

Ruggie – “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order”

International economic regimes are not epiphenomenal. In the post-WWII era they reflect an “embedded liberalism” in which multilateral cooperation is designed to reinforce domestic economic stability.

Regimes are based on political authority, which is “the fusion of power with legitimate social purpose” (382). Existing theories of regimes concentrate on the role of power in the formation and maintenance of international regimes while ignoring the social purpose. Ruggie argues that these two factors are fused and it is only with the consideration of social legitimacy that we predict the content of the international order. Ruggie does not dispute the importance of power in regime formation and change. Rather his contention is that a norms-based explanation accounts for the anomalies of power-based analyses. In addition a norms-based approach suggests continuity in international economic relations. While the instruments of regimes change to adapt to changing circumstances, these changes are designed to serve an enduring norm.

Ruggie argues the internationalization of economic authority was the result of domestic demands for freer trade. The state’s role as transformed to that of a mediator between the market and society. Following WWII there was a shift to embedded liberalism, the pursuit of economic policies that allowed states to create buffers against changes in the international system.

Ruggie cites a number of historical examples that illustrate his argument. Following WWI the international monetary order collapsed as states used monetary policy to serve domestic political interests. Despite powerful Britain’s efforts, a new monetary regime could not be constructed because to do so would be to contradict the norm of cooperation contingent on domestic stability. Ruggie illustrates the rise and institutionalization of embedded liberalism following WWII by analyzing the establishment of the Bretton Woods institutions and the subsequent character of monetary and trade policy.