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Paul Cammack

Risk and the World Market

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Risk and the World Market

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Abstract

This paper sees 'new' market-building in Asia as part of a larger project of the construction of a global market economy, which can be traced back to Adam Smith, and more recently to the founding of a set of global liberal institutions in the post-World War Two period. In the last two decades the global liberal impulse behind the creation of these institutions has gained momentum, in step with the emergence of a 'world market' of genuinely global scale. The issue of risk is central to the project of building a world market. Following an introduction to the global liberal project, the first section addresses the question of risk through a critical analysis of the difference between negative risks (both external and internal) that pose a threat to the global liberal project, and the positive risks that the project seeks to embed and incentivise. The second section outlines the treatment of risk in the literature on the 'political economy of reform' developed by a number of organic intellectuals who shuttled between leading US universities and the international organizations from the mid 1980s on, and the third provides a detailed analysis of Social Risk Management at the World Bank over the last decade. The conclusion briefly surveys the field of risk management across the wider range of global institutions, and reflects on the implications for 'building markets in Asia'.

Introduction

The constitution of markets in particular sectors or locations is part of a larger process, currently led by the multilateral organizations concerned with global and regional economic governance, of building the *world* market. This classical global liberal project can be traced back to Adam Smith and Immanuel Kant, and the pioneering Manchester opponents of protectionism Richard Cobden and John Bright; and it is widely associated with ideas of free trade, peaceful commerce, democracy and cosmopolitanism. I describe the project as currently constituted as seeking to extend and sustain markets through the dissemination of the 'politics of global competitiveness' (Cammack, 2006, 2009a, 2010). The principal actors involved in the project are international organizations, states, firms (particularly transnational corporations), and specific social interests and groups (financial and industrial capital, workers, and individuals in their capacity as citizens); and it is led by the multilateral organizations set up in the wake of the Second World War, among which the World Bank and the (OEEC) OECD can be taken as exemplary.

The first article of agreement of the International Bank for Reconstruction and Development (now familiarly known as the World Bank) stated that it should not only assist in the reconstruction and development of territories ravaged by war, but also seek to encourage 'the development of productive facilities and resources in less developed countries;' the second instructed it to 'promote private foreign investment,' and the third to 'promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories'. The same global liberal impulse was reflected in 1961, when the OEEC was supplanted by the OECD: the new organization was charged with the responsibility to (a) to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy; (b) to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and (c) to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations. Both institutions are engaged primarily in the formulation and dissemination of a global liberal project, the World Bank through its self-promotion as a 'knowledge bank', and the OECD as a 'strategic partner of decision-makers in the political economy of reform' (OECD, 2007: 5). The principal vehicle through which the World Bank disseminates the 'knowledge' relevant to the development of the global liberal project, the annual *World Development Report*, most recently focused precisely on the dynamics of market expansion on a global scale, with a principal focus on ‘integrating poorer countries with the world market’ (World Bank, 2009). As regards the OECD, Ougaard (2010: 26-7) sees it as a ‘strategic direction setter,’ exercising an ‘international leadership function’ which, as he describes it, is clearly concerned with the evaluation of risk in the international sphere: it ‘involves the production of a special kind of ideas and analysis of data that relate to more general problems and challenges that societies are faced with – for example, structural crises, globalization, climate change – and the development of coordinated responses’ (ibid: 27). Drawing attention in particular to the OECD’s engagement with non-members in search of ‘policy changes, coordination, and convergence,’ Ougaard concludes that it not only contributes significantly to strategic direction setting for the community of industrialized democracies, but also ‘provides a mechanism for integrating emerging economies into it’: in sum, ‘it is .. an institution of arguably growing importance for organizing hegemonic leadership in the global political economy’ (ibid: 27). The analysis below focuses principally, therefore, on the World Bank and the OECD.

While accepting the need for detailed case studies of the ‘reality on the ground,’ I still insist that there has to be a place for the analysis of the discourse produced and disseminated by these organizations, along with the disciplinary practices they develop and operate from the ‘centre’ (monitoring and surveillance) and the practices of peer review they promote and supervise within and across member states, alongside close attention to the extent and degree of success or otherwise of practice on the ground – both are essential, and the latter cannot be understood outside the context of the former. I argue that the case studies reflect local and specific sectoral and situational logics and reveal tensions, contradictions and struggles which can only be appreciated in the context of the systemic logic of the global liberal project and its approach to positive and negative risk.

Secondly, as the substance of current global practice reflects a full-scale liberal project focused on the global economy, a grasp of liberal theory is essential if the thinking behind it is to be understood. But an *uncritical* embrace of liberal theory, confined as it is to the categories of private property, the division of labour, the rule of law, and the market, and the construction of global capitalism in terms of universal progress and social harmony, is insufficient. I subject the global liberal perspective to a Marxist critique focused on the politics of the world market and its implications for the social relations of production, class relations, and class struggle on a global scale (von Braunmühl, 1978; Burnham, 1994, 2002; Cammack 2011). I see no place in this debate for realist, constructivist or post-structural perspectives, and therefore take no account of them.

Positive and negative risk

As currently promoted by the OECD, the UN/UNDP, the ILO, the IMF, the World Bank (and the regional multilateral banks), and the WTO, along with regional associations such as the EU and APEC (and more recently ASEAN), and by private organizations such as the World Economic Forum, the project ascribes to *multilateral organizations* the role of managing (promoting, co-ordinating, regulating and legitimising) the politics of global competitiveness at a global level, and supporting states in their adoption and implementation of it; to *states* the responsibility for adopting and practicing the global principles on which it is based, maintaining a domestic environment conducive to private investment (in relation to credit, product and labour markets, fiscal policy, investment in infrastructure and education, and support for innovation and entrepreneurship), securing compliance from firms and workers within their territory, and legitimising the global liberal order to their citizens in general; to *firms*, action in accordance with international and domestic law, respect for the rights of workers, observance of liberal principles, and, increasingly, self-regulation and compliance with and contribution to regimes of private governance; and to *citizens* and *workers*, behaviour compatible with and sustaining of the rule of law and the regulatory framework of global liberalism.

It is essential to distinguish in this context between two broad types of risk: negative risks that arise either from the external context or from within the content and contested politics of the global liberal project itself, and, importantly, positive risks that are *constitutive* of the global liberal order and central to its logic. In the first category we might include as external risks natural disasters such as earthquakes (though other 'natural disasters' such as floods and droughts may be caused in part by expansive economic activity over time) and pandemics such as AIDS (though it can be argued too that the risk of spreading communicable diseases is increased by the interconnectedness that the global liberal model promotes), international and civil wars, and state collapse (though these again might stem from struggles relating the liberal project itself), risks intrinsic to technological innovation such as nuclear accidents, cyber-crime and identity-theft, and 'market activity' outside the rule of international and domestic law (drugs- and people-trafficking, piracy, and counterfeiting); and as intrinsic risks such as global warming and environmental destruction (brought about in large part by the accelerated consumption of the earth's resources but of course not uniquely attributable of course to the global liberal project), along with risks, examined below, arising from the 'failure' of the principal actors involved to perform the roles assigned to them in the project, and the failure of markets themselves.

However, the management of risk in the global liberal project is not concerned only with negative risks. The significance of all the negative risks identified above is that they interfere with or distort the structure of incentives which should impel individual agents (whether international organizations, states, firms, social groups or individuals) to act 'rationally' and 'voluntarily' in accordance with the precepts of the politics of global competitiveness – and to embrace in so doing the positive risks such a strategy entails. This is most important in relation to firms and workers: firms *should* be exposed to competition on a global scale, and risk bankruptcy if they are unable to compete; and workers *should* be obliged to risk periodic unemployment, and take responsibility for their income in retirement, rather than enjoy the capacity to avoid the risks involved because their needs are unconditionally met by the state. The logic of the global liberal project rests therefore upon the efficient working of the incentive structures that sustain a culture of positive risk-taking, which in turn creates the framework against which negative risks can be identified. The management of risk should therefore be understood in terms of the imperative to put and keep this incentive structure in place. Olson (1965) and North (1981) are key sources for the micro and macro logic concerned, and the problematic character of incentives; and a large part of the recent output from international organizations is oriented to disseminating the relevant 'learning' and inciting their practical application through emulation and peer review.

Although the 'external' threats identified above loom large in current overviews of global risk, I wish to focus attention primarily on the logic of positive risks and the incentive structure needed to sustain it, and on the category of negative risks arising from the 'failure' of the principal actors involved to perform the roles assigned to them, and thereby to produce and reproduce the desired incentive structure. Here, again, the negative risks are familiar from a wide-ranging and extensive literature. Multilateral organizations may suffer capture by individual states or groups of states (as is alleged in relation to the Bretton Woods organizations: see, for example, Gowan, 1999), develop pathological bureaucratic traits (Barnett and Finnemore, 2004: 34-41), fail to anticipate risks (the IMF in relation to the recent global financial crisis, all concerned in relation to the current 'Arab spring'), regulate inappropriately (IMF conditionality in the early 1990s, according to such as Stiglitz (1998) among others), or fail to regulate at all (EU, IMF in the wake of the early 1990s financial crises); equally, they may damage the legitimacy of the project through ill-chosen initiatives

(World Bank support for large and socially and ecologically destructive hydro-electric projects in the 1980s), fail to follow through at the implementation stage (Gutner, 2010, on the MDGs), or fail to overcome opposition from key actors for liberal regulatory frameworks (the ITO in the 1940s, the NIEO for a period in the 1970s, the OECD's MAI initiative in the 1990s, 'civil society' hostility to the WTO in Seattle in 1999 and to the IMF and the World Bank thereafter). States may similarly fail to identify risks, suffer capture, and fail to regulate well or at all, and in addition they may free-ride on the cooperative efforts of others ('selfish' US exploitation of the special status of the dollar), otherwise violate liberal principles (through the practice of protectionism, 'crony capitalism', excessive state ownership and subsidy, practice of or complicity in corruption – all packaged under the catch-all idea of 'populist' policy, on which see Dornbusch and Edwards, 1991), opt not to enforce the rule of law, or fail to implement *and* secure public support for policy reforms (product, welfare and labour market reform in much of Europe over two decades, crisis-induced reform currently in Greece, Ireland, Portugal, and Spain; immigration and labour migration in Europe in particular), or secure the acceptance of citizens and workers in particular for the liberal project (current struggles over union rights and recognition in locations as far apart as Wisconsin and new industrial locations in China; protests across Europe at cuts to public services).

The list could be extended, but the point to make is that risk is systemic, and best defined, for analytical purposes, in relation to the logic of the global liberal project. States and international organizations are best seen as committed to building a world market, and therefore equally as concerned with mitigating the risks to it. If they are 'playing central roles in the constitution of new market regimes that seek to expand market activity while also controlling the nature of that activity through new regulatory/risk-mitigating arrangements' (Workshop Brief), as I agree they are, they are doing so, in principle and in practice, on a global scale, and in accordance with a clearly articulated systemic logic. And if this were not complicated enough, it should be noted that no policy or strategy can be assigned once and for all to a positive or negative category – witness for example the arguments in relation to ‘hegemonic stability’ and ‘embedded liberalism’ that US hegemonic leadership was exercised with positive global consequences and welfare-based stability was conducive to social harmony and accelerated growth until the late 1960s, but that both were increasingly negative in their impact thereafter (Ruggie, 1983; Keohane, 1984; Gilpin, 1987).

Strategic Partners of Decision-Makers in the Political Economy of Reform

The literature on the political economy of reform is extensive, but its principal characteristics are easily summarised. It arose in the context of the slowing of development in the 1980s in the wake of successive oil and debt crises, and the perceived difficulty of sustaining governing coalitions capable of implementing broadly neoliberal strategies of reform that were beginning to be promoted across the developed and developing world. Leading contributors to the literature identify a 1984 workshop that led to an edited volume on *The Politics of International Debt* (Kahler, 1985) as its starting point. Over more than a decade, the literature addressed the risk that reform efforts seeking the establishment of policies and regulatory frameworks conducive to the integration of developing economies into a global economy operating on liberal principles, generally framed in terms of the ‘political economy of adjustment’ (Nelson, 1990: 5), would be overthrown by opposition arising from ‘populist’ opponents and social groups hostile to economic liberalization. The title of one of the early collections, *Fragile Coalitions: the Politics of Economic Adjustment* (Nelson, 1989) captures this perception well. It described economic liberalization as a ‘long-haul operation’, and one which threatens the interests of well-established groups, particularly those employed or aspiring to be employed by the state. Groups facing immediate losses are organized and ‘politically potent’, whereas potential beneficiaries are either weak and disorganized, as with rural smallholders, or not yet present as a social interest, as with 'entrepreneurs who may emerge to take advantage of new incentives and opportunities,' but who 'can hardly be expected to constitute a counterweight to opponents of reform' (Nelson, 1989: 7-8). The resulting literature, with its initial focus largely on 'building markets' in Africa and especially Latin America, provides a wealth of material relevant to current approaches to 'building markets in Asia,' especially as regards the larger strategic political context surrounding the lasting establishment of liberal market economies:

> While supporting gradualism and policy experimentation, donors must be alert to the tendency of new democracies to avoid the supporting fiscal and monetary restraints required to make such programs succeed over the longer run. .. [T]he timing and magnitude of outside support can be important in this regard. *It is appropriate to make external assistance conditional on the implementation of policy reforms. It is generally important, however, that assistance and relief be adequate to generate improved economic performance, which is critical in protecting new democratic leaders from populist pressures* (Haggard and Kaufman, 1989: 75, emphasis mine).

Haggard would shortly depart from Harvard to a Council on Foreign Relations International Affairs Fellowship at the Macroeconomics and Growth Division of the World Bank (see Haggard and Kaufman, 1992: xiii), and the subsequent *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment* (Haggard and Webb, 1994), published as a 'World Bank Book' by Oxford University Press, reflected the rapid assimilation of these political perspectives at the Bank in the early 1990s. It had a preface by Larry Summers, then the U.S. Undersecretary of State for Economic Affairs, identifying as major problems the failure to target resources rather than fund universal schemes, the tendency for small but highly organized interest groups to exert disproportionate influence on policy, the resulting bias towards the status quo, and 'the propensity for democracies to be short-sighted,' all of this contributing to the weakness of incentives to 'pay a political price in the short run to generate society's economic gain in the long run;' he concluded that the task was 'to find politically acceptable ways of designing institutions to minimize these problems': 'What we need are ways to preserve the benefits of democracy without letting popular forces destroy the economy that supports them' (ibid: xii).

This captures a fundamental point – that the fundamental assumption behind neoliberal reform generally, and the 'political economy of reform' in relation to developing and emerging economies, is that the principal risk in relation to the politics of liberal reform in the global economy is that coalitions committed to it will be displaced by those who are not. The lessons distilled by Haggard and Webb, building also on previous work, remain central to the 'political economy of reform': insist on government 'ownership' of the programme, insulate reformers in the bureaucracy, time and sequence reforms in order to build support among beneficiaries ('winners') while avoiding bringing together a broad enough coalition of 'losers' to threaten the continuation of the process:

> A critical aspect of the political management of policy reform therefore involves encouraging the reorganization of interests: expanding the representation and weight of interest groups that benefit from the reforms and either marginalizing or compensating the losers (ibid: 16).

The World Bank in particular was early to spell out the content of the global liberal project and advocate the management of the attendant risks through the political economy of reform. Its pivotal 1990 World Development Report, *Poverty*, advocated the 'productive use of the poor's most abundant asset – labor,' and called to that end for 'policies that harness market incentives, social and political institutions, infrastructure and technology to that end" (World Bank, 1990: 3). It further suggested, in the course of a reflection on the experience of attempted structural adjustment in the 1980s, that the prospects for successful implementation would be enhanced by (i) building on discontent with previous forms of economic management to defend market-oriented policies as progressive; (ii) moving more decisively on reform fundamentals as crises can 'strengthen support for policy change, weaken anti-reform interest groups, and increase politicians' willingness to rely on technocrats; (iii) seeking external aid and investment to increase the sustainability of reform; (iv) building coalitions of those who benefit; (v) sequencing reforms carefully with respect to political and economic objectives; and (vi) compensating losers, both among the poor and the politically powerful, such as formal sector workers, in the short term (World Bank, 1990: Box 7.6, p. 115). The same logic informed the OECD's Jobs Strategy of 1994, a comprehensive set of proposals aimed at strengthening incentives to modify behaviour in such a way as to create more competitive labour and capital markets in the *advanced* economies and to reduce the availability and attractiveness of alternatives to work such as early retirement or reliance on state benefits (Cammack, 2006: 7). The subsequent development of the World Bank's annual *Doing Business* series and the OECD's comparable *Going for Growth* would codify these precepts and link them to the full array of mechanisms for their efficacious dissemination – monitoring, surveillance, peer review, league tables and the like.

Again, the same logic continues to inform the response of the international organizations to successive crises, and their understanding of and response to the risks they pose. One strand of this is the 'crisis as opportunity' argument, perfectly illustrated in 2009 when the IMF saw the global financial crisis as presenting it with an opportunity to re-establish its influence and to push through strategically important reforms that some of their influential members had resisted – hence its depiction of the crisis as 'an opportunity to make progress on seemingly intractable issues' (cited in Cammack, 2009b: 6). Another is the determination of the same institution to protect those governments who had most conspicuously committed to its reform programme, lest their failure deter others from committing to long term reform – hence the Flexible Credit Line, which gave 'unconditional' credit – but only to unconditional adherents to IMF policy prescriptions (ibid: 7-14).

Promoting Risk and Developing Markets

The current approach to risk at the World Bank and throughout the global liberal project was succinctly expressed in the 'new conceptual framework' for social risk management set out in

2000, which emphasized 'the double role of risk management instruments – protecting basic livelihood as well as promoting risk taking' (Holzmann and Jorgensen, 2000). The approach – which might be characterized as 'safety nets as springboards' – envisaged a system that would catch individuals falling out of productive economic activity, and propel them quickly back again. Its starting point was the insistence that 'sound macroeconomic policy, sound financial markets, enforcement of property rights, respect of basic labor rights, and growth-oriented policies are the first and best ingredients for dealing with risk and enhancing welfare' (ibid: 20); in this context it argued that social risk management may encourage economic development 'through the encouragement of risk taking, the choice of more productive technologies and the way in which it deals with gender, but it may also hamper it through the elimination of risk and introduction of incentives to change individual behaviour' (ibid: 23). It was spelled out in three linked propositions:

> [T]there are many arguments for the view that *insufficient risk management instruments impede efficient decisions and economic growth*. The most important channels are likely to be too little risk taking, inefficient informal risk sharing mechanism and sub-optimal choice of production technology by the poor and near poor, all which contribute to too low growth and perpetuation of poverty. In turn, appropriate risk management instruments provided by markets or government compared to self insurance allow for higher risk taking by individuals. Risk taking is productive and risk can be seen as a factor for production with the same status as the better-known factor like capital and labor (ibid, emphasis original).
>
> On the other hand, however, the provision of RM instrument may also modify individual behavior in ways that have *detrimental effects on economic development*. The public provision of insurance against income risk may improve the outcome in the face of a wide range of risks but may also reduce individual efforts (such as job search) or lead to taking too much or too little risk. This may be compounded by pervasive income redistribution that is often part of public welfare systems, and there is empirical evidence from OECD countries that an increase in social risk insurance in the welfare state reduces entrepreneurship (ibid: 23-4, emphasis original).
>
> Yet the experience with public interventions and attempted reforms has shown that the best technical solution may not be politically sustainable. As a result, the original, first-best design is blurred or totally reversed, while changes toward a potentially sustainable second-best solution prove politically difficult or even impossible. This suggests that considerations of political economy have to be part of system design and reform. And the simple trade-off has to be extended to a "menage-à-trois": equality, efficiency, and political sustainability. The

> deterioration in system design and implementation of public SP programs is the result of changes in voter coalitions as well as personal interests of politicians and bureaucrats (ibid: 24).

As will be noted, the technical analysis of risk dovetailed neatly with the political economy of reform reviewed above, with its focus on rent-seeking and coalition politics. And Holzmann and Jorgensen went on to argue explicitly that the assessment of political risk should be given priority

> Once political sustainability becomes a criterion for program design, the resiliency toward political risk becomes an important element for program selection. The conjectured trade-off between equality, efficiency, and sustainability suggests that an explicit second-best solution from an efficiency or equality point of view may be selected if it is considered more resilient to political risk. .. Reforming public programs of risk management such as pensions, unemployment or sickness benefits, proves very difficult politically. Entrenched interests, acquired rights or a lack of credibility of the proposed alternatives are among the most common obstacles. While resistance to reform is not specific to SP programs, the problem is particularly prevalent and difficult to overcome. This suggests that, in order to be able to introduce new and better instruments of SRM, a better understanding of the political economy of reform is required (ibid: 24-5).

On the basis of this analysis, the authors suggested that governments and international organizations should focus on disaster prevention and 'building the human capital base,' reduce their direct role in risk mitigation 'while enhancing their role as regulator and and supervisor of instruments provided by the private sector,' and 'focus their involvement in coping on the incapacitated, very vulnerable, and crisis situations' (ibid: 26). In the broader context of neoliberal reform, of course, all this is familiar enough. The underlying theory, traceable back to Pigou, Friedman and Buchanan and Tulloch, leads not to the abolition of the welfare state, but to its recalibration in line with the argument that risk is a factor of production and the 'enhancement of risk taking may be the most important economic function the welfare state can perform' (Sinn, 1995: 507; on which Holzmann and Jorgensen rely). In short, social risk management is informed by a systemic neoliberal logic (already embedded in OECD practice, and in particular the 1994 *Job Study*, as Holzmann and Jorgensen noted), and it mandates a clearly structured approach:

> There are certain types of risks that individuals, households or communities are poorly equipped to handle, including natural disasters, epidemics, and financial meltdowns. These risks call for government interventions and support from international institutions and the world community. Less catastrophic risks allow for informal and market-based social risk management but in many instances require public interventions in the form of regulation, mandating or provision. In order to be effective and dynamically efficient, however, the intervention must specifically address the type of risk and its environment (ibid: 26).

A decade or so on, the World Bank has just launched a consultation on its proposal to revise its stance on social protection. And the 'concept note' that launches the review makes the same argument, that

> both social protection and labor policies .. *promote opportunity, productivity and growth*, notably through building human capital, assets and access to jobs, and by freeing families to make productive investments because of their greater sense of security. … People across the world are striving to improve their livelihoods while addressing risks – which range from systemic shocks such as economic crises or natural disasters, to more idiosyncratic shocks such as unemployment, disability and illness. For them, it is essential to have institutions that enhance both their resilience and their opportunities – key among which social social protection and labor institutions (sic) (World Bank, 2011: 1; emphasis original).

Fig. 1: The '3P' Framework: Functions of Institutions for Resilience and Opportunity (source: World Bank, 2011: 1)

Over the intervening decade, the Bank has refined the presentation of the basic risk model, publishing a book-length account of social risk management (Holzmann, Sherburne Benz and Tesliuc, 2003), adopting the slogan 'Building Resilient Communities' (World Bank, n.d.), and dropping the 2000 formula of 'prevention, mitigation and coping' for the punchier '3P' focus on Protection, Prevention and Promotion (Figure 1, above). Under Holzmann's continuing direction, it follows the logic laid down in 2000. Social protection is structured to enable, support and sustain market-led development through its shaping of risk:

> Institutions that promote opportunity are often integrated with those supporting prevention and protection. Labor market 'activation' programs provide unemployment benefits while building skills and promoting employability. Conditional cash transfers incentivize investments in human capital by promoting demand for education and health and help address gender inequalities. And public works programs provide cash payments while increasing human and physical capital investments. As important for promotion are the indirect impacts of preventive and protective programs. By lowering households' vulnerability, they allow them to be more innovative and to take productive risks (World Bank, 2011: 2).

In the current inititative, the strategy is to be 'refreshed' in order to cope with multi-polar growth and 'more economic volatility, transmitted through greater globalization' (ibid: 3). In other words, it is envisaged as complementary to the continued expansion of markets on a global scale. Current problems are identified in relation to gaps in integration (fragmentation and lack of harmonization), coverage, promotion, and 'global knowledge and results' – the third of these supported by the comment that relatively few programmes in developing countries 'explicitly incorporate activities to increase the productivity of their beneficiaries and link them to the labour market,' and the fourth noting the failure to 'transmit good practices' (ibid: 4). Building on the perceived success of an array of tools and dissemination channels, the Bank now aspires to move from programmes to systems, with the focus, as always, the 'political economy of reform':

> Working on systems also means thinking deeply about governance and political economy and the range of challenges this presents for social protection. There has been comparatively little work done in better understanding service delivery and the incentives and accountability mechanisms behind achieving better results in social protection. For example, many served by social assistance programs are often the least likely to have agency and voice while others, such as the unemployed and civil service pensioners, may have strong interests and effective representation in existing programs. On the side of providers, there are a diverse set of actors, public and private, providing a range of services often with little coordination. These issues present important challenges in the years ahead, to unbundle the interactions of these diverse actors in different country contexts (ibid: 6).

The strategic goals that emerge from the document – to extend social protection systems to the poorest countries, to accentuate the links to productivity and growth, and to 'deepen the emphasis on how better access to to labor markets can help promote opportunities' (ibid: 7) – confirm the continuity of purpose at the Bank in poverty reduction strategies, focused as noted above since 1990 on putting the poor to productive work (see also Cammack, 2004). At the same time, the comprehensive and universal character of the strategy, consistent with the global liberal model identified at the outset, is explicitly placed at the centre of the strategy. The programme may accurately be characterized as seeking to manage and *mobilize* risk as a means to accelerate the building of the world market. In this brave new world, the Bank envisages 'the innovative use of technology for accountability, such as management information systems, biometric identification cards, and using mobile phones', supplemented by GPS identification; it foresees 'deepening links with the private sector, social funds, and other community-based organizations'; and above all it seeks to strengthen the 'promotion of opportunity' through welfare to work programmes, training and building the skills to improve labour market productivity, and enhancing employability, productivity and growth, 'particularly in relatively unexplored areas of applied research such as entrepreneurship activities and unconditional transfers' (ibid: 8-10). In short, a shared logic of the manipulation and mobilization of risk to impel choices that further the incorporation of people across the world into productive labour and entrepreneurial activity runs through OECD and World Bank activity over the last two decades.

Conclusion

Approaches to risk, social protection and economic growth vary in emphasis across international organizations, from the OECD's insistent focus on private enterprise, and the imperative need to unleash innovation through 'open markets, a competitive and dynamic business sector and a culture of healthy risk-taking and creative activity' (OECD, 2010) to the ILO's distinctive focus on productive employment and 'decent work' (Ginneken, 2005; Lee and McCann, forthcoming). But they all share the broad framework outlined above, in terms of a commitment to the further development of global markets, regulated in such a way that welfare underpins and supports productivity and growth. Further summary would add unnecessarily to the length of this paper, but a sense of the division of labour between institutions and the range of current initiatives can be gained from examination of the OECD's *Emerging Risks in the 21st Century* (OECD, 2003) and its *Project on Future Global Shocks*, and the World Bank's recent disaster response toolkit, *Building Resilient Communities* (World Bank, n.d.), along with the World Economic Forum's developing annual series, *Global Risks* (see for example World Economic Forum, 2010, 2011). The latter, in particular, offers a current reflection on the strategic focus outlined above, identifying economic disparity and failures in global governance as especially significant risks in view of their 'high degrees of impact and interconnectedness', and making a direct link to the 'political economy of reform' perspective outlined above:

> Issues of economic disparity and equity at both the national and the international levels are becoming increasingly important. Politically, there are signs of resurgent nationalism and populism as well as social fragmentation. There is also a growing divergence of opinion between countries on how to promote sustainable, inclusive growth. To meet these challenges, improved global governance is essential. But this is another 21st century paradox: the conditions that make improved global governance so crucial – divergent interests, conflicting

> incentives and differing norms and values – are also the ones that make its realization so difficult, complex and messy (World Economic Forum, 2011: 6).

Further recent evidence of the nervousness of the international organizations committed to building the world market is provided by the Forum's call for a comprehensive *Global Redesign* along classic global liberal lines (Saman, Schwab and Malloch-Brown, 2010), and OECD's commissioning of a report on 'social unrest' from the European Virtual Institute for Integrated Risk Management (Renn, Jovanovic and Schröter, 2011), whose 'ladder of social unrest' provides a fitting end-point, giving as it does a hint of the contests and struggles provoked by the liberal promotion of the world market, and the extent to which the international organizations discussed here are positioning themselves as strategic partners of states and *businesses* in the *social* and political economy of reform.

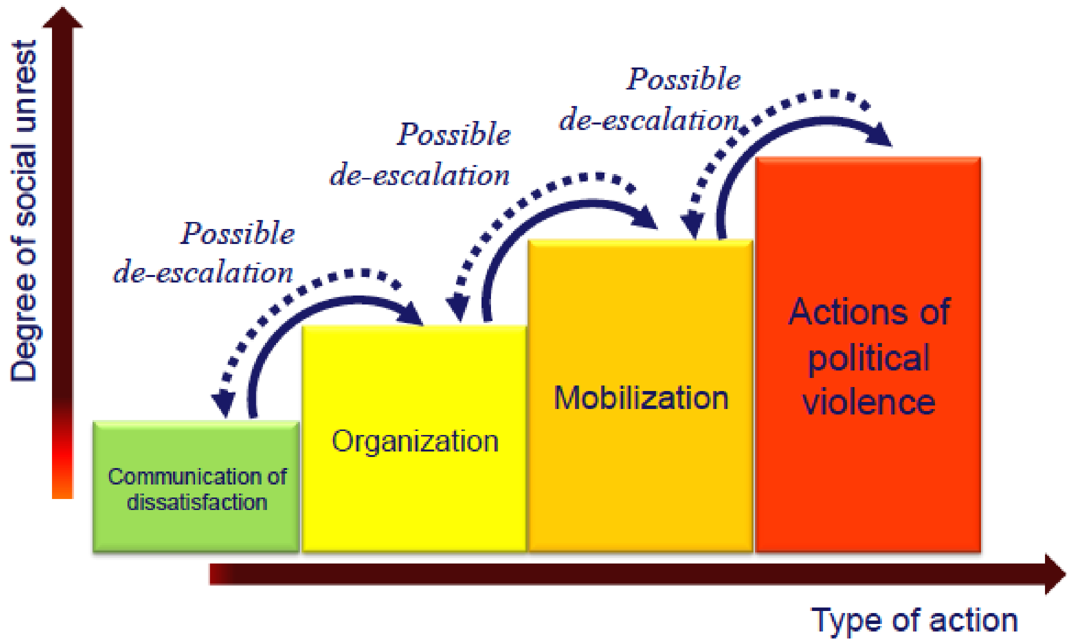

Figure 2: Ladder of social unrest

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