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THE GLOBAL GOVERNANCE OF "GOOD GOVERNANCE": FINANCIAL REGULARIZATION AND THE CONSTRUCTION OF TRANSPARENCY AND ACCOUNTABILITY

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"Good governance" has increasingly become political-economic common sense — often articulated in the call for transparency and accountability. But the question is: transparency and accountability to whom and toward what end? This essay examines the normalization of "good governance," particularly as it is expressed as a financial discourse of corporate governance that gives primacy to the maximization of "shareholder value" and the promotion of "investor confidence" in the capital markets. I argue that this global discourse privileges institutional investors who are empowered to hold all stakeholders accountable to market expectations and valuations. While the discourse is clearly not socially neutral, it often remains unchallenged — misrecognized as disinterested and even scientific. Thus, one step toward democratizing relations of accountability in the contemporary global political economy is to make visible what are often invisible and taken-for-granted processes of financial regularization.

The events surrounding the impeachment, ouster, arrest and criminal trial of Joseph Estrada in the Philippines have highlighted the theme of democracy, the possibilities and limits of representative institutions, and the direct exercise of popular sovereignty in the organization, mobilization and intervention of civil society. But the democratic discourse that found expression in EDSA II was also articulated as a discourse of "good governance" which was never far from the surface, and in fact was explicit in the main impeachment charges of "bribery, graft and corruption" and Estrada's criminal indictment for economic plunder. The call for Estrada's resignation, impeachment, ouster, and later, arrest and arraignment, found expression in the language of promoting "transparency" and "accountability." The question, however, remains: transparency and accountability to whom and toward what end?

This essay seeks to examine the discursive construction of "good governance." Such a discourse is consistent with the critique of "crony capitalism" which was advanced during the height of the financial crisis in East Asia, and with the advocacy of the increasingly commonsensical and global notions of "transparency" and "accountability," within a framework that gives primacy to privatized and marketized governance. In the Philippines, for example, the current wisdom of such a discourse appears almost self-evident in the face of the successful popular democratic revolt against the Estrada administration, which has been rightly compared to the similarly ousted Marcos government for cronyism and corruption. But intertwined with this discourse is a growing belief in the need to promote "investor confidence" so that the country can remain "competitive" in the global economy. Indeed, the language of "corporate governance" pervades the contemporary literature and workshops of the International Monetary Fund (IMF), World Bank, Organization for Economic Cooperation and Development (OECD), and Asian Development Bank (ADB), and is represented as the linchpin of current development efforts premised on liberalized and globalized capital markets.

Ultimately, what need to be posed are questions regarding the "governance of governance" (Jessop 1995, 1999). What kinds of subjectivities and subject positions are privileged by this discourse of "good governance" (e.g., those of institutional investors and fund managers)? What processes of corporate and political-economic restructuring are often justified in the name of "flexibility," "global competitiveness" and the maximization of stock market values (e.g., corporate downsizing, takeovers and mergers that are often associated with unemployment or low wage employment, job insecurity and the widening of income/wealth inequalities and other social disparities, as witnessed in the Unites States)? Thus, there is a need to become conscious of the assumptions and tensions in this discourse of governance, to see what kinds of identities and interests are valorized or devalorized, what forms of social inclusion or exclusion are generated, and what alternative practices and modes of political-economic regulation are deemed beneficial or unbeneficial, possible or impossible.

NARRATIVES OF THE EAST ASIAN CRISIS, RECOVERY AND GOVERNANCE

A starting point for such a critical analysis is to situate the current good governance discourse in terms of a particular interpretation of the financial-economic crisis that started in July 1997 in East Asia, and was also the context in which Estrada was elected president in May 1998. The prospects for economic recovery and development, both under Estrada and now President Gloria Macapagal-Arroyo, have been articulated using a dominant discourse on the causes of and solutions to that crisis, with significant implications not only for Philippine development, but more important, for the constitution of the contemporary global financial and political-economic order. As a number of scholars have pointed out, the dominant account of the crisis given by multilateral financial-economic institutions like the IMF, World Bank, and ADB, by US governmental agencies like the Treasury Department and Federal Reserve, and by private financial actors on Wall Street and in the City of London, is that the key factors underlying the crisis are primarily domestic in nature.[1] As the World Bank's country director for the Philippines, Vinay Bhargava, has said, the crisis laid bare "shortcomings in regulation, supervision, corporate governance and ownership" (quoted in Galang/*Business World* Internet Edition: 2 April 2001). The inevitability of financial globalization and the rationality of financial markets tend to be assumed, and financial actors are seen as only responding to the structure of incentives and information that are provided them. The IMF (1998: 6), for example, has argued that:

> . . . the most important causes of the Asian crisis were structural: notably, weakly supervised and regulated financial sectors, poor risk management in financial institutions, problems of connected lending, and weak corporate governance. In addition, there were problems of moral hazard in the financial and corporate sectors associated with implicit or explicit national safety nets. In these circumstances, large-scale private capital inflows and high domestic saving were not invested and managed efficiently with due regard to the risks, creating severe vulnerabilities and fragilities.

While recognizing the role of investor herding and financial contagion in the crisis, the IMF concludes that increased transparency and improved information through the adoption of international accounting and prudential standards in emerging markets can encourage a more rigorous assessment and sound management of risk and make investor panic less likely (see also Claessens and Glaessner 1997). Key aspects of the so-called East Asian development model which the World Bank had earlier described as being on the whole consistent with its "market-friendly" good governance framework (World Bank 1993) have been reinterpreted and singled out as incompatible with the regulatory requirements of globalized financial markets and thus as fundamental causes of the crisis. In the words of a World Bank document, the crisis countries were "unprepared to manage the sharp increase in financial integration during the mid-1990s" (2000: 25). In this narrative, the successful resolution of the crisis and the reestablishment of global financial order were linked with the institutionalization of governmental and corporate transparency and accountability. But these mechanisms would be put into place in the context of even farther-reaching (though "more orderly and sequenced") capital account liberalization and domestic financial deregulation that would sustain "investor confidence" and promote the development of the "emerging markets" along the lines of the "mature markets" in the US and Western Europe.

Consistent with this perspective, it is interesting how some commentators were initially quick to explain the relatively less severe impact of the crisis on the Philippines in terms of its liberal political and economic institutions, owing not only to the reforms implemented by the Aquino and Ramos governments after Marcos, but also to the country's long years under official IMF supervision and its even longer period under formal Western colonial "tutelage" (e.g., see Gargan/*The New York Times*: 11 December 1997). But by 1999 and 2000, the main theme of reports in the business media, echoing financial analysts' assessments, were of the Philippines once more becoming the region's "growth laggard" which risked "missing the boat again." While the country was said to have started out with an "impressive lead" in the "game of economic recovery," it had "failed to cash in" on this lead, according to two former World Bank officials who were said to be disappointed with "opportunities unfulfilled" by the Philippines (Duplito/*Business World* Internet Edition: 25 January 2000). In another article, while the Philippines was said to have been praised by many analysts for "having withstood the Asian financial crisis better than its neighbors," the regional manager of the Hong Kong-based Political and Economic Risk Consultancy was quoted as telling Reuters that "the concern is that the Philippines has squandered its opportunity to keep ahead of other countries in the region" (Reuters/*Business World* Internet Edition: 28-29 January 2000). The problem was traced to a lack of "business confidence" and overall "skepticism" among foreign investors. The managing director of a foreign-affiliated brokerage in the Philippines was said to have observed that foreign investors were "simply not excited about the Philippine recovery story" (Villamor and Sanchez/*Business World* Internet Edition: 19 January 2000). In 1999 the Philippine stock market, compared with other bourses in the region, was observed to have been "lackadaisical" at best, and at worst, the "dog of Asia," as one foreign analyst quipped. During that period, fund managers were reported to have pulled out around $400 million from the market in the second half of that year (Torrijos/*Philippine Daily Inquirer* Interactive: 21 January 2000). Sounding the same theme of the Philippines emerging from the crisis "relatively unscathed" but eventually falling behind in economic recovery, the annual report of the Heritage Foundation and the *Wall Street Journal* pronounced "economic freedom" in the country to have declined in 2000: "Economic activity, particularly foreign investment, remains weak as structural problems linger, including pervasive corruption, weak governance and an inefficient tax collection system" (quoted in Andrei/*Business World* Internet Edition: 15 January 2001).

In particular, Philippine stock market news in 1999 and 2000 was dominated by a stock price manipulation scandal that engulfed the Philippine Stock Exchange (PSE), involving a gaming company, Best World Resources Corporation (BWRC), whose majority owner, Dante Tan, was known as a close associate of then president Estrada.[2] Indeed, one significant aspect of this case was the implication of Estrada himself in the scandal by Perfecto Yasay, chair of the Securities and Exchange Commission (SEC) at that time. Yasay testified during Estrada's impeachment trial that the President had pressured him several times to clear Tan of charges of insider trading and stock price manipulation at the height of the SEC's investigations (Aquino/*Business World* Internet Edition: 12-13 January2001). Yasay's revelations are the basis of one of the graft and corruption charges recently filed against Estrada (Visto and Payumo/*Business World* Internet Edition: 5 April 2001).

The BWRC case became a symbol of the "lack of good governance" plaguing both the Philippine public and private sectors, leading to "poor investor confidence." The ADB, in the inaugural issue of its "Asia Recovery Report" in March 2000, a semi-annual review of the countries most affected by the crisis, emphasized that in the case of the Philippines, "governance problems worry investors" (ADB 2000b: 51). The report noted that "a sizeable amount of public expenditure in the Philippines is diverted to uses other than those for which it was intended" (Ibid.). The ADB added that even in the case of the private sector, "concerns over governance are mounting," specifically referring to the "recent revelations of insider trading" in the BWRC case as a cause of particular concern to potential investors (Ibid.). That same month, the ADB announced that it had scrapped a $75-million loan to the Philippine government that was originally supposed to have been the second tranche of a $150-million program loan for capital market development because of the failure of the Philippine Congress to pass a key conditionality of the loan — the proposed Revised Securities Act which had been under discussion even prior to the financial crisis in East Asia (Torrijos/*Philippine Daily Inquirer* Interactive: 14 March 2000). In calling for securities market reforms, the ADB criticized the divergent interests of PSE members, saying that the exchange was composed mostly of "small members who primarily trade on their own account for profit and have little or no interest in implementing changes to improve market integrity" (quoted in Dumlao/*Philippine Daily Inquirer* Interactive: 12 August 2000). Similarly, the IMF in a statement in July 2000 observed that while "a moderately paced economic growth is underway" in the Philippines, the "impediment to faster growth in the near-term is weak business confidence" which the Fund said both the Philippine government and the business sector should address with much-needed reforms (quoted in Lucas/*Business World* Internet Edition: 10 July 2000). Like the ADB, the IMF emphasized that "the new Securities Act, currently in bicameral committee, provides the vehicle for addressing the legislative component of these measures" (Ibid.).

On 19 July 2000, the Philippine Congress passed the new securities legislation, called the Securities Regulation Code (SRC), that the ADB and the IMF had been calling for and which its proponents believe "will improve investor confidence in the Philippine securities market, at a time when such is seriously needed by our country" (Meneses/*Business World* Internet Edition: 10 August 2000). Among the key provisions of the new law which took effect on 8 August 2000 were the following: the separation of the broker and dealer functions, making it unlawful for brokers to transact for their own accounts, except under certain conditions needed to guarantee market liquidity and to engage in "odd lot" or small transactions; the "demutualization" or conversion of the PSE from an "old boy's club" of broker-members to a stock and profit corporation publicly owned by shareholders, a process for which the ADB had already promised a $2.2-million technical fund; and the reconstitution of the 15-member PSE board of governors so that at least 51 percent or eight governors are nonbrokers, including the president of the exchange — the fulfillment of which became the condition of the SEC's granting of self-regulatory organization (SRO) status to the PSE. Thus, on 23 August 2000, "with full hearts and a little arm twisting from financial institutions," the PSE elected a nonbroker majority board for the first time since the establishment of the Manila Stock Exchange in 1927 (see Sanchez/*Business World* Internet Edition: 24 August 2000; Junia and Sanchez/*Business World* Internet Edition: 16 August 2000; Junia/*Business World* Internet Edition: 7 August 2000).

But this discourse of stock market reform is only part of a much broader discourse linking good governance in both the public and private sectors to the promotion of investor confidence and development. For example, in its "Asia Recovery Report" of March 2001, the ADB cautions the new Arroyo government that while "near-term anxiety about domestic political conditions has receded…the government has yet to present a comprehensive economic program that resolves past problems to put the economy on a higher growth path" (ADB 2001: 2). Consistent with its focus on domestic factors that promote full "investor confidence," the ADB report points out:

> Three years after the onset of the financial crisis, private investment spending has yet to show signs of recovery in the Philippines. It would be difficult to blame external factors (e.g., oil price increases) and the lingering effects of the crisis because Indonesia, Korea, Malaysia, and Thailand experienced much higher investment growth rates than the Philippines in 2000. While the installation of the new Government should provide a strong boost to investor confidence, long-standing issues have to be resolved (Ibid.: 64).

Stressing the "necessity of improved public sector governance at all levels," the ADB observes in the same report that "in terms of several indicators of governance…the Philippines compares poorly with many countries." Saying that "many governance problems are rooted in corruption," the ADB argues that "improvements will require a concerted effort, increased public awareness, as well as an improved institutional and legal framework for anti-corruption" (Ibid).

Speaking of the whole region and underscoring the anti-corruption theme as even more important than economic growth, World Bank Group president James Wolfensohn warned during the joint IMF-World Bank meetings in Prague in September 2000, that the rapid recovery of Asian economies from the 1997 financial crisis may be dampening efforts against corruption and cronyism which both the Bank and the IMF believe are the underlying reasons for the crisis and remain systemic problems in the affected countries. Wolfensohn expressed concern that as economic recovery takes place, it becomes more difficult to get governments and regulators to concentrate on the reform agenda and on building and strengthening basic financial-economic structures: "You can mask these problems with economic growth…but it conceals the seeds of the next crisis" (quoted in Lucas/*Business World* Internet Edition: 22-23 September 2000).

THE GLOBAL DISCOURSE AND INITIATIVES ON CORPORATE GOVERNANCE

Although the emphasis on government corruption is a central theme of the global good governance discourse as articulated by multilateral institutions, another key element of this agenda is the concern with corporate governance. At the forefront of global efforts toward defining and building a coalition around "good corporate governance" is a partnership between the OECD and the World Bank that was formalized on 16 June 1999 with a memorandum of understanding signed by the OECD secretary general and the World Bank president. The main starting point and reference of this partnership is a set of Principles of Corporate Governance adopted by OECD Ministers that same month which was the product of a task force composed of representatives from the 29 OECD governments, the European Commission, the World Bank, IMF, other international organizations, and private parties.

The head of the OECD corporate affairs division has described this document as "the first multilateral effort to produce a common language of corporate governance…a conceptual framework for policy makers, companies, investors and others to address corporate governance in terms that are commonly understood around the world" (Nestor 2000: 5). The Principles are explicitly divided into five areas which for the OECD constitute the "pillars" of any effective corporate governance system: 1) the protection of the rights of shareholders; 2) the equitable treatment of shareholders (including minority or foreign shareholders); 3) the recognition of the rights of other stakeholders (e.g., employees, creditors, long-term suppliers, and customers); 4) the promotion of a strong disclosure regime or transparency; and 5) the institutionalization of the board of directors as the main mechanism for the effective monitoring of corporate management and providing strategic guidance to the corporation (OECD 1999; see also Ibid: 5-6). The OECD's director of financial, fiscal and enterprise affairs summarizes these principles in terms of four core values: "equitable treatment, responsibility, transparency and accountability." The OECD believes these values "hold true in all countries[,]…underpin the development of a strong governance framework which, in turn, supports the development of a sound capital market [and]…also link corporate governance to other important elements of governance in a broader sense: the battle against bribery and corruption; corporate responsibility and ethics; public sector governance; and regulatory reform" (Witherell 2000).

It is noteworthy how these top OECD officials anticipate the question of why governments and intergovernmental organizations like itself should concern themselves with corporate governance: "Isn't corporate governance something that should be handled by corporations, as the name implies?" (Ibid: 1). For the OECD, the answer is an emphatic "no" because corporate governance is "not just a business matter" but "a partnership question par excellence":

> Governance is more than just board processes and procedures…The quality of governance is directly linked to the policy framework…The policy framework covers considerations such as the legal rights of shareholders and their ability to obtain redress in case their rights are violated. The framework includes the protection of shareholders through regulation and through requirements for full disclosure of risks…There are a great number of other factors that impact the way the company is controlled, managed and held accountable, and many of these factors fall squarely in the realm of policymakers (Ibid.).

Moreover, the focus on private sector institutions and corporate governance is seen as important because of far-reaching implications not only on the public sector but also on society at large. The OECD's head of corporate affairs gives five main reasons why corporate governance should command "high levels of attention by policy makers": 1) in OECD economies, "corporations account for a staggering part of wealth creation," and in less developed countries "the lack of properly functioning … corporations impacts directly on growth by limiting the availability of debt and equity investment, on the distribution of income within society [and on] the rule of law and effectiveness of government, creating and sustaining a vicious circle of corruption, bribery, and mismanagement in the public sector"; 2) because of widespread privatization in the last two decades, "the role of the private sector corporation as an engine of economic development and job creation has been vested with a new urgency and importance"; 3) the "phenomenal growth of equity markets" resulting from privatization and the shift in savings from the banking sector to securities markets has led to "an increasing part of the population [becoming] residual claimants of the corporate sector…[with a stake on] how these savings are used and allocated by corporations"; 4) "the spectacular growth of financial institutions [mostly pension funds and insurance companies] as equity owners in private corporations [and as] fiduciaries of millions of citizens…[has made] better corporate governance…increasingly a factor in the welfare of ageing societies"; and 5) the tremendous increase and impact of private international capital flows, particularly in the form of equity investments, as seen in the recent crises of emerging markets, and the belief that the most severely hit countries were the ones with "the lowest corporate governance standards…has put corporate governance in the menu of issues that architects of international financial stability have had to deal with." (Nestor op. cit.: 3-5).

It is important to point out what this discourse takes for granted and who and what it privileges. For example, the last reason that Nestor gives is significant because he adds that it was "the trigger for the drafting of the OECD Principles…at a record one-year time" (Ibid.: 5). Note how his point is consistent with the dominant account of the recent crisis that puts the onus of "international financial stability" on the affected economies with the "lowest corporate governance standards" and not on private international capital, even as the latter's growth and impact are highlighted. Nestor's OECD colleague Witherell links "corporate governance" and "investor confidence" even more directly and is unequivocal on who is being called to account in the context of globalization:

> [U]nfortunately, capital is rarely 'patient'. In their constant search for investment opportunities, investors will not hesitate to take their money around the globe. If companies are to attract and retain long-term capital from a large pool of investors, they need credible and recognizable corporate governance arrangements. Companies and governments have to respond (Witherell op. cit.).

Since the formalization of the OECD-World Bank partnership in mid-1999, several conferences on corporate governance have been held around the world, particularly centered on "Regional Roundtables," each one of which is expected to produce a "Regional White Paper on Corporate Governance" that will embody "an agenda for action and practical recommendations for reform based on knowledge generated by the Roundtable discussions" and will reflect "a real sense of regional ownership" (Nestor 2000: 9).

In the Philippines, World Bank vice-president and International Finance Corporation (IFC) executive vice-president Peter Woicke said in an interview with the business media, following President Arroyo's first formal meeting with Bank officials: "We talked about governance, which is very much on the mind of the President and how we can help her on governance issues…We really would like to help the Philippine government on these issues. I offer not only money, which the Bank has, but also expertise in these areas" (quoted in Lugo/*Business World* Internet Edition: 20 February 2001). The World Bank has been providing full financial and logistical support to private sector initiatives like those of the Institute for Corporate Directors (ICD), formed in 1998 and headed by former Philippine finance secretary and ADB Institute Dean Jesus Estanislao, to sponsor roundtable discussions and conduct orientation and training programs on corporate governance, especially for "the market players themselves" such as financial analysts, the staff of ratings agencies, and company directors (Galang/*Business World* Internet Edition: 2 April 2001). There are similar institutes around the region and the World Bank is also supporting networking efforts among these institutes called "IDEA.net" (Institute of Directors of East Asia Network) as a way to exchange information and experiences in East Asia (see Suleik/*Business World* Internet Edition: 11 April 2001). The World Bank senior specialist on private sector development, Gary Fine, who concentrates on governance issues in the Asia-Pacific, says that they are embarking on "a 'bottom-up' approach, inculcating the practice of good governance on the level of private corporate leaders now, with the objective of eradicating corruption and cronyism at the government level eventually" (Galang/*Business World* Internet Edition op. cit.). Estanislao, now recognized as the leading "crusader for good corporate governance" in the Philippines, has declared: a Corporate governance is the essence of democracy [and] the challenge is for our private business sector to clean up its own act to combat poverty" (Ibid.).

BEYOND FINANCIAL-ECONOMIC ANALYSIS TO A SOCIO-CULTURAL READING OF GLOBAL GOVERNANCE

I showed in the previous section how prominent and pervasive the current discourse on "good governance" has become. Its premises are assumed and advanced by powerful national, regional, and global actors, in both the public and private sectors. It has found even more concrete expression in the discourse of "corporate governance" that, in turn, is articulated with "investor confidence" and with the larger aspirations of economic development and political democracy. But what is even more significant is how this discourse, or at least key parts of it, have been unwittingly taken for granted and reproduced even by those who have been critical of the negative impact of global capital flows and of the practices of multilateral financial-economic institutions. For example, during a forum last year on "Refining the Agenda and Strengthening Partnerships in the Pursuit of International Social Development Commitments," Filomeno Sta. Ana of the progressive economic think-tank "Action for Economic Reforms" and former secretary-general of the Philippine NGO "Freedom from Debt Coalition" was quoted as saying: "You have the lack of investor confidence and the lack of animal spirits precisely because of the perception that there is bad governance…and that should be given more weight than the other purely economic variables [because] ultimately the problem of governance would have a bigger impact on the basic economic indicators" (quoted in Arpon/*Business World* Internet Edition: 5 September 2000).

The use of the term "animal spirits" is significant because it provides a clue to where the speaker is coming from in terms of economic perspective. Indeed, it reflects the views of an emerging group of "new Keynesians" who have used the crisis in East Asia and the IMF's early deflationary response to it to attack monetarism and to advance an economic perspective which pays serious attention to "market failures" and a strategy that calls for a reversal of fiscal and monetary austerity and for the institution of an international financial architecture that promotes liquidity, allows the imposition of capital controls, and encourages regional and international coordination and strategic public intervention.[3]

Robert Wade, whose important work on economic development in East Asia, both before and after the onset of the crisis, may be broadly classified under the new Keynesian, institutionalist and structuralist literature has criticized

> …discussion[s] about a new and improved international financial architecture… [that] have narrowly focused the discussion on the rules and regulation of financial markets themselves. Even analysts of more free-thinking disposition have tended to accept the assumption that the causes of these financial crises are to be found in the governance of financial markets, both the international financial markets and, especially, the domestic financial markets of the crisis-affected countries; and that better rules and regulations of finance can substantially cut the risks of repetition (2000: 145).

Wade zeroes in on an apparent double standard in the discourse of transparency and accountability, pointing out that "most of what the G7 and IMF and allied bodies have acted on so far — as distinct from merely talked about — is related to subjecting the governments, banks and firms of emerging market countries to the tighter discipline wanted by private international capital markets, rather than subjecting those international capital markets or the G7 countries to tighter discipline" (Ibid.:148-149). Having identified this socially constructed global financial hierarchy, Wade's analysis and alternative solution, however, do not go beyond Keynesian and structuralist macroeconomics: "Improved world economic performance, including lower risks of emerging market crises, requires action by the governments of the major industrial countries to coordinate their macroeconomic policies around an 'expansionary' agenda. The whole area of macroeconomic policy coordination is missing from the current debate about a new international financial architecture" (Ibid.: 145).

But what is largely missing from the literature on the recent crisis in emerging markets and the construction of a global financial order is a critical analysis of how a particular account of economic development and governance that is articulated with promoting investor confidence and corporate governance has come to be accepted as natural or part of common sense. This taken-for- granted reality, thus, also shapes the socio-political terrain for a "new Keynesian expansionary macroeconomic agenda" or any other alternative project because it also defines the horizon of what is considered feasible or even imaginable. What are the conditions of and limits on possibility for the constitution of global "good governance" as assumed and told, for example, in the OECD-World Bank principles of and partnership on corporate governance? How does a particular story of "transparency" and "accountability" come to construct social hierarchies in the global political economy, wherein various subjectivities are differentially empowered and deemed capable of gathering information, interpreting them, and deploying them so that others can be monitored, held responsible and disciplined if believed warranted? And what are the tensions and contradictions of this discourse that can provide spaces for alternative accounts and a remaking of economic accounting and socio-political accountability? These are questions that go beyond the scope of financial and macroeconomic analysis and are in the realm of a socio-cultural approach to the global political economy.

SOCIAL EMBEDDEDNESS, ECONOMIC REGULARIZATION AND GLOBAL GOVERNANCE

A useful starting point for a study of governance that transcends the limitations noted above is the literature collectively known as the "new economic sociology" or the "sociology of economic life."[4] In contrast with the methodological individualism and rationalism of mainstream economics, this tradition argues that economic action is a form of social action. As such, it is embedded in institutions that are both constitutive of and constituted by meaningful social practices. Economic phenomena are socially produced and institutionally governed not only by formal organizations and rules, but likewise by intersubjective categories, scripts, symbols and understandings. Thus, governance can be understood not simply in the narrow sense of the promulgation by official public agencies and other organizations of codified rules, incentives, principles and procedures that aim to constrain or regulate economic behavior. More broadly, it can be viewed as regularization or normalization – the ordering of actors' realities through their internalization of socially shared but often informal understandings, conventions, habits and routines that constitute them as particular kinds of subjects and make certain types of economic action possible while foreclosing others (see Hoogvelt and Yuasa 1994; also RIPE Editors 1994; Hall and Taylor 1996).

The literature in economic sociology can be linked with recent work in the fields of comparative and international political economy that have explicitly conceptualized governance as crossing the traditional public-private and domestic-global divides. In the broad sense of "steering" or "guiding" conduct, governance need not be based on formal statutory authority or govern*ment* (Rosenau 1992). Governance refers to "forms of coordination that not only span the conventional public-private divide but also involve 'tangled hierarchies,' parallel power networks or other forms of complex interdependence ... with no presumption that these are anchored primarily in the sovereign state" (Jessop 1995: 310-311; Jessop 1998: 31; see also Jessop 1994). James Rosenau's work has done much to define and refine the concept of global governance in terms of an ontology that is not centered on states nor even only of actors, but of a complex world of overlapping "spheres of authority" (SOAs) which may be territorial but increasingly also extra-territorial in character:

> *Governance*, in other words, refers to mechanisms for steering social systems toward their goals, a conception which is far more amenable to understanding a world in which old boundaries are becoming obscure, in which new identities are becoming commonplace, and in which the scale of political thought has become global in scope (1999: 296; italics in the original).

EPISTEMIC, PRIVATE AUTHORITY AND THE CONSTRUCTION OF COMMON SENSE

Consistent with the ontology of global governance as defined by Rosenau and also by the critical historicist approach of Robert Cox (1996) that sees the social character of global governance as taking different forms in different epochs based on the interaction of the material, ideational, and institutional elements of these world orders, Hewson and Sinclair (1999) identify three salient features of contemporary global governance: 1) an emphasis on "epistemic authority…the deference associated with professional, technical, or other specialized knowledge"; 2) the privileging of "marketized institutions…the tendency toward adopting market principles of organization and social intervention" even in the public sector; and 3) a focus on "the complex of infrastructural technologies associated with the emerging knowledge economy…[that] seem to be…setting the development dynamic of the age" (17-18).

What gives epistemic and private governance mechanisms particular efficacy is precisely their presumed neutral, objective, apolitical and natural quality. Their legitimacy comes from their taken-for-granted character and invisibility as a form of power. Processes of decentralization and marketization have made the terrain of the "commonplace" a particularly crucial site of global governance and of analysis in the field of international political economy (see Sinclair 1999).[5]

Consistent with this perspective, Porter (1999) reworks Susan Strange's concept of the "knowledge structure." Acknowledging Strange's contributions in calling attention to the relatively autonomous and political character of knowledge institutions that both confer and deny power, Porter at the same time points out the limitations of Strange's historical analysis of the knowledge structure that ends with a study of the "scientific state". The concept is unable to make full sense of the "late-modern" or "post-modern" global political economy.[6] Porter instead focuses on two features of the contemporary knowledge structure: 1) an ontological characteristic whereby knowledge institutions become routine, unquestioned, and common sense practices — thus, negotiating and reworking "the fabric of understandings that constitute our notion of what is real" (138); and 2) a decentralizing tendency whereby "this reworking becomes effective not through centralized controls and directives but through its acceptance and reproduction at the micro-level" (Ibid). He argues that the constitutive and decentralized character of knowledge production that "enters with ever-increasing speed and intensity into the creation of those aspects of daily life that we take for granted" has crucial implications on questions of social control and accountability in global governance. "[S]truggles over the decentralized effects of expert systems increasingly are displacing centralized political struggles over state policy. The proliferation of rights both domestically and internationally is the vehicle through which these struggles are pursued" (Ibid.: 151).

In his own empirical work, Porter points out that a critical arena of struggle in the constitutive and decentralized processes of knowledge production in contemporary global finance is over the very meaning of capital. He stresses that "capital is not produced by a single underlying essence or deep structure but is rather discursively constructed — produced by the intersection and articulation of meanings attached to it" (Ibid.: 145). He notes that a key turning point in the history of capital occurred with the separation of ownership from control, as public shareholding of corporations became widespread and dispersed, and professionalized management became predominant, a shift identified by the classic work *Private Property and the Modern Corporation* by Berle and Means (1932). With these apparently decentralizing tendencies, the discursive construction of "corporate governance" has become a crucial space of struggle over the definition and regularization of capital. Moreover, the increasing institutionalization of shareholding via mutual funds, pension funds, and insurance plans has led to the displacement of the authority of bureaucratic corporations and their professional managers toward those of institutional investors. Practices of global fund management and institutional investment have become an alternative site of knowledge production, surveillance, and control of capital that are now taken for granted and often unquestioned. Thus, the production and promotion of "shareholder value" is a critical terrain of discursive construction and struggle. Concepts like "corporate governance" and "shareholder rights" have been traditionally the concerns of management consultants, the business media, and finance academics, and largely ignored by social scientists, particularly by political economists. But they are now increasingly associated with "key points of change and choice in present-day capitalism" (Williams 2000: 1) and are constitutive of the common sense of global governance in a world increasingly dominated by finance capital. While corporate governance might evoke remote boardroom struggles among the rich and powerful, to the extent that a significant number of ordinary average income savers, especially but not only in advanced countries, participate in mutual and pension funds and insurance plans, they are implicated in these increasingly taken-for-granted financial-economic practices and institutions that have local and global impact.

PROTECTING CREDITOR AND SHAREHOLDER RIGHTS IN CORPORATE GOVERNANCE: CONTEMPORARY DISCOURSES OF FINANCIAL REGULARIZATION

In the wake of the financial crises of the late 1990s, while the IMF still views capital account liberalization as the objective and norm of economic development, it has conceded that this process must proceed in an "orderly" manner (e.g., IMF 1998, 2000). This view, in part, seems almost a belated recognition of the need for a proper regulatory and supervisory regime to be in place so that financial liberalization can work, which some analysts and activists have interpreted as creating political space for advocating capital controls and reforming the global financial architecture as a whole. But in another sense, this current preoccupation with "sequencing" and "managing" capital liberalization may be seen as reinforcing and regularizing a particular narrative of financial globalization and governance. This process is evident, for example, in the current interest in and efforts at restructuring corporate governance in East Asia which assume and institutionalize the "cronyism and moral hazard" interpretation of the crisis.

In its report on the East Asian "recovery," the World Bank rearticulates the domestic "cronyism and moral hazard" story, absolves foreign bank creditors and portfolio fund managers from blame, and makes the case for restructuring corporate governance toward protecting "outside investors" (both creditors and shareholders) in East Asia where most firms are closely (and family-) owned or privately held:

> …the focus quickly shifted to structural weaknesses in the financial and corporate sectors…Ineffective bank regulation and supervision and poor accounting and disclosure diminished transparency. Many family-run conglomerates owned banks and exerted considerable influence over governments and legislatures, undermining the weak prudential safeguards that did exist. Bad laws and ineffective courts contributed to inadequate protection of minority shareholders…
>
> …Lacking effective legal protection, noncontrolling shareholders (who were often in the majority) were routinely exploited. As a result outsiders preferred to fund firms through debt (with a specified stream of payments) rather than equity (which requires closer monitoring).

> This tendency towards high corporate leverage was compounded by the controlling owners' reluctance to cede control or to disclose much information. The inadequacy of courts in enforcing creditor contracts contributed to a shortening of loan maturities, with lenders believing that they could refuse to roll over loans if they detected problems...
>
> …Weaknesses in legal institutions of corporate governance — in particular, ineffective protection and enforcement of creditor and minority shareholder rights — had more significant effects on the exchange rate depreciations and equity price declines of 1997-98 than did standard macroeconomic variables (Ibid.: 68-69).

According to the World Bank, in a situation of concentrated ownership where controlling shareholders also manage firms, the "main concern is that the firm's operations could be structured to serve the insiders' interest to the detriment of overall profitability." The main reform objective for corporate governance in this context and perspective is "how to prevent insiders from expropriating the assets of noncontrolling shareholders" (Ibid.: 84). The quality of laws protecting investors and their enforcement by the courts are seen to be central. The Bank also views as essential the enhancement of transparency through stringent disclosure requirements that meet international accounting and auditing standards. Toward this end, it recognizes an important role for credit rating agencies, securities analysts, professional watchdogs and the financial media. While the Bank foresees resistance to its corporate governance reform agenda of enhancing investor rights, it also underlines the regularizing authority of liberalized and globalized financial markets themselves:

> …the pressure from foreign investors for convergence of regulatory standards should not be underestimated as capital markets integrate. The crisis has increased awareness about the importance of corporate governance. Countries and corporations unable or unwilling to address investor demands risk becoming increasingly ostracized, which can be an important motivator for reform.
>
> If countries succeed in improving outside investor protection, the rationale for interlocking ownership structures and financing arrangements would diminish as the benefits of greater choice in trade and finance partnerships begin to outweigh the comforts of traditional relationships. Continued integration of trade and capital flows would further loosen such nontransparent ties (Ibid.: 85).

Moreover, because the World Bank believes local banks are subservient to the larger business conglomerates of which they are a part, it sees foreign banks not only as a source of new capital but as a force for financial sector reform and development. Noting that "East Asian banking systems have among the lowest foreign ownership among developing regions," the Bank argues that "increasing foreign ownership and management of the financial system offers the most direct means of improving credit evaluation" (Ibid: 86). This statement, thus, articulates good governance with even farther-reaching financial liberalization. And ultimately, citing the views of Alan Greenspan, the World Bank believes that a less bank-dominated system of financial intermediation and more developed capital markets will "institutionalize arms-length financial relationships (buttressed by independent credit rating agencies), lessen the role of relationship-based deals, and provide the missing 'spare tire' in the face of future banking crises" (Ibid.: 87).

The ADB echoes the same theme and, like the World Bank, devotes a whole chapter of its "Asian Development Outlook 2000" to corporate and financial sector reform. Linking the current "recovery" with "reform" in East Asia, the ADB report states what this organization and other multilateral institutions define as the problem, what they consider as "significant progress," and what they view as the continuing agenda in the area of corporate governance:

> It is now widely recognized that poor governance was a major weakness in the region's financial and corporate sectors. Symptoms include intricate formal and informal

> relationships between governments, financial institutions and corporations; inadequate disclosure requirements; and widespread corruption and favoritism. A major focus of the reform effort has been strengthening governance by improving market discipline and corporate governance, as well as introducing anticorruption and competition policies…
>
> With the assistance of multilateral financial institutions, notably the Asian Development Bank, the IMF, and the World Bank, the crisis countries have focused reform actions on increasing the transparency of economic and financial data, strengthening corporate disclosure requirements, increasing accountability to shareholders, strengthening competition laws, privatizing state-owned enterprises, dismantling state-supported monopolies and cartels, and restructuring opaque corporate relations…
> Despite this progress, more efforts are needed to establish a modern legal and regulatory framework, reduce the risk of bureaucratic and corruption-prone administrative procedures, reform the ownership structure of large business groups, adopt modern financial management techniques, and reduce corruption (ADB 2000a: 35).

In the specific case of the Philippines, the ADB in its "Asia Recovery Report" confirms the view that this case is "somewhat different" from the rest of the "Asian five" because financial liberalization prior to the crisis was "accompanied by a concerted effort to strengthen regulation and supervision following earlier banking difficulties." Thus, there was no systemic banking crisis despite individual bank failures. At the same time, however, the ADB observes that "prudential regulations and supervision are still some way short of international best practices". In the area of corporate restructuring, it sees "no specific new measures have been taken to handle distress" (ADB 2000b: 81-82). On this latter point, the World Bank in a recent report on the Philippines notes that the main weakness of the country's corporate sector is in its legal enforcement system, which fails to protect the rights of creditors. In an international survey of credit protection, the Philippines was ranked lower than Hong Kong, Malaysia, Singapore, and even Indonesia for its failure to come up with measures to "secure creditor protection from automatic stays of foreclosure; ensure priority payment to creditors; require creditor consent before a distressed firm undergoes reorganization; and empower creditors to change management of firms under reorganization." The present system the Bank argues is "strongly biased" in favor of the distressed companies rather than its creditors who, according to "best practice," must be recognized as investors whose financial claims have primacy over insiders (cited in Yap/*Business World* Internet Edition, 22 June 2000).

There is, in fact, a strongly expressed view that precisely because the Philippines was not as severely affected by the crisis as its neighbors, economic recovery has been slower than expected and mediocre. The Philippines, it is argued, has once again fallen behind other East Asian countries (with the possible exception of Indonesia) which have been forced by the crisis to reform their corporate and financial sectors. As the ADB director for the infrastructure, energy and financial sector, Christine Wallich, has noted, "the Philippines, because it escaped the crisis, might have a higher degree of complacency in needed reforms." She says that the country is now perceived as a laggard in corporate governance because "the wake-up call sounded during the crisis has not been heard as much here" (cited in Duplito and Junia/*Business World* Internet Edition, 30 May 2000). Jesus Estanislao, former finance secretary in the Aquino government, who now heads the Institute of Corporate Directors and represents the Philippines in the ASEAN Eminent Persons Group, has expressed a similar concern:

> My problem is that countries affected by the crisis are moving very rapidly into corporate governance. We are not. Again, we are being left behind…Frankly, our corporate boardrooms are still monarchies. There is an absolute monarch who controls everything and everybody says 'yes'. Now, that is not proper in an open market system (cited in Duplito/*Business World* Internet Edition, 25 May 2000).

In the context of promoting more efficient and responsible corporate boards, the Philippine SEC chair, Lilia Bautista has pushed for SEC power to set the qualifications of company directors. The

SEC chair has also advocated a system mandating independent or "outsider" directors to sit on these boards in order to promote "investor confidence":

> Governance systems must promote transparency, accountability, responsibility and fairness — the very foundations over which our market systems must grow…If investors are not confident with the level of disclosure, or if a country's accounting and reporting standards are perceived as lax, funds will flow elsewhere. Thus the ability of the market to raise capital is prejudiced (cited in Duplito and Junia/ *Business World* Internet Edition, 30 May 2000).

Mark Mobius, head of the Templeton Emerging Markets Group, has voiced that argument directly from the standpoint of foreign portfolio fund managers. During a publicized corporate struggle over the privatized Philippine National Bank with majority shareholder Lucio Tan, a wealthy political supporter and alleged crony of both former Presidents Marcos and Estrada, Mobius and the Templeton Group, identifying themselves as "minority shareholders," called on the SEC and the Central Bank to force the "Lucio Tan syndicate" to relinquish control over the bank and to replace the board of directors with independent members:

> We believe that a relief of the bank from the control of Lucio Tan would enhance shareholder value because greater transparency and independent management would attract strategic investors who are willing to pay high prices for the bank's well-established name and branch network (cited in Arpon et. al./*Business World* Internet Edition, 28 June 2000).

Regardless of the veracity of the charges of lack of transparency, mismanagement and cronyism against the economically powerful but politically unpopular "Chinese-Filipino tycoon" or "taipan," as the Philippine news media often refer to Lucio Tan, what is more noteworthy for the present analysis is the "emerging markets guru" Mobius's deployment of the phrase "shareholder value." He takes it as a presumed norm of corporate governance and articulates it with "transparency," "management independence" and attracting "strategic investors" who are assumed to fuel increases in stock market values and equity returns. Estanislao expresses the same presumed common sense when he says proper corporate governance is essential because investor confidence is "the air which our banks and stock exchange breathe" (cited in Duplito and Junia/*Business World* Internet Edition, 30 May 2000) and thus, by implication, the only "natural" environment in which economic recovery and development can be possible.

What Mobius, Estanislao, Wallich and Bautista have individually expressed form part of a larger discourse on "shareholder rights" which, as I have noted earlier, the OECD has recently codified in a document titled "Principles of Corporate Governance" (1999). In the preamble providing the rationale for the Principles, the OECD makes the links between "good corporate governance", "global capital markets", "investor confidence", "long-term 'patient' capital" and "full country benefits":

> The degree to which corporations observe basic principles of good corporate governance is an increasingly important factor for investment decisions. Of particular relevance is the relation between corporate governance practices and the increasingly international character of investment. International flows of capital enable companies to access financing from a much larger pool of investors. If countries are to reap the full benefits of the global capital market, and if they are to attract long-term 'patient' capital, corporate governance arrangements must be credible and well understood across borders. Even if corporations do not rely primarily on foreign sources of capital, adherence to good corporate governance practices will help improve the confidence of domestic investors, may reduce the cost of capital, and ultimately induce more stable sources of financing (OECD 1999: 3).

One key sub-principle and mechanism identified in the document that is intended to uphold the central organizing principle of protecting "shareholders' rights" is that "markets for corporate control should be allowed to function in an efficient and transparent manner" and that "anti-take-over devices should not be used to shield management from accountability" (Ibid.: 5).

The literature on comparative corporate governance makes a distinction between "market-oriented" and "network-oriented" systems of corporate governance. And it is stressed that "an active external market for corporate control" is precisely "the paramount characteristic of the market-oriented systems which serves as a mechanism for independent shareholders to influence managerial decision-making" (Weimer and Pape 1999: 153). This defining feature is contrasted with network-oriented systems in which "oligarchic groups substantially sway managerial decision-making via networks of relatively stable relationships," whether in the form of cross-shareholdings or interlocking directorships (Ibid.). The network-oriented systems are subdivided in the literature based on the identity of oligarchic groups in particular political-economic and social spaces: Germanic countries (e.g., Germany, where historically banks and employees have been influential), Latin countries (e.g., France and Italy, where family control has been significant) and East Asian countries (e.g., Japan and Korea, where banks have been at the core of mutually related, vertically and horizontally integrated groups of firms). The market-oriented system of corporate governance is seen by the literature as characteristic of Anglo-Saxon countries, particularly the US and Britain (Ibid.; see also Shleifer and Vishny 1997). But the point I want to make in citing this taxonomy is not about this particular categorization *per se* nor about national types of corporate governance or economic systems. What is significant is how the OECD reduces "best practice" to one model of corporate governance despite its claims to the contrary, and how other models are assumed to be "less evolved" or "deviant" forms rather than the other way around — an observation that a special counsel to the ADB made in one OECD/World Bank conference on corporate governance in Asia (Jordan 1999).

Moreover, even those who have studied corporate governance in the US note that "creating and maximizing shareholder value" became an increasingly exclusive principle of corporate governance only the 1980s. Lazonick and O'Sullivan (2000) argue that the strategic orientation of corporate managers in the US from the late nineteenth century and the twentieth century through the 1970s was one of "retain and reinvest." This principle meant that corporations tended to retain the huge revenues they earned and the people they employed, and they reinvested in physical capital and complementary human resources. But in the 1970s, during a time when major US manufacturing corporations bore the burden of excessive centralization (through internal growth and merger and acquisitions) and faced the threat of innovative competition (especially from Japan), a new perspective on corporate governance emerged that was advanced by American financial economists. Known as "agency theory," it cast suspicion on the motives and interests of managers, and argued that they were only "agents" for their shareholders who were their "principals." Agency theorists believed that in order to discipline poorly performing managers, what was needed was a takeover market that worked as a market for corporate control. "The rate of return on corporate stock was their measure of superior performance, and the maximization of shareholder value became their creed" (Ibid.: 16).[7]

It was in the 1980s, however, when such a powerful market emerged and took hold after deregulation in the US financial sector in the 1970s-1980s led to the growth in the resources and capabilities of institutional investors (mutual funds, pension funds and insurance companies) and savings and loan institutions enabled them to mount hostile corporate takeovers. At the same time, agency theory provided ideological support to such processes by justifying takeovers as beneficial not only to corporations but to the economy as a whole. Moreover, these takeovers put in charge managers who were inclined to lay off workers and sell off physical assets if these were necessary to meet financial obligations and increase company stock prices. "For those engaged in the market for corporate control, the sole measure of corporate performance became the enhanced market capitalization of the company after the takeover" (Ibid.: 18).

Lazonick and O'Sullivan argue that what we have witnessed with the institutionalization of "maximizing shareholder value" as a principle of corporate governance is a shift of strategic orientation from "retain and reinvest" to "downsize and distribute," wherein top managers cut the size of their corporations, particularly their labor force, and not only distribute dividends but also engage in massive stock repurchases, with the end objective of increasing the market value of their corporate stock.

The stock market crash of 1987 was seen as only a brief and temporary setback for this model of corporate governance based on "promoting shareholder value." The recovery and stock market boom throughout the 1990s reinforced this principle and justified its extension throughout the world based on the argument that the replacement of corporate control over the allocation of company resources and revenues with financial market control leads to greater efficiency, innovation and competitive dynamism as both labor and capital are released from big corporations to new high-technology ventures.

THE GLOBAL POLITICS OF SHAREHOLDER VALUE IN CORPORATE GOVERNANCE AND THE ARTICULATIONS OF DEMOCRATIC ACCOUNTABILITY

In a preliminary report for the first quarter of 2001, the Philippine Department of Labor and Employment (DoLE) stated that between January and mid-April, 271 firms filed notices that they would either downsize or shut down operations. These retrenchments or closures involve 7,657 jobs. Of this total, 64.7 percent or 4,952 workers represent those who will be laid off due to downsizing, while 25.5 percent or 1,951 workers are those who will be dislocated because of firm closures. Out of the 7,657 workers expected to be displaced, 6,138 are in Metro Manila. (Conclara and Baetiong/*Business World* Internet Edition, 17 April 2001). The latest labor force survey conducted by the National Statistics Office (NSO) shows that the unemployment rate has risen to 11.4 percent in January 2001, compared to 9.5 percent the previous year. This figure is the highest recorded rate for that month since the 12.1 percent unemployment rate registered in 1986, just before Marcos's ouster. It means that 3.6 million Filipinos are unable to find jobs, apart from the six million who have jobs but want additional employment (Luib and Conclara/*Business World* Internet Edition, 30-31 March 2001; *Business World* Internet Edition, 19 March 2001).

DoLE data also indicate that job insecurity has been particularly pronounced in the banking industry which has seen a series of bank mergers and closures since late 1999. This industry has experienced the largest number of job retrenchments among all economic sectors, with 4,729 employees from 75 banking corporations losing their jobs during the first nine months of 2000 alone, a figure which represents close to 50 percent of the total number of employees displaced from 1996 to 1999. Those laid off due to a reduction in work force or redundancy resulting from the mergers comprised 56.1 percent or 2,652 workers. The remaining 2,077 workers, or 43.9 percent of the total, were retrenched because of the closure of five banks (*Business World* Internet Edition, 4 December 2000). In April of last year, the Governor of the Central Bank of the Philippines announced that there were 15 applications for bank mergers and acquisitions, boldly predicting that there would be only five to six big banks left in the country "after the dust from all the M&A activities has settled" (Villamor/*Business World* Internet Edition, 26 April 2000).

Not surprisingly, the Philippine securities industry has welcomed these mergers and acquisitions as good news in an otherwise lackluster stock market since the financial-economic crisis of 1997. For example, the share price of Far East Bank and Trust Company (FEBTC), which was taken over by the Bank of the Philippine Islands (BPI) in October 1999, increased from PhP60 at the end of the third quarter to PhP75 at the end of that year. Amidst a takeover by Metrobank, Solidbank Corporation saw its stock price appreciate by more than 60 percent to PhP315 by year end 1999 from PhP200 the previous quarter. The share price of Union Bank of the Philippines rose from PhP26.5 in September to PhP41.5 in the last days of December1999, when it was believed that the bank was a prime target for takeover by larger banks (Torrijos/*Philippine Daily Inquirer* Interactive, 21 January 2000). In a securities research report on the BPI-FEBTC merger, the U.S. investment bank Salomon Smith Barney noted that cost savings resulting from the merger would be realized only in 2002, three years after the start of the process, due to integration costs, including retrenchment, reorganization and branch relocations — wiping out any savings in 2000. But one development it views positively is that BPI shareholders can expect enhanced earnings per share (EPS) of 57 percent as early as 2001: "[W]e expect the merger to become EPS-accretive, starting in 2001. Cost savings amounting to PhP1.7

billion should emerge by the third year. The company had already begun staff reductions as early as February [2000]" (quoted in Villamor/*Business World* Internet Edition, 26 July 2000).

In February 2001, it was headlined that despite an overall bearish mood, the "market bounces back, buoyed by M&A tales," as telecoms firm Philippine Long Distance Telephone Company took over 67 percent of television network GMA Channel 7, and beer giant San Miguel Corporation reacquired Coca Cola Bottlers Philippines, Inc. (Sanchez/*Business World* Internet Edition, 9-10 February 2001). The latter was included by a research analyst, in a column for the top Philippine business daily, in her list of "thirst-quenching mergers," which also contains an announced partnership between Coca-Cola and Proctor and Gamble in the processed-juice drinks and snack foods market segment (Cerdenia/*Business World* Internet Edition, 5 March 2001).

Meanwhile, thousands of miles away in Minnesota, Honeywell Advanced Circuits announced on 25 April 2001 that it would cut 350 more jobs in the Twin Cities, on top of the 500 workers it laid off in March, bringing the job cuts in the last two months to more than 10 percent of its 7,300 metro area work force. Since its merger with New Jersey company Allied Signal in 1999, Honeywell has downsized 6,500 workers company-wide, 1,000 of them in the Twin Cities. (Ryback/*Star Tribune*, 26 April 2001: D1-2). Only two days before the Honeywell announcement, Maplewood-based 3M declared it would cut 5,000 jobs or around 7 percent of its work force in the next 12 months, 1,000 of them in the Twin Cities and an undetermined number in other cities in Minnesota, the US and the world. The news report said the company has begun what its new CEO, former GE executive W. James McNerney, Jr. "was hired to do." It also stated that "Wall Street applauded the job cuts — the stock price shot up $3.80 per share to $116.30" — a 3.4 percent increase. The article quoted two research analysts from Morgan Stanley Dean Witter and Goldman Sachs who observed that the layoffs are "high enough to give investors the sense that [McNerney] means business" and a sign that "he's beginning to deliver on his objectives" (Fiedler/*Star Tribune*, 24 April 2001: A1, A10). A side article noted that while Honeywell saw a drop in first-quarter income in 2001 compared to last year, 3M saw its earnings rise by 2.4 percent, as sales increased by 2.3 percent from the same period in 2000, thus meeting stock analysts' expectations. The stock price of 3M has also grown by nearly 27 percent since April 2000. In order "to keep that momentum going," the article reported matter-of-factly, McNerney "announced the restructuring that will claim 5,000 3M jobs worldwide in the next year" (Fiedler/*Star Tribune,* 24 April 2001: D1).

Metro Manila and the Twin Cities cannot be farther apart spatially and socially, but the similarities in the larger processes of financial regularization in which these divergent sites find themselves embedded are very striking indeed. As I have argued in this essay, there is an increasingly taken-for-granted global discourse on corporate governance that gives primacy to the maximization of "shareholder value" and the promotion of "shareholder rights" over all other considerations. This discourse "reworks the hierarchy of management objectives as it reorients the firm: if firms have to organize process and please consumers in the product market, they must also now satisfy professional fund managers and meet expectations of the capital market" (Williams 2000: 6; see also Haley 1999).

This socially constructed common sense of global finance privileges the subject positions of institutional investors who are empowered to hold corporations, their managers and workers accountable according to the expectations, standards and measures of financial value and performance in the stock market. The argument is that as "corporate enterprise maximizes shareholder value, everyone — workers, consumers, suppliers and distributors — will, as a result, be better off" (Lazonick and Sullivan 2000: 27). The good governance discourse of transparency and accountability is clearly not socially neutral. But it is misrecognized as disinterested and even scientific. Thus, it produces particular social meanings and relations, and regularizes social distinctions and exclusions as the "realities" of the global political economy.

While the origins of the discourse of accountability and transparency in the US may be traced to Progressive-era struggles to break up and make the "money trust" or the holders of "other people's money" accountable to the ordinary saving and investing public (e.g., Brandeis 1914), it is ironic that amidst the current global concentration of savings in big institutional funds and full service financial conglomerates, the same discourse has now been rearticulated to make not only private corporations, managers and employees but also governments, public officials and ordinary citizens accountable to finance capital and its standards of stock market value, performance and confidence.

At the same time, however, the discursive space created by the good governance discourse for a politics of accountability also provides an opening for a further rearticulation toward a more socially inclusive conception of calling to account. For example, in the case of the ouster and arrest of Estrada in the Philippines on grounds of economic plunder and graft and corruption, while the issue has often been posed in terms of the need to promote "investor confidence," it has also raised the need to articulate good governance, economic development and political democracy with the advancement of social justice. The mobilization of thousands of ardently pro-Erap urban poor in the violent assault on the presidential palace on 1 May 2001 only served to highlight the legitimate social grievances and demands of those whose lives have not significantly improved despite changes in government since the mid-1980s. In my own interviews with stock market actors in the Philippines, I noted how an identification with professional ethics, transparency, and leveling the playing field, which are important elements in the good governance discourse, has also brought the more thoughtful and reform-minded of my informants to take notice of the huge inequalities in access to investment opportunities and financial information. While not optimistic about its prospects in the near-term, they are fully aware of, and in some ways even sympathetic to, the need for financial democratization through widening the base of popular participation in the market and making corporations and stock-brokers more accountable to ordinary savers, not just to global fund managers. Of course, I also realized that the model of democracy and development they had in mind was the US securities market, with its huge mutual and pension funds industry and its stringent disclosure rules. While the discourse of transparency and accountability has origins in the struggles of the Progressive era and the New Deal, the socio-political inequalities in the US have also so shaped its articulation that it now privileges the very identities and interests of those whom progressives have sought over the years to call to account.

But it is significant, as students of corporate governance have pointed out, that there has been a shift in the character of US capitalism from a "managerial" to a "fiduciary" form of capitalism (Hawley and Williams 1997; 2000). While the dominant discourse on shareholder value emphasizes the separation of ownership from control as identified by Berle and Means in 1932, and thus, posits the so-called "principal-agent problem" in terms of ensuring that the interests of shareholders as principals are upheld by their corporate manager agents, what is less highlighted is the transformation in the nature of shareholding which has produced a new link in the agency chain and a new twist in the politics of accountability. Since the 1950s, there has increasingly been a remarriage of ownership and control but no longer in the hands of individuals but of financial institutions like pension funds, mutual funds and life insurance companies. The dramatic shift can be seen when equity ownership patterns in the middle and end of the twentieth century are compared. In 1945, individuals owned more than 90 percent of the market value of corporate equity, with financial institutions comprising 4.2 percent of equity ownership. By 1998, individual ownership had declined to 44 percent, with institutional ownership growing to 48 percent of total equity outstanding or more than $500 billion more than owned by individuals (Ibid.: 52). Thus, the institutional investors who act as professional owners vis-a-vis corporate managers are themselves agents or fiduciaries because they hold equity on behalf of the ultimate owners or principals – retirees, future retirees or individuals who have shares in mutual funds or hold insurance plans (Ibid.: 206). They are fund managers of "other people's money," in the words of Louis Brandeis, who are obliged to act in the long-term interests of their owners and can be called to account by these beneficiaries. Therefore, a central element of any rearticulation of the good governance discourse in the direction of social justice would be an emphasis on the need to monitor the institutional monitors or the fiduciary agents themselves.

But there is a further twist in the politics of accountability that belies the simple mantra of "promoting shareholder value" by maximizing corporate profits (and minimizing costs) – a discourse which privileges stockholders (assumed to be interested mainly in financial returns) over other stakeholders (e.g., employees, communities, suppliers, consumers, creditors who are interested in broader, non financial aspects of corporate practice). Hawley and Williams (2000) argue that because large institutional investors (especially pension funds) hold in their portfolios a broad cross-section of the economy (domestic and global), the ultimate beneficiaries or principals are "universal owners" whose cumulative long-term return should be measured not by the performance of each individual firm they own, but of the overall health of the economy and society as a whole. Moreover, especially in the case of the US, more than 40 percent of the adult population has direct and indirect institutional investments and direct corporate shareholdings. Thus, the line between "shareholders" and "stakeholders" is effectively blurred, but not because maximizing shareholder value would necessarily translate into stakeholder value, as Jensenite agency theory would see it, but because it becomes increasingly problematic to separate the identities and interests of shareholders from stakeholders. These rearticulated meanings and relations of fiduciary responsibility and accountability have serious implications on such issues as the provision of education and health care to the workforce, employee downsizing or the environmental impact of corporate practices. As the former chair of the UK Committee on the Financial Aspects of Corporate Governance himself has put the larger dilemma confronting corporate governance in a financialized global political economy: "Members of pension funds may be concerned first about the level of their pensions, but they will also be concerned about the nature of the society into which they will be retiring" (Cadbury 2000: 15).

The above literature, which reconsiders the principal-agent and shareholder-stakeholder binaries in corporate governance and, thus, reimagines the politics of transparency and accountability, especially in the US, links well with the works produced in the aftermath of the emerging market crises of the late 1990s that have been critical of the overarching focus of multilateral financial and development agencies on promoting domestic good governance in the crisis-stricken economies. This literature emphasizes instead the global policy challenges in governing those sites, actors and practices that have been the sources of the huge global portfolio capital flows since the late 1980s. Among the measures that have been proposed are better disclosure by institutional investors of their portfolio exposure, especially in emerging markets, risk-weighted capital charges, and international taxes on foreign exchange transactions as suggested by James Tobin (Griffith-Jones 1998; 2000).

Thus, the very discourse that calls for "maximizing shareholder value" opens up political possibilities for activist shareholders, especially those who may have clearly defined objectives that are at odds with those of finance capital — goals much larger, more socially inclusive, and longer-term in perspective than the short-termism of most fund managers and financial institutions that are just their agents (e.g., see Blackburn 1999).

But rearticulating and reversing the subject positions of principal and agent in global finance, and turning the gaze of transparency and accountability to the financial monitors themselves, is no simple, easy matter and task. Part of the problem in a financialized global political economy is one of huge asymmetries in the access to and control of financial information and knowledge. These inequalities often mean that many ordinary savers do not have the capacity to know and analyze the financial and social implications of the investment decisions that are being made on their behalf by professional research analysts and fund managers (Aglietta 2000: 158). Indeed as Leyshon, Thrift and Pratt (1998) have underlined, contemporary social and spatial inclusions and exclusions are now often linked with levels of financial literacy. They point out, drawing on the work of scholars like Beck, Giddens, Lash and Urry, and Miller, that while there are now many opportunities for retail financial consumers to become more reflexive than in the past (e.g., the expansion of personal finance-related information technology, the availability of competing investment alternatives, including possibilities for "ethical investment," the growth in sources of professional financial advice), becoming part of this superincluded "financial audience" still requires money power, leading to higher levels of financial information and service provision, and thus, to even more economic capital (Ibid.: 45-47).

Not surprisingly, global financial knowledge production in particular, and regularization in general, are skewed in the direction of the holders of concentrated finance capital. But there is no doubt, as Leyshon, Thrift and Pratt have also pointed out, that financial literacy has become an important element of social citizenship (Ibid: 50). The stock market is a key site of contemporary socio-cultural and political struggle.

UNDERSTANDING AND CHALLENGING GLOBAL FINANCIAL REGULARIZATION

I started this essay with the sympathetic but critical observation that those who are working to construct alternatives to the global neoliberal discourse and political-economic project, like the new Keynesians, need to go beyond financial-economic analysis toward a socio-cultural reading of global governance. This approach means that global governance should be understood as regularization — the social production of the taken for granted or common sense which is manifested and constructed all the way down to the micro-level. The perspective also implies a blurring of the "domestic-global," "public-private," "material-ideational" dichotomies that have traditionally framed analyses in comparative and international political economy.

In this essay I explored the conditions of possibility in the global political economy by critically analyzing the dominant discourse of maximizing shareholder value in corporate governance as articulated by multilateral economic agencies and stock market actors. But it is equally important to study the less prominent and perhaps now subjugated discourses and practices of corporate governance that have not emerged from, nor been dominant in, the US political-economic context. Earlier, I cited the work of Weimer and Pape (1999) as noting that the primacy given to promoting shareholder value is peculiar to American and British financial-economic institutions and practices. Notions of "stakeholder," "stewardship," "social networks" have traditionally been emphasized in corporate governance in places like Germany, Sweden, Japan and East Asia, even though these practices are precisely those that are now under attack by the dominant discourse as examples of "bad governance" (see also Turnbull 1997; Porter 1999). Nevertheless, there are recent works in corporate governance that seek to go beyond the "finance model" of Wall Street and study the prospects for establishing forms of employee ownership and workers' co-determination and participation in corporate management and strategy (e.g., Vives 2000; Blair 1995, 1996; Blair and Roe 1999; Blair and Kochan 2000; Henwood 1998).

Moreover, I have noted how the dominant discourse of corporate governance emphasizing shareholder value can actually create the space for forms of shareholder activism that could potentially rearticulate the meanings and relations of accountability not only in the US but also globally, given the extent to which US-based institutional investors have worldwide stocks in their portfolios. In fact, students of corporate governance have already taken note of the activism of members of public employee retirement funds like the California Employees Retirement System (CalPERS) and the New York City pension fund, and the pension fund for college professors, TIAA-CREF. These cases of shareholder activism have been studied, for example, in the light of social movement theory (see Thompson and Davis 1997). While such activism may be viewed as simply reinforcing the dominant discourse, Hawley and Williams (2000) have suggested, as I noted earlier, that the emergence of fiduciary capitalism and universal ownership provide the space to go beyond the narrow and short-term conception of promoting shareholder value found in the finance model of corporate governance that tends to draw a sharp line between the identities and interests of company shareholders and those of the wider stakeholders in society. At the same time, however, it is useful for reformists to remember that one of the most ambitious attempts at using collective shareownership and investment politics to advance social democracy in a capitalist political economy — the wage-earner funds initiative in Sweden — was met with fierce corporate resistance and insufficient popular support (Pontusson 1992). Pontusson argues that for such efforts to be more successful, they need to be systematically linked with supportive macroeconomic industrial policy, the promotion of workers' representation and co-determination in firm management and a "hegemonic strategy" that mobilizes broad support from the general population while inducing business cooperation or at least neutralizing their objections (235-237).

But the construction of any viable political-economic alternative to neoliberalism has to start with making visible what are often invisible forms of global financial regularization. As the literature on private authority has stressed (e.g., Cutler 1999; Cutler, Haufler and Porter 1999), these epistemic mechanisms of surveillance, narration and discipline are often viewed as an impossibility and outside the political and democratic realm of struggle and control. Thus, they are misrecognized as necessary, neutral and normal rather than as arbitrary historical and social constructions that are the product of discursive and socio-political struggles among often very unequal forces. This is very true of the corporate governance discourse of shareholder value that has become common sense not only at the level of multilateral agencies and big capitalist political economies but also at the micro level of local actors in small emerging markets.

The "unseen revolution" is not, as the management guru Peter Drucker feared in 1976, that of "pension fund socialism," but of a fund manager or institutional investor capitalism that is now viewed as the natural order of things and has the symbolic power to call not only corporate managers but all of global society's stakeholders to account. But it is only by exposing the hidden and taken-for-granted processes of regularization in the field of global finance, and the contradictions and disjunctures that provide spaces for rearticulations of the social meanings and relations of democratic accountability, that we can take the first step toward turning Drucker's socialist nightmare into reality.

ENDNOTES

[1] See, for example, Bello 1998; Bernard 1999; Brownbridge and Kirkpatrick 1999; Chang 2000; Chang, Palma and Whittaker 1998; Chang and Yoo 1998; Corsetti 1998; Cumings 1999; Felix 1998; Griffith-Jones and Pfaffenzeller 1998; Hamilton 1999; Nixson and Walters 1999; Wade 1998; Wade and Veneroso 1998a, 1998b.

[2] Best World (BW) Resources Corporation was a little known company largely owned by presidential friend Dante Tan. It was given sole authority by the government to implement an on-line bingo betting game nationwide. Initially trading for less than PhP2 per share in early 1999, the company's stock zoomed to a peak of PhP107 per share on 11 October before tumbling by 50 percent a few days later. By the end of the year, the stock price had plunged to around PhP8 per share. During much of the second half of 1999, trading on the stock had accounted for 30 to 40 percent of stock market activity (Torrijos/*Philippine Daily Inquirer* Interactive: 21 January 2000). After several months of investigation by the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) in which 40 stockholders, 11 brokerages and 2 corporations were implicated, the Department of Justice (DOJ) filed criminal charges on 19 December 2000 against majority owner Tan, PSE broker and former BW president Eduardo Lim and BW stockholder/manager Jimmy Juan (Santillan-Visto/*Business World* Internet Edition: 20 December 2000). More recently, the SEC said that 30 more respondents, including 8 stock brokerages, will be named for possible prosecution by the DOJ (Visto/*Business World* Internet Edition: 20 February 2001).

[3] See Lim (1999). Lim includes prominent economists like Paul Krugman, Joseph Stiglitz and Dani Rodrik in this group. Those who see themselves as doing "structuralist" or "heterodox" macroeconomics, like Pieper and Taylor (1998), Felix (1998), Montes (1998, 1999), Montes and Popov 1999), Wade and Veneroso (1998a, 1998b), Griffith-Jones (2000) and Bello (1998) may also be said broadly to fall within this camp.

[4] This literature is rooted in classical sociology and the writings of Polanyi (1944, 1957) but finds contemporary expression in such works as DiMaggio (1994); Granovetter and Swedberg (1992); Powell and DiMaggio (1991); Smelser and Swedberg (1994); Zukin and DiMaggio (1990); Hodgson (1994, 1996).

[5] I view this approach in international political economy as part of a broader school of "critical constructivist," "post-positivist," "constitutive" or "discursive" forms of theorizing in international relations (e.g., see Weldes, Laffey, Gusterson and Duvall 1999; Smith 1996, 1995; Milliken 1999; Wendt 1998).

[6] Porter's use of the term "late-modern knowledge structure" builds on the work of Baumann (1992), Beck (1992), Giddens (1990), Harvey (1989), Lash and Urry (1994).

[7] Agency theory, including the conceptualization and policy advocacy of a "market for control," is associated with the work of a number of "Chicago school" financial economists, and of Michael Jensen, in particular: e.g., Manne (1965); Fama (1980); Jensen (1978, 1988, 1989, 1991, 1993); Jensen and Meckling (1976); Fama and Jensen (1985); Jensen and Ruback (1983); Jensen and Warner (1988).

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