

Epistemic Frameworks in the International Economic Order

Written by Morgan Lochhead

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“Order” is a condition rooted in patterns of behavior, which in turn are dependent upon actors’ interpretation and classification of reality. Creation of an order thus requires governing beliefs, generating productive power through epistemic frameworks that establish systems of meaning. Epistemic frameworks therefore become a proxy for governance in international order. In the modern liberal international economic order, this process has established an international technocratic regime that extends domination of the liberal episteme across individuals, states, and the international system.

II. Productive Power

The ‘systems of meaning’ in question are perceptions of economic and political reality: the productive power of an epistemic framework is found within the classification and interpretation processes which drive agents’ actions. These frameworks are embedded within epistemic communities, sites of ‘collective interpretation and choice.’[1] Epistemic communities enact the policy coordination necessary for international economic order based upon the expectations formed by the interpretive processes that define and modify meanings of action. Here, epistemic validity becomes a proxy for governance, with the power to create the patterns which guide, regulate, and control life at individual, state, and international level.

Epistemic communities define, and are in turn defined by, constituent actors’ positions and interests. When addressing policy, epistemic communities exercise productive power over classification by defining the nature of the issue and the context in which ideas and information are interpreted, further shaping actors’ interpretation of the issue at hand.

III. Technocracy

Technocratic regimes have become the definitive epistemic community of modern international order. As the world becomes increasingly complex, social systems become ‘disembedded’[2] from their local contexts, with knowledge compartmentalized accordingly. Overwhelmed, citizens cede greater decision-making power to bureaucratic authorities who portray themselves as ‘experts’ in a given field. The individual often has no way of verifying for himself if these pronouncements are true, and no time given the pervasive web of ‘expert systems’ which govern his daily life: trusting the experts in question becomes a necessity for everyday life.

Claims to objective expertise provide the foundation for technocracy, which Cenneto defines as “the administrative and political domination of a society by a state elite and allied institutions that seek to impose a single, exclusive policy paradigm based on the application of instrumentally rational techniques.”[3]

The imposition of a single paradigm, circularly justified through its own rationale, is precisely what gives the technocracy its power. With alternative frameworks delegitimized as ‘false,’ a technocracy is able to present its self-

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validating hypothesis as objectively true by appealing to a 'higher rationality' that transcends the political (delegitimized as 'subjective' particular interests). In depoliticizing the political through appeals to scientific authority and systematic efficiency, technocracy claims absolute authority over citizens' beliefs and subsequent actions. Meanwhile, its calculating, scientific analytical lens transforms political subjects into objects of analysis.

IV. The Liberal Episteme

The modern international economic order is centered on the framework of liberalism, which uses technocratic discourse to achieve global dominance across the individual, state, and international levels. The liberal episteme (episteme here defined simply as 'world view') may be understood as a view of the economy and market that "holds efficiency as the highest value, favors means-ends rationality, and a faith in the open markets to generate economic growth and development." [4] Political concerns are subsumed by the economic, with market 'rationality' serving as the primary logic behind the beliefs which shape patterns of behavior. This economic logic is presented as natural law, with governments' lack of regulation of these 'natural' market forces legitimized as neutral. This claim to neutrality is what gives the liberal episteme its political force, establishing an 'objective' baseline from which all else is measured.

One of the central ironies of economic liberalism is, as Rosenow observes, its dependence on carefully constructed external conditions. For these 'natural' market forces to be 'free,' society itself must be 'regulated by reference to the market.' [5] Institutions at the state and international level thus establish the rules and norms that allow market forces to reign, legitimated through claims to objectivity. The World Trade Organization (WTO) is one such example: founded to support the global liberalization of trade through 'a stronger and clearer framework,' [6] the organization establishes the rules that promote cooperation and (liberal) policy coherence between actors. Other postwar international institutions (such as the UN, IMF, World Bank) serve as further examples of institutions in which the liberal episteme is both embedded and extended worldwide.

The liberal paradigm's deeply embedded nature becomes especially clear in 'development' initiatives, as Jeffrey Sachs' "Investing in Development" report shows. [7] Although designed to propose reforms to the 'Washington Consensus' model, the embedded assumptions behind Sachs' recommendations illustrate just how ingrained the liberal paradigm has become. Chief among these are the framing of 'development' as integration into the world trading system, its view of individuals as consumers/entrepreneurs, and its emphasis on the use of scientific data to rationally 'manage' economies. Although he proposes reforms, Sachs is unable to escape the episteme in which 'international development' is classified and interpreted.

The liberal episteme has thus created a Foucauldian "regime of truth," [8] utilizing the definitions contained within compressed nominals (eg- "development", "freedom") to produce tautological rationales for its actions (eg- "development is understood as trade integration, so we therefore should implement trade integration in order to promote development"). Alternate meanings are closed off by virtue of definition- as McKenna and Graham observe, "you can argue with a clause, but you can't argue with a nominalization" [9]

This liberal paradigm is the defining force behind modern international economic order. Here, I examine how it has permeated each layer of the international sphere.

V. The Individual

"International order" is ultimately composed of individuals, and here the legitimation process begins. The liberal episteme begins by establishing both citizens' expectations of their own lives and the role of the state through its definition of freedom and what it is to live well, along with the actions necessary for obtainment of these goals (eg- the UN Millennium Development Goals).

This episteme is thus a crucial element of biopolitics, understood as "a strategic game of regulatory controls over life, which allow to optimize bodies and to integrate citizens with state and market in cost effective ways." [10] In defining the individual's identity as consumer/producer within a marketplace, the liberal episteme establishes a baseline of

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what is 'natural', with vital and economic processes deeply intertwined. Individual wellbeing is hence founded upon economic wellbeing, integrating the citizen into the state and market while providing a new political logic for the state and international levels.

VI. The State

At the state level, the liberal episteme both shapes political logic and legitimizes actions. The technocratic 'regime of truth' here becomes institutionalized in the bureaucratic structures of the state. Given liberalism's emphasis on economic wellbeing as the basis of individual wellbeing, economic factors come to define both means and ends of state action.

Data (especially economic data) is now the lifeblood of the state, both the means and measure of political success. Knowledge of what is going on at every economic layer becomes crucial for decision-making, with surveillance amplified accordingly. Now armed with 'facts' from which 'objective' decisions may be made, the data collected enables the state to assume a position of scientific authority. The paradigm used to collect and analyze these 'facts' is never brought into question.

Furthermore, the state's position within a global economy creates a fundamental conflict of interest. The desire to attract international capital forces the state to shift its 'nurturing' biopolitical focus from the individual to the corporation, as it competes with other states for corporations' presence and the capital they bring. If the government's job is to promote the economic wellbeing of the state, liberal logic dictates that facilitation of business transactions trumps the individual interests of its citizens. Multinational corporations thus may push governments to impose 'business-friendly' rather than citizen-friendly policies (eg- low corporate taxes, with lax environmental/safety regulations and labor laws), with economic factors subsuming all other considerations- if one state refuses to impose the desired policies, the MNC will simply move to another.

Domestic politics have thus been reduced to an ostensibly neutral 'technique of administration'[11] based upon 'objective' data. In defining individual wellbeing as economic wellbeing, capital inflows overtake individual interests as the aim of political logic. However, in spite of this contradiction, 'democracy' remains an important component of the liberal episteme – a degree of perceived citizen support (or, at the very least, acquiescence) of public policy is necessary for the episteme's legitimacy to hold.

How does liberalism legitimize the sacrifice of its citizens' interests? The 2008 Troubled Asset Relief Program (TARP) in the United States proves an interesting example, whereby \$700 billion of taxpayer money (later revealed to be \$7.7 trillion[12]) was transferred to private institutions ostensibly for 'the greater good.' Consent was produced through both biopolitical rhetoric and technocratic discourse, which in combination produced widespread panic and deference to authority.

In his 2008 TARP proposal, Treasury Secretary Henry Paulson identified 'illiquid assets' as the existential threat to the financial system, declaring they were 'choking off the flow of credit that is so vitally important to our economy.'[13] The economy, here, becomes an organism to be managed- and securitized. Repeated references to "financial security" and "economic health" are carefully connected with life processes (Americans' "retirement savings, their home values, their ability to borrow for college, and the opportunities for more and higher-paying jobs"[14] are declared at risk) to establish a necessary connection between economic and existential wellbeing.

Technocratic discourse further framed the problem as being highly complex and out of citizens' hands, encouraging deference to 'expert' authority and its 'package' solution. George Bush's 2008 TARP proposal makes this clear, first in his justification of government intervention on the premise that the market was "not functioning properly"—framing the disembedded 'market' as an object devoid of human agency to be managed- and secondly in his appeal to technocratic authority, whereby "the government's top economic experts warn that without immediate action by Congress, America could slip into a financial panic and a distressing scenario would unfold." [15] Bush's 'distressing scenario' follows the same pattern as Paulson's, creating the connection between economic processes and life processes, freedom and prosperity. Note also the justification based upon risk calculation and speculation- that the

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scenario *could* happen is enough to warrant preemptive action with no evidence needed.

Biopolitical rhetoric successfully framed the financial crisis as an existential risk, leading to the American public's acceptance of the notion that private financial institutions were 'too big to fail.' Meanwhile, technocratic discourse led to acquiescence in the "experts' " recommendation: the Emergency Economic Stabilization Act was passed on October 3, 2008, and \$7.7 trillion of taxpayer money transferred into private institutions. Interestingly, no lending requirement was written into the bailout (the very condition declared necessary to ensure liquidity), nor did the government retain the power to monitor how taxpayer money was used. Though met with much domestic political opposition (protests across over 100 cities across the United States on September 25 2008, in addition to the Occupy Wall Street movement after the bill was passed), the technocratic framing of the issue removed it from political discourse: if the state's job is to 'administer' and 'manage' objective economic data, 'business-friendly' policy takes clear priority, using both claims to 'objectivity' and expert authority to delegitimize citizens' expressions of "subjective" individual economic and political interests.

VII. The International

At the international level, global epistemic validity becomes a proxy for global governance. The liberal episteme creates a liberal international regime. If we take international regimes as being comprised of principles, norms, rules, and procedures which lead to a convergence of expectations and underlying principles of order[16], interpretation and classification of reality become crucial: a convergence of worldviews is necessary for a convergence of expectations. These epistemes are embedded within institutions, which both shape and are shaped by actors' collective understandings.

The international liberal economic order is primarily embedded in the three pillars of the (now modified) Bretton Woods system: the IMF, World Bank, and the General Agreement on Tariffs and Trade (institutionalized in 1995 as the World Trade Organization). Originally established by Western governments after World War II to promote international economic stability, these institutions both reflect and reproduce Western neoliberal economic ideology. Neoliberalism is here understood in the form of its "four pillars": capital account liberalization, trade liberalization, domestic liberalization, and privatization.[17]

Through international institutions, subscription (or, at the very least, concessions) to these pillars has become a prerequisite for full participation in the global economy. From the 1970s onwards, neoliberal ideology and "structural adjustment" policies became the dominant frameworks imposed on developing countries, integrating them into the international economic regime. The integration method of choice has come to be known as the 'Washington Consensus,' which prescribes a 'one size fits all' development model: free markets, trade liberalization, and a minimal role of the state in its economy.

The IMF has become one of the most important enactors of the Washington Consensus, using its claims to objective epistemic validity to impose the neoliberal model on debtor nations. Though ostensibly established to focus on member states' balance of payments, exchange rates, and exchange controls, it now claims that a country's domestic policies are within its realm of jurisdiction- effectively overriding that state's internal sovereignty by imposing the liberal episteme on its policies.

This claim to domestic intervention is based upon their premise, established under the 1982 Mexican Debt Crisis, that debt problems are primarily ones of insolvency rather than liquidity. Subsequent "structural reform," becomes justified by the assumption that, as debtor countries' trade and fiscal imbalances have structural causes, recovery requires both macroeconomic policies and structural reforms (eg- a shift toward export-led growth, reductions of the role of the state in the economy, and public sector reforms). Here again we see the circular justification mentioned in Section III, with the 'prescription' for economic health disguising the deeply political forces behind its 'objective' knowledge claims. Nations are roped into these 'prescriptions' upon receiving a loan: under 'conditionality,' the IMF intrudes into domestic sovereignty through policies covering "pricing policy, trade liberalization, privatization, the structure of taxes and government expenditure, and the reform of the finance sector." [18]

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South Korea provides one such example of international institutions being used to transform a state, integrating it into the global economic order through imposition of the (neo)liberal episteme. Though the South Korean government had traditionally regulated investments in its large-scale industries, it was pressured to liberalize its trade regulations after the formation of the WTO in 1995. After joining the OECD, it was further encouraged to adopt a more 'liberal stance' toward foreign capital and finance, and subsequently followed the IMF's recommendations about capital market liberalization in the early 1990s.

However, these neoliberal concessions backfired- non-performing loans by South Korean enterprises reached over \$50 billion by 1997, leading the country to request an IMF bailout- the first time an advanced, industrialized country was subject to IMF conditionality. Confident in its validity, the IMF saw no need to tailor its economic prescription to South Korea's needs—its demands included macroeconomic policy rooted in the "Mexican-style bailout formula," financial sector and corporate restructuring, capital accounts, and trade liberalization. There were also a few nods to special interests, with requirements in place for South Korea to allow foreign banks and financial institutions to set up wholly-owned branches ahead of the liberalization agenda, for the country to open a bond market by the end of 1997, and to open domestic markets to cars and other key Japanese domestic goods by 1999. The country was left locked into the international economic order, with "free cross-border capital flows, unregulated stock and bond markets, corporations independent of government influence...and foreign domination of finance and industry." [19]

VIII. Implications for Democracy and Conclusions

Though the embedding of the liberal episteme in international institutions demonstrates the reflexive nature of productive power at work, the embedding process is itself the product of power: who gets to frame the 'rationality' which serves as a benchmark for collective understanding? There is a distinct colonial element at play, creating "an order in which some subjects are always entitled to rationality while others are always already excluded from that privilege." [20] This entitlement to rationality may be used to legitimize or delegitimize actors at will: note the portrayal of 'rogue states' such as Iran or North Korea always centered around their fundamental irrationality.

Furthermore, setting the bounds of rationality grants powerful actors the ability to choose which forms of knowledge are valid, and hence which 'expert' authorities are deemed legitimate. Given international institutions' compartmentalization of knowledge and their dependence on 'expert' authority to set standards, interpret rules, or identify cause-effect relationship for a given phenomenon [21], validation of 'objective experts' determines how evidence may be classified and interpreted in the decision-making process.

If this technocratic model of 'objective necessity' continues to replace and delegitimizes the 'decisionistic' political model with its plurality of interests, democracy (or even a degree of citizen control over state policy) looks implausible. As Shapiro claims, there is no unified 'public interest', "but only the special interest of whatever actor is projecting that interest onto the public." [22] While democratic decision-making allows citizens to aggregate projected interests, an authoritarian declaration of 'the public interest' (as the TARP and IMF cases show) enables the abuse of technocratic discourse and knowledge claims to justify a privately desired course of action.

Epistemic frameworks have thus become a proxy for governance in international economic order, furthered by an international technocratic regime which extends the liberal episteme across individuals, states, and the international system. However, leaving the ends and means of policy to 'experts' produces a decidedly authoritarian political framework: citizens must recognize the reflexivity of 'objectivity' and push for democratic participation within the epistemic frameworks themselves.

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[19] Crotty

[20] Muppidi (294)

[21] Adler and Haas (320)

[22] Shapiro (344)

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