

# Embedded Liberalism

Concept: Embedded Liberalism

Author: Adrian Jones , McMaster University

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Description John Ruggie, a well-known scholar of International Relations in the United States, introduced this term to describe the policy orientation of the post-World War II international economic order, and to explain the social conditions upon which it rested (Ruggie 1982). This order was based on two doctrines. The first is that states should cooperate in devising and implementing international economic institutions to facilitate international market integration and preserve international economic stability. Such institutions included fixed exchange rates based on a dollar/gold standard, currency convertibility, and the International Monetary Fund. The second is that states should retain sufficient autonomy to pursue economic and social objectives domestically, for example production systems and strategies, employment policies, and social welfare protection.

Embedded liberalism thus signifies what is, or was, essentially a compromise between excessive free market international economics on the one hand, and excessive domestic protectionism on the other. The experience of the interwar years demonstrated how detrimental excessive economic protectionism could be to international peace and stability. However, there was also a widespread expectation after World War II that states would be more proactive domestically in addressing the economic and social needs of their citizens. The concept of embedded liberalism also challenged alternative explanations for the creation and sustaining of this international economic order, particularly those accounts which stressed the role of American leadership and power. Embedded liberalism implied that this order reflected a broad international consensus upon core social values, ideas, and objectives.

A crucial implication of this concerns the means by which the compromise could be, or has been, altered or jeopardized. Ruggie acknowledged the significance of power as a potential source of change, but stressed shared social purpose (the international consensus referred to above) as the more significant determinant. Since the compromise was socially embedded, any change in the order would likely be caused by changes in that underlying social consensus, and would not necessarily be jeopardized by what many perceived to be the decline of American power in the late 1970s. Many commentators who foresaw such a decline proposed that it would lead to more nationalistic (i.e., protectionist) policies. In fact, embedded liberalism has been weakened, if not undermined, not by neo-protectionism, but by neo-liberalism. Neo-liberalism entails heightened trade and financial liberalization internationally and, at least to some degree, creates competitive pressures which diminish the domestic economic autonomy of

states.

The decline or demise of embedded liberalism raises fundamental questions for contemporary discussions of globalization and autonomy. The notion of a socially embedded economic order implies that the now-prevailing neo-liberal economic trend, both in state policies and in the agendas of global governance institutions such as the World Trade Organization and the World Bank, stems more from changing social ideas and ideology, than from external economic dynamics and shifts in the international distribution of power. It follows that if neo-liberalism has essentially replaced embedded liberalism, and has itself become socially embedded, a departure from this policy orientation would require a global shift in economic and social values and priorities.

Since the rise of neo-liberal economics, a central debate concerns the issue of "state capacity" — namely, the de facto power of states, or lack thereof, to independently and effectively pursue domestic economic strategies and goals such as full employment, healthcare, childcare, and social security. By some accounts, state competitiveness in the new global economy requires states to retreat from important spheres of domestic intervention. For example, in order to attract foreign investment, tax levels must not exceed certain levels. In turn, this hinders the ability of states to redistribute income through social spending programs. However, others suggest that states still have real choices, and are not completely at the mercy of global economic constraints. This may or may not be true, but it likely does not apply equally to all states.

Socially-embedded, or at least socially-prevailing, economic structures are by their very nature highly resistant to change. They achieve added strength when specific economic institutions are created internationally, and corresponding policies are implemented domestically. Critics argue that the conditions of international economic arrangements (e.g., trade agreements) have become so legally and ideologically entrenched within states that fundamental issues of social justice are essentially removed from domestic political debate. Therefore, even progressive-minded political parties and movements may find it politically difficult to challenge the established order.

In summary, embedded liberalism highlights the reciprocal political and economic influences existing between international and domestic ideas and institutions. These contemporary global realities should inform the approaches taken by reform-minded policy-makers and activists seeking a more domestically autonomous and interventionist state. Although such efforts may be particularly hindered in domestic settings which have relatively closed and rigid political and economic structures, widespread social disillusionment with such institutional arrangements and policy agendas may fuel reform. Though there may be widespread support for global market integration, such enthusiasm may be undermined if states fail to provide essential aspects of social and economic security. In this

sense, individual and state autonomy are positively correlated. The well-being and autonomy of many individuals remains highly contingent upon their states possessing the requisite autonomy and capacity to provide of a range of enabling conditions for personal self-determination (e.g., education, healthcare, and social security).

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