members. In addition, state subunits are the primary nodes of intrastate interaction, interstate interaction, and state-society interaction. Whether particular ideas and interests are able to achieve influence within the state will therefore depend upon both patterns of conflict within the subunit itself and—and this is critical—upon the institutional pathways through which different ideas and interests "enter" these subunits and diffuse to the key sites of state decision making. From this perspective, the theory of the state can move past seemingly endless debates over the "true" nature of the state, whether an arena of class conflict or a bastion of bureaucracy. The logic of stateness can be variable while at the same time not incoherent. Particular practices and outcomes need not be read as indicative of an underlying stateness, rather they can be traced through the institutional architecture of the state to particular state subunits. In this way, those who study the state can more precisely trace the mechanisms of the transmission of ideas and interests, power, and persuasion.

This is the critical insight that is missed by both neo-Marxists and neo-Weberians who have theorized and empirically investigated the transnationalization of state. On the one hand these scholars recognize the fragmented, nonunitary structure of states and leverage this characteristic to conduct historically rich comparative or case study analyses of process of transnationalization within specific state agencies and between these specific state agencies and specific international organizations. For example, Gill (1994) suggests that processes of state transnationalization have occurred most rapidly in state agencies charged with policing labor, maintaining law and order, and otherwise supporting the global regime of accumulation, while Robinson (2003a) emphasizes the central position of state finance ministries and central banks in the transnational state. Neo-Weberians like Dezalay and Garth (2002) have focused particular attention on the transnationalization of state bureaucracies defined by legal and economic expertise, while Bigo (1994, 2005) has studied the globalization of professional norms and practices of state security professionals. On the other hand, the results obtained from a study of a specific state subunit or function are then interpreted in terms of what they say about the transnationalization of the state as such—a single, unitary institution defined, if not by a single logic, then at least by a dominating one.

Yet, when examined together, these empirical investigations into processes of state transnationalization make clear that to the extent that there has been a transnationalization of the state it has preceded unevenly both in terms of its scope and in terms of the social forces that drive it. Some aspects of the state have thoroughly transnationalized, while for others the transnational linkages are underdeveloped. In some cases state transnationalization appears to move along lines of transnational class formation, while in others it appears to be driven by the globalization of professions and expertise. Attempting to fit each of these unique processes into a single theory of "the transnational state" obscures important variation in patterns of state transnationalization and thus the mechanisms through which specific dimensions of transnationalized political authority influence political, economic, and social outcomes on both the national and global scale.

The remainder of this article develops these points through a discussion of the history of the emergence of the transnational monetary authority and the global politics of economic austerity, from the era of the classical gold standard through the present. The first half of this discussion begins in the era of the classical gold standard era and ends in the late Bretton Woods period when, as I will argue in the following, the transnational monetary authority really came into its own. The second half of the discussion picks up the story with the collapse of Bretton Woods, the emergence of deep international economic instability, and the consolidation of the transnational monetary authority in the management of the

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post–Bretton Woods "new international financial architecture." The historical discussion emphasizes three key aspects of the transnationalization process derived from an institutionally centered perspective: first, the relationship between national monetary authorities and domestic politics; second, the relationship between national monetary authorities and other state agencies, particularly central governments; third, the organizations and practices that served to transnationalize national monetary authorities.

THE TRANSNATIONALIZATION OF MONETARY AUTHORITY IN THE POSTWAR PERIOD

The transnationalization of monetary authority properly begins after World War I. Before the war, during the era of the classical gold standard, state monetary authorities were internationally oriented in their operations in that they adhered to the "rules of the game" prescribed by the gold standard, which made it easier for political elites in capital-poor countries to tap into international capital markets to finance ambitious domestic investments (Bordo and Rockoff 1996; Eichengreen 1995; Wilkins 2003). In addition, this was the era when, as Karl Polanyi (1957) eloquently described it, "economic liberalism burst forth as a crusading passion, and *laissez-faire* became a militant creed." Making claims to the need to adhere to gold standard "rules" supported the laissez-faire doctrine by providing ideological cover for monetary policies that favored international banking profits over general economic welfare (Goodman 1992). That being said, central banks and government finance agencies were not transnationalized. Actual cooperation between central banks was sporadic, marked by brief episodes of bilateral efforts to protect the gold standard followed by periods of acrimony as each national central bank fought to protect its piece of the global credit pie.

During World War I, national governments suspended gold convertibility and took control of monetary policy in order to finance wartime spending. Central bankers hoped that with the end of hostilities, national governments would dramatically reduce levels of spending and debt that would allow for a return to the gold standard at prewar parities (Mouré 2003). The Bank of England was particularly eager in this effort. Still holding on to substantial currency reserves, the Bank wanted to quickly restore the international credit system that had been so lucrative in the prewar years (Germain 1997). The central banks of the continental European countries, including France, Italy, and Belgium, shared the Bank of England's goal (Toniolo 2005), as did the United States Federal Reserve Bank, which hoped that restoration of a gold standard would help ensure that American bankers' wartime loans to Europe were not decimated by currency devaluation (Frieden 1985).

Standing in the way of a return to monetary orthodoxy was a new "social democratic moment" (Berman 1998) marked by the mobilization and radicalization of the left. As Gary Burn (2006) observes of this period, the desire to return to gold was driven as much by a wish to restrain the forces of social democracy as much as by a belief in its economic soundness:

> Because the war, and its aftermath, had unleashed dangerous democratic forces to challenge the status quo, a return to gold would provide a value-free rationale, one based on unquestionable economic logic, with which to block such expectations, keep the City free of any future government interference and ensure a return to the pre-war social and political order. (P. 56)

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It was in this climate of increased domestic political hostility to a return to the gold standard that central banks began to cooperate in earnest. Most of these cooperative efforts were over the interrelated issues of war reparations, currency stabilization, and the restoration of the international monetary system. Through the 1920s, central banks and private banks (mostly JP Morgan) arranged stabilization loans, participated on the Reparations Commission, and, through 1929, worked seriously at institutionalizing regular discussion of global monetary issues at the Bank for International Settlements. A recurring topic of discussion was how best to return to a gold exchange system and restore the independence of central banks from the national government (Toniolo 2005). Real cooperation between national monetary authorities remained elusive as central bankers were much more concerned with controlling domestic price inflation than in cooperating with each other to stabilize their exchange rates. As a result, there was a general deflationary bias in monetary policy across Europe and North America—which likely contributed to the outbreak of a worldwide economic depression (Simmons 1996).

The Depression put central bankers, and the cause of monetary orthodoxy, squarely on the defensive. Unemployment, not price stability, was now the single most pressing concern of most national governments. The working class had become a political force to be reckoned with in the early twentieth century and increasingly drew inspiration, and support, from the socialist and communist left, adding a radical tenor to their demands. In addition, the diffusion of Keynesian economic theory gave intellectual support to the idea that unemployment was best dealt with through active government intervention (P. Hall 1989). Faced with the economic and political dangers of depression, many national governments after World War II broke with economic orthodoxy and attempted to bring the left into a new, "embedded liberal" economic policy paradigm (Ruggie 1982).

In forging the embedded liberal compromise, the power and influence of state monetary authorities was sharply curtailed. First, in many countries central governments assumed much greater control over the allocation of credit and setting of interest rates, sharply reducing the autonomy of central bankers and other monetary authorities. In the United States, the Treasury Department took control over monetary policy from the Federal Reserve and pushed interest rates artificially low to help reduce the cost of the government's wartime borrowing (Frieden 1987). In the United Kingdom, the Labour government that came to power at the war's end set as one of its highest priorities the nationalization of the Bank of England (Cairncross 1988), as did de Gaulle's government in France, which feared that an independent Banque de France, focused on combating domestic inflation, would undermine his plans for renewed economic growth (Goodman 1992).

In addition, whereas national monetary authorities had played a central role in the gold standard international monetary system, they now took a back seat to newly created international organizations. The settlement of international transactions was given over to the International Monetary Fund, which also had the ability to provide balance of payments financing to countries facing short-term deficits, thus giving them the opportunity to return to equilibrium without resorting to deflation. Moreover, the International Monetary Fund's charter endorsed the use of capital controls as a way of sharply reducing the ability of private financial actors to wreak havoc on countries' international payments positions with constant inflows and outflows of short-term, speculative capital investments (Helleiner 1994). With private, transnational capital sufficiently controlled, state officials could afford to be, as Sean O'Riain (2000) has put it, "Janus-faced" with respect to their international and domestic economic commitments: meeting international economic commitments without having to

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touch the levels of domestic economic management that enabled them to expand their welfare states and redistribute the fruits of economic growth to the working class and poor.

The Fragile Bretton Woods Order and the Resurgence of the Monetary Authority

The prevailing understanding of the political economy of postwar capitalism in the West is that national governments conducted themselves according to the principles of embedded liberalism until the forces of financial globalization tore the aegis of Bretton Woods asunder, forcing political elites to reorient themselves to international pressures. This interpretation is flawed because it is grounded in the global-national trap. Embedded liberalism is described as the desire of national states and is seen in opposition to global finance.

As discussed in the previous section, the integrity of embedded liberalism rested not only on the controls that were placed on private finance, but also on the public monetary authorities. The victory achieved at Bretton Woods was a victory not so much of national governments over global finance, but of those within national governments who supported embedded liberalism over other state agencies—most often the central banks—who wanted to see a return to classical liberalism (Block 1977; Crotty 1983). These conflicts did not end after the signing of Bretton Woods. Rather, just as they had after World War I, national monetary authorities continued to press back against the constraints that had been imposed on them in the early postwar years. This meant reclaiming their autonomy from central governments. For example, in the United States, persistent conflict between the Treasury Department and the Federal Reserve led to the 1951 Treasury–Federal Reserve accord that formalized the Fed's independence from the executive branch. After the accord, the Fed performed its open market operations independent of Treasury consultation and with regard to economic stabilization rather than economic growth. The Fed's tight monetary policy was responsible for at least two of the three major economic contractions in the 1950s (de Cecco 1976; Greider 1987; Romer and Romer 2002).

It also meant deregulating global capital markets. Even as the new spirit of embedded liberalism placed its stamp on the postwar global order, central banks and other monetary officials were hard at work trying to restore a more orthodox, finance-centered international monetary order. The Bank of England consistently pushed for the liberalization of capital flows, hoping to restore the role of the sterling as international money (Burn 2006). Between 1955 and 1959, Western European governments negotiated a Code of Liberalization of Capital Movements, which included provisions for removing restrictions on foreign direct investment and foreign portfolio investment while maintaining a commitment to restricting speculative investments (Abdelal 2007). It was also in the latter half of the 1950s that top managers at the IMF began a serious debate over the question of whether, and how, to relax controls on capital (Barnett and Finnemore 2005; Chwieroth 2010).

As restrictions were steadily lifted, short-term capital flows accelerated in the late 1950s and wreaked havoc on the international accounts and foreign reserves of national governments. In the United States, short-term capital began to pour out of the country, as American investors were attracted to higher European interest rates and newly stable currencies. By 1964 over $2.5 billion worth of short-term liabilities were held abroad. The French and Italians also began to show substantial short-term capital outflows after 1959. For other countries—the United Kingdom, Canada, the Netherlands, and Germany—the relaxation of capital controls brought a massive inflow of short-term capital (Hodjera 1969). These figures, while small by today's standards, swamped the IMF's capacity to provide balance of payments financing. The national governments and international organizations charged with managing the postwar international monetary order faced, by the late 1950s, a real

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dilemma. On the one hand, no one was willing to go back to a time when transnational capital flows were more closely restricted; on the other hand, the current system of international monetary management was not designed to handle the scale and scope of these kinds of global capital flows. From this tension emerged a near decade-long process of institutional innovation to buttress the original Bretton Woods institutions with new forms of credit provision and facilities to finance balance of payments deficits.

As a first step, the monetary authorities of the main contributor countries to the IMF signed the General Agreements to Borrow in 1962. These agreements bolstered the financial resources of the IMF by vastly increasing its ability to borrow reserves from member finance ministries and central banks. At the same time, however, additional standby borrowing was conditional upon the approval of lending central banks and was coordinated through the Group of Ten countries (Toniolo 2005).

While a major achievement, the General Agreements to Borrow ultimately proved insufficient for solving the problems of payments imbalances, though not for a lack of financial resources. The real issues was that while the International Monetary Fund was supposed to serve as the main source of balance of payments financing, national governments were in fact very hesitant to make drawings on the Fund when facing a severe payments deficit. The reason was that drawings on the Fund were dramatic and highly visible affairs, signaling to the international financial community that the payments deficit of the borrowing government had reached crisis proportions.

What was really needed was a different kind of adjustment mechanism, one that was sensitive to the fact that swings in countries' balance of payments positions were highly dependent on the specter of "investor confidence." The early 1960s thus saw a sharp increase in direct, and initially secret, coordination and cooperation between the central banks of Western Europe and North America to manage foreign exchange markets. The first tangible result of these new cooperative arrangements effort was the establishment of the London gold pool. The basic idea behind the gold pool was that countries would commit a portion of their own gold reserves to the Bank of England so that they could be used to buffer major movements in the London gold market. As with the negotiations around the General Agreements to Borrow, it was not easy to convince the heads of the other central banks to cooperate as they were being asked to give up some control over their own gold reserves and place them in the hands of the Bank of England for the purposes of defending other currencies. Even the representatives from the Bank of England needed to be assured that the gold pool would not undermine London's free market in gold, which was central to the country's position as a major international financial center (Burn 2006; Germain 1997). In the end, the doubts of the British and the European monetary authorities were assuaged and the gold pool was formed, with the United States Treasury committing $270 million worth of gold and the others committing between $5 and $35 million. Paralleling the role that central bankers played in monitoring the General Agreement to Borrow, the Bank of England was given responsibility for conducting gold pool operations, but oversight of the arrangement was given to the Bank for International Settlements, where central bankers could review and discuss those operations on a monthly basis (Toniolo 2005).

In addition to the gold pool, central banks across North America and Western Europe were building a multilateral network of currency swap arrangements to intervene in the exchange markets. In simplest terms, a currency swap is an agreement between central banks such that each opens an account in their own currency in the name of the other bank. Hypothetically, under a currency swap between the United States and Germany, the United States would make available to the Germans $100 million in an account at the Federal Reserve Bank and the Germans would make available to the United States $100 million

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worth of Deutschmarks in an account at the Bundesbank. In this way, the United States could meet a temporary demand for Deutschmarks without having to build up its own supply of currency reserves.

A formal process for negotiating and establishing foreign currency operations between the Federal Reserve Bank and European central banks was put into place in February of 1962. In March, the Federal Reserve purchased $50 million worth of French francs and $25 million worth of German marks from the Bank of France and the Bundesbank, respectively.[1] In May, the Federal Reserve established currency swap arrangements with the English, Dutch, Belgians, and Swiss worth a total of $300 million.

Through the General Arrangements to Borrow, the establishment of the London gold pool, and the ever-growing network of currency swaps, the monetary authorities of the United States, Canada, the United Kingdom, Japan, and several countries in Western Europe became the managers of the de facto system of balance of payments adjustment. To be sure, this new structure was not a world central bank, but it was a transnational monetary authority, institutionalized by micro-processes of social interaction through regular meetings in international organizational forums as well as through various financial ties. It was an institution that struggled with internal conflict as each member monetary authority was also still beholden, to varying degrees, to their national governments, but it was an institution that worked at the transnational level to restore the principles of monetary orthodoxy to the global economy.

An important consequence of these developments was the redistribution of international monetary power to the public monetary authorities at the center of these new financing arrangements. Resolving the recurring crises of the Bretton Woods system increasingly depended on the active cooperation of a tightly networked group of central bankers who controlled the financial resources that governments running balance of payments deficits needed to stave off speculation against their currencies. For example, in exchange for cooperation in managing its payments deficit, European central banks successfully pressured the Kennedy administration to tighten the money supply and raise interest rates, even as the country was still dealing with economic recession (Major 2010). Similarly, in the United Kingdom, foreign monetary authorities were able to use the fact that only central banks' willingness to participate in currency swaps was holding off speculation against the sterling to force the Labour government to abandon much of its liberal Keynesian growth program in the mid-1960s (Newton 2009).

These cases not only lend complexity to the prevailing understanding of postwar embedded liberalism, they also highlight how the global-national trap imposes real analytical limitations on the sociology of globalization and models of international policy diffusion. In these two cases, the constraints on the national governments' social democratic agendas came not from some necessary logic of economic globalization, as there were multiple ways in which balance of payments deficits could be managed, nor did they come from some prevailing world culture norm. If anything, the world cultural norms of the postwar period should have favored embedded liberal, not orthodox, solutions to payments imbalances. Nor can these outcomes be explained through the lens of interstate conflict. Pressure to follow an orthodox path out of balance payments difficulties came from a specific subset of state interests, interests embodied in the central banks and finance ministries that had become increasingly transnationalized and cohesive in the late 1950s and early 1960s. This last point also highlights the limitations of existing efforts to escape the global-national trap through a theory of the transnationalization of the state. While the pressures against national social democracy were coming from transnationalized state agencies, it would be a mistake to attribute their ideas, interests, and capacity to influence national governments to a larger

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process of the transnationalization of the state as such. More precisely, these pressures came from particular state subunits—those with authority over issues of money and credit—that had long supported economic orthodoxy over social democracy and that, through a series of increasingly complex and dense international arrangements established with other national monetary authorities, reacquired their capacity to overcome the policy agendas of other state subunits and social democratic societal interests.

THE TRANSNATIONAL MONETARY AUTHORITY IN THE POST–BRETTON WOODS ERA

Sociological theories of globalization, and theories of international policy diffusion in particular, have tried to explain the seemingly global spread of neoliberal economic policies in the 1970s. Structural-materialist theories, like competition theory, claim that the collapse of Bretton Woods led to a unilateral deregulation of financial markets, which unleashed a wave of transnational capital movements that have constrained the economic policy agendas of national governments by forcing them to make policy with an eye to being competitive in a global market environment. Emulation theories suggest that neoliberal norms and ideas are now deeply embedded in the world culture and thus diffuse across national states through networks of expertise. Coercion theories see neoliberalism as the hegemonic project of the United States, which has used its influence over international organizations to forge a "Washington consensus" (Williamson 1993) around the need for privatization, deregulation, and marketization. In each of these theories, national states remain the principle subjects to the forces of globalization, buffeted by world-level material and ideational forces or to the interests of more dominant states. These narratives miss the critical role that the transnational monetary authority, which came into its own in the 1960s, has played in crafting a post–Bretton Woods monetary order.

Global Financial Crises and the Consolidation of the Transnational Monetary Authority

The collapse of Bretton Woods made global financial markets very unstable. Between 1975 and 1985 there were 25 separate banking crises around the world, with 9 of them occurring in conjunction with major currency crises (Laeven and Valencia 2008, Table 3). Notable crises in the early post–Bretton Woods years were triggered by bank failures in the United States and Germany in 1974 (Helleiner 1994; Tarullo 2008) and the Mexican debt crisis of 1982 (Wolfson 1999). It quickly became apparent that these crises were driven by the removal of capital controls and exchange rate volatility, and so a new system of international governance of global economic activity to replace the old Bretton Woods order was sorely needed (Evans 2000).

The result has been the growth, and integration, of a massive organizational architecture to manage and govern the global economy, one that is international in its form and scope and includes both official governmental cooperation and unofficial cooperative efforts from nongovernmental agencies. Unlike the process of crafting Bretton Woods, which was characterized by deep conflicts between monetary authorities' interests in financial stability and national governments' interests in domestic economic growth, the "new international financial architecture" is the design of the transnational monetary authority that converges in intergovernmental forums like the G7 and the Bank for International Settlements. No longer framed in terms of whether international or domestic concerns should be privileged by the

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new system, the primary concern has been to find ways to ensure that national economic policy is sufficiently attentive to the needs of the international monetary system.

One of the first principles to emerge from the early stages of crafting the new international financial architecture was that national governments needed to do their part to maintain exchange rate stability by keeping prices stable at home (Baker 2006). This was a sharp reversal from the ideas that informed Bretton Woods. Rather than shielding domestic policy from international monetary concerns, national governments were now responsible for conducting domestic monetary operations with an eye toward maintaining the value of their currency on foreign exchange markets. In addition, by tying exchange rate stability to price stability, state monetary authorities were given an enhanced role in the regulation, and maintenance, of the post–Bretton Woods international monetary order.

Beginning in the early 1990s the central banks of the OECD countries made hitting explicit inflation targets the primary goal of monetary policy. Once inflation targeting was institutionalized across the OECD, it became the standard against which other countries' monetary institutions and practices are judged. Through these pressures, maintaining price stability has now become the global norm for central bank practice. A survey of 84 central banks conducted by the Bank of England found that in 1990, only 4 central banks explicitly set a target for the inflation rate to guide monetary policy but that by the end of the decade, 50 more central banks had adopted an explicit inflation targeting regime (R. B. Hall 2008; Mahadeva and Sterne 2000).

In consolidating their new commitment to managing inflation, central banks made the case—and economists generally agreed (Bernanke and Mishkin 1997)—that autonomy from political influence was necessary for ensuring the credibility and integrity of their inflation targets. Thus, the change in central bank practice that inflation targeting represents has gone hand in hand with increased central bank independence from the federal executive and legislative bodies. Many central banks now have independent control over appointing their own governor and over setting the goals and targets of monetary policy and are far less likely to be required to report to other state agencies or legislatures. Bitterly fought for in the 1950s and 1960s, central bank independence has, like inflation targeting, become the new global norm (Arnone, Laurens, and Segalotto 2006).

Clearly, there were important domestic sources of these changes and there is still considerable variation in central bank form and practice. What I am stressing is that the diffusion of inflation targeting regimes and the related rise in central bank independence are both products of the way that the monetary authorities in North America and Western Europe responded to one of the central problems of economic globalization in a post–Bretton Woods world. The new relationship between the monetary authorities and other state agencies and branches of government is an inextricable part of the new international financial architecture in a way that bears a striking resemblance to the old international financial architecture of the classical gold standard years, without, of course, the gold.

Global financial crises in 1970s also led to discussions among finance officials about the proper way to regulate transnational capital flows. Formal capital controls are off of the policy agenda. Instead, the transnational monetary authority has designed the new international financial architecture to mitigate the risks of, and volatility contained in, global capital transactions by setting standards for how much reserve capital internationally active banks have to hold. This conversation was conducted almost entirely within the circle of finance ministers and central bank officials, this time in the context of the Bank of International Settlements and its Basel Committee for Bank Supervision. In 1988 the Committee released the Basel Capital Accord, which was implemented across the G-10 by the end of 1990. By 1992 more than 100 countries with significant international banking operations

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had signed on (Tarullo 2008). Both the World Bank and the International Monetary Fund have incorporated the standards set forth in the Accord into their own assessments of the strength of potential borrowers' financial institutions (Alexander, Dhumale, and Eatwell 2006).

The formal policy link between domestic price stability and currency stability and the reserve approach to capital regulation are core features of the "new international financial architecture" and point to the further transnationalization of the monetary authority. Both of these developments were built upon, and strengthened, international cooperation and cohesion between national monetary authorities. In addition, both developments made the management of domestic financial markets and monetary conditions part of the management of the global economy. Finally, and perhaps most critically, through these mechanisms these developments consolidated the monetary authorities' central position in the new international finance architecture.

The Transnational Financial Authority and the Question of Austerity

What is the relationship between these institutional developments and the contemporary global politics of austerity? To begin to answer this question, it is useful to revisit Keynes's arguments about the relationship between central bank autonomy, economic policy, and democracy. Keynes believed that shifting responsibility for international monetary and financial issues into an international committee of central banks was a minimal requirement for a properly functioning global financial system. Putting the process of international monetary management in the hands of a network of central bankers would take monetary power away from private financiers and place it instead in the hands of technocratic civil servants (Bibow 2002; Cartapanis and Herland 2002).

However, when Keynes was lauding the positive role that central banks could play in international monetary management, he was writing from a national context where central bank independence from the national government was very low. Today central banks have taken on the responsibilities of managing the international economy but in a context of high institutional autonomy from national governments. As noted previously, central banks have pushed for greater autonomy in order to protect their new practice of inflation targeting from what are perceived as irresponsible political pressures. Autonomy, from the central bankers' perspective, is a necessary barrier against the forces of democracy that have often stood in the way of the monetary authorities' ability to structure economic policy around the needs of international credit markets and price stability.

Moving regulatory and monetary policymaking authority to central banks and finance ministries helps to resolve this problem of democracy by insulating monetary policymaking from mass political pressure. To be sure, these policies are still political in that they serve as powerful lightning rods of debate, discussion, and social protest, but voters and protesters do not have a way of directly influencing the officials who make these policies; a member of parliament or the head of a government can be directly pressured or even voted out, but not the head of a central bank (Carruthers, Babb, and Halliday 2001; Maman and Rosenhek 2009).

In addition to insulating the monetary authorities from popular forces, the new international financial architecture has strengthened the ties between public and private financial institutions (Porter 1993; Underhill 1995). Eleni Tsingou (2010) has gone so far as to suggest that in the area of international financial regulation the distinction between public and private financial power is now obsolete. This is clearly seen in the contemporary politics of austerity. Of the €65.7 billion in international financial support for the Irish bailout package in early 2011, two-thirds of the funds came from the European Financial Stability Facility

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and the European Financial Stabilisation Mechanism, both loan programs with funds originating in private banks but guaranteed by the European central banks.

The relationship between private and public finance, once arms-length, is now clearly hand-in-glove. This is precisely the opposite outcome that Keynes had in mind when he envisioned the role that national monetary authorities would play in regulating and stabilizing the international monetary order. After all, Keynes's vision of an international monetary order that would not only protect but privilege full-employment economic policies was premised on his belief that he was witnessing the "euthanasia of the rentiers," a time when plentiful and cheap credit was bringing to an end "the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital" (Keynes 1936:376). Clearly Keynes had misread the tealeaves. The rentiers may have been teetering on the brink in the early 1940s, but by the early 1960s they were rejuvenated and today occupy the heights of the new international financial architecture.

Even more to the point, just as it did in the late 1950s and early 1960s, the transnational monetary authority has become the gateway through which national governments seeking financial assistance must pass. Though he may have been a poor prognosticator, Keynes understood very clearly that a global capitalism freed of the logic of orthodoxy required more than a change of hearts and minds; it required robust international institutions that kept the forces of monetary orthodoxy in check. Finance needed to follow, not write, the economic policy script. It is this financial dependency on a transnationalized monetary authority that fills a critical part of the story of the resiliency of austerity that so often gets missed by a sociology of globalization defined by a global-national dualism.

The future of austerity is unclear. In Europe, the domestic tide continues to erode support for austerity, even under the threat of the dissolution of the currency union; in the United States, a nationwide social movement against top incomes has changed the conversation about a new way forward. While these domestic pressures are essential for breaking the grip of austerity over the policies of growth, Keynes's lesson for today is that domestic politics may not be enough. The institutions of domestic and international monetary management need, in sticking with Keynes's imagery, to once again become the civil servants carrying out the national will.

DISCUSSION

The goal of this article has been to advance the sociology of globalization through a refinement of the theory of the transnational state. While the globalization literature now paints a much more complex and nuanced picture of "the global," the prevailing model of globalization is still one where the state, contained by its national boundaries, is a distinct and separate social formation from the social formations that make up the global. Theories of the transnational, or global, state provide a way out of the trap of global-national dualism by defining the state independently of its historically specific spatial form.

In this article, I have examined the transnationalization of monetary authority and have argued that this historical process is critical for explaining why economic orthodoxy and related policies of austerity exert such a powerful influence in contemporary policy debates. In articulating this position I build upon existing efforts to theorize the transnationalization of the state that have so far tried to describe the contours of a global state structure that functions according to a single, overarching logic. Instead, I begin from an institutional view of the state, one that focuses on the way in which states are comprised of multiple subunits (alternatively referred to as agencies, ministries, and departments), each of which is tasked with some specific set of tasks and duties and each of which has its own set of

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organizational capacities, processes of professional recruitment, and ties to nonstate actors and state actors in other subunits. From this perspective, the transnationalization of the state occurs as the uneven transnationalization-specific dimensions of political authority.

This approach offers an alternative account of how particular ideas, interests, norms, and values become part of global society. More often than not, stories of the origins of particular values, norms, and ideas that have taken hold globally are told along broadly national, or even regional, lines. World cultural values of citizenship, rationalized justice, and socioeconomic development are "Western" in their origin; the diffusion of neoliberal growth models in the 1980s is "American" in its origin (Williamson 1993). What is often missing in the story of globalization are nuanced, historically informed accounts that identify specific actors and institutions and the processes and mechanisms through which their ideas and interests become part of global social formations.

Globalization scholarship from a critical perspective does a better job of identifying specific actors and organizations that make up the transnational, or global, state but still tends to skim over the details of how these particular actors and institutions transnationalize and the mechanisms through which they exercise political authority at a transnational level. For example, austerity as an economic idea that has taken hold globally certainly has its origins in particular nations or regions of the world, but more precisely its origins are rooted in specific state agencies having distinct organizational logics and ties to other sets of social actors. From this standpoint, austerity is not a global policy script, nor is it a "Western" policy, nor is it sufficient to reduce it to the influence of a transnational capitalist class. Rather, as I have shown in the preceding historical narrative, it is the policy of choice of a transnationalized monetary authority.

In addition to offering new insight into the contemporary politics of austerity, the transnationalization of monetary authority is very much part of the story of the financialization of modern capitalism, or the growing weight of financial activity and financial-sector profits in the process of capital accumulation (Epstein and Jayadev 2005; Krippner 2011; Montgomerie 2008). Krippner's (2011) account of the financialization of the U.S. economy shows how domestic politics, specifically the way in which state elites "stumbled upon" finance as a solution to the deep economic crises of the 1970s and 1980s, laid the political and economic groundwork for the thorough financialization of economic activity that took hold in the 1990s and 2000s. While not denying the importance of these domestic factors, I would argue that such domestic developments were supported by a transnational monetary authority that was able to both support and legitimate domestic processes of financialization. With respect to the United States, there is an important global dimension to the story of financialization, which involved papering over real economic deficits with credit obtained from global capital markets, supported by the monetarist turn in economic policy that prioritized financial stability above all else (Krippner 2011).

As monetary authorities have transnationalized, they have acquired a significant amount of international monetary power (Andrews 2006) in the global economy because the transnational monetary authority, working even more closely with trasnationalized private financial institutions, controls access to and the distribution of debt financing in the current global financial crisis. I have already suggested how this redistribution of international monetary power helps to explain the contemporary politics of austerity. It also helps to explain the spread of monetarist economic thinking that has been the ideological underpinning of a process of financialization whose success depended upon global credit structured by the transnational monetary authority.

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NOTE

1. Meeting minutes, Federal Open Market Committee, Federal Reserve Bank, March 6, 1962, p. 61; Meeting minutes, Federal Open Market Committee, Federal Reserve Bank, March 27, 1962, pp. 47-51.

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