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**State and Governance in the Contemporary
International Economic System**

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Abstract. The end of the Cold War caused many changes in the world's political and economic order. Under the newly reshaped world order, debate on the role of states with regard to governance of the international economic system has reached unprecedented levels, with some scholars proclaiming the end of the state and the beginning of a new era in a borderless world, and others insisting that nothing has changed with regard to the state's role. It is obvious that, since 1991, changes in technology have greatly enhanced the volume, intensity and speed of international economic activities. In today's highly interdependent world economy, the state's power has indeed been transformed to meet the needs of changing international markets, but this transformation does not necessarily mean a diminishment in the power of the state. When an international crisis arises, neither private actors nor civil society organizations are called upon to solve the problem. The state as an actor appears to be turning to the economic scene these days through ongoing bail-out operations.

Keywords: State, Globalization, Governance, International economic order.

JEL Class: F23, F60, F68, G38.

1. Introduction

With the collapse of the Soviet Union in 1991, the neo-liberal version of capitalism became the only game in town in international economy. Given the economic and technological transformations of the last three decades in terms of globalization of everyday life, the private sector, supported by neo-liberal ideology, has increasingly carved out broader areas of autonomy for itself. Since Rosenau's (1997) article, this growing discretionary power of private actors vis-à-vis states was accepted as a new form of governance in international relations. However, in the wake of the global financial crisis, the accepted wisdom of private bodies and markets' ability to self-govern their affairs is increasingly questioned and the problem of how to tackle this burning issue has emerged.

Even as many pundits, especially those from the realist camp, have long defended the idea that the nation state is the most important actor in determining the fate of the world economy, the state as an actor seems to turn to the economic scene these days through on going bail-out operations. Hence, in this essay we try to conceptualize the enigmatic issue of governance by looking at the transformative

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relationships of recent decades in the global economy. In this conceptualization, our effort focuses on the changing roles of states, markets and other private actors, and how they interact with each other. The first part of the essay deals with the recent literature in terms of whether the state's role really is diminishing in the global economy, while the second part explores the question of private governance and how it has affected state-market relations. In closing, we also touch upon questions such as whether this state-private dichotomy has eroded the notion of popular sovereignty, since legitimacy of the nation state still rests on democratic decision-making processes.

2. Discussions on the Role of the State

Is the state disappearing? Depending on our answer to this question, we develop different approaches to governance. On the one hand, if the state is disappearing and we are witnessing a transformation to a global economy, it becomes almost impossible to govern international economic relations. On the other hand, if the state is not disappearing and the economic system continues to function as an interdependent international economy, the state should continue to have governing power, strong or weak, over economic activities. In short, in an interdependent international economy, states continue to have important roles in the economy, but have only very limited functions in a global economy. Since in a global economy the distinction between domestic and international markets disappears, the state does not have the power of governing markets. This is simply the result of the fact that nation-states are local, and they cannot deal with a global economy. States continue to have significant influence in some areas, like trade, but very limited influence in other areas, such as finance.

In general, we do not think that the nation-state is disappearing and we agree with Gilpin's claim that "the nation-state continues to be the major actor in both domestic and international affairs." As Frankel (2000) argues, in some respects economic integration is "not as striking as widely believed." In the same manner, Gilpin (2001) argues that economic globalization is limited and also has limited effects on the state. It is also important to remember that integration of the world economy has been highly uneven across different geographic regions, and has been most significant in North America, West Europe, and Pacific Asia. Similarly to Gilpin, Hirst & Thompson (1999) claim that the current international economic system is an international system that was started in the 19th century, not a global system, as has been suggested. From their point of view "far from being undermined by the processes of internationalization, these processes strengthen the importance of the nation-state in many ways."

Using an approach similar to Hirst & Thompson (1999), Weiss (1998) sees the current international economic system as an 'internationalized' but not a 'global' system. She argues that in the current debate about states' role in the economy, states' adaptive capabilities have been largely ignored and "the ability of nation-states to adapt to internationalization (so-called 'globalization') will continue to heighten rather than diminish national differences in state capacity, as well as the advantages of national economic coordination." From Weiss' perspective, "So-called 'globalization' is not likely to displace state power. If anything, it will make it more salient."

Against these internationalist arguments, globalists argue that the international economic system has been transformed into a system that substantially differs from an inter-national economy governed by nation-states. In their book, Held et al. (1999) provide us with important insights in analyzing the contemporary world economic system. According to the argument put forward in this book,

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globalization is not something new, but “contemporary patterns of globalization constitute a distinctive historical form which is itself a product of a unique conjuncture of social, political, economic and technological forces.” Although none of the three theses presented by the authors—‘hyperglobalist,’ ‘skeptical,’ and ‘transformationalist,’—presents an accurate description of the existing international economic system, each helps us to look at state-governance issues from different angles. We think it is important to look at globalization, as the authors argue, as “neither a singular condition nor a linear process. Moreover, it [globalization] is best thought of as a highly differentiated phenomenon involving domains of activity and interaction as diverse as the political, military, economic, cultural, migratory and environmental.” It is important to note that, from the authors’ perspective “globalization is not, nor has ever been, beyond regulation and control” and globalization does not mean the demise of the state. At the same time “we must recognize that political power is being repositioned, recontextualized and, to a degree, transformed by the growing importance of other less territorial-based power systems.” (Held, et al., 1999)

According to Kobrin (1997) “we are in the midst of a qualitative transformation of the international world economy.” From his perspective, the current world economy is “broader” and “deeper” than the late 19th century’s economy and “the dominant mode of organization of international economic transactions has changed significantly.” Kobrin argues that “the modern international economic system of cross-border linkages between discrete national markets is being replaced by a global, postmodern, networked mode of organization where the very concept of geographically based economic activity may not even be relevant.” In such an environment, states have big difficulties in dealing with economic markets. In most cases, integration into these markets comes at the expense of state sovereignty. Kobrin does not argue that the state will disappear in a global economy, but rather that “globalization will markedly constrain the autonomy and effectiveness of states and, at a minimum, raise serious questions about the meaning of internal and external sovereignty. [...] globalization will affect structure and functioning of both states and the inter-state system.”

On a parallel with Kobrin’s argument, Scholte (2000) sees the current world economic system as global rather than international and argues that in the current global economy, the state continues to exist and retain important roles, but with state sovereignty coming to an end at the same time. From Scholte’s perspective, we have witnessed “the rise of supraterritoriality” and “this has promoted moves toward multilayered governance, where regulatory competences are more dispersed across substate, state and suprastate agencies.” Scholte also argues that “globalization has encouraged a growth of regulatory activities through nonofficial bodies.” According to Scholte, in a global economy the state reconstructs itself to adapt to loss of sovereignty and to “service both supraterritorial and territorial constituents.” This end of sovereignty of the state, together with “multilayered public governance” and the rise of “privatized governance” constitute the greatest challenges to governance in a global economy. From Coglianese’s (2000) perspective, there are three major problems for governance in a global world: “coordination problems; commons problems; and problems of core values such as human rights.”

Globalization has contributed to a significant increase in nongovernmental organizations (NGOs) in the last few decades, and albeit that this increase is unequal across different countries, NGOs have become important actors in international organizations and forums. (Brown et al., 2000). According to Scholte (2000), in contrast to the common view, globalization has not supported democratization, and with the rise of the supraterritorial, democracy has faced

difficult times. “Contemporary globalization has generally weakened democracy through the state.” In this global economy, NGOs themselves do not have democratic structures, but it does not have to be this way and “globalization and democratization can be complementary.”

Similarly to Scholte, Robertson (2000) raises important questions about the democratic structure of ‘civil society’ organizations. From Robertson’s perspective, NGOs do not represent ‘civil society’ and with their current non-democratic structures they should not be allowed to have greater power and representation in international organizations without developing “a code of conduct” for them. According to Robertson, NGOs main criticisms of the World Trade Organization (WTO), namely ‘non-discrimination’, ‘transparency,’ and ‘reciprocity’ are totally biased.

In the article where they examine changing attitudes of international non-governmental organizations (INGOs) in a competitive market environment, Cooley & Ron (2002) argue that “the transnational environment is pushing INGOs and international organizations (IOs) toward greater competition, regardless of their normative starting points or orientations.” This is a result of two changes that have taken place in the international system; increasing numbers of IOs and INGOs and ‘marketization’ of aid activities. Therefore, the authors conclude that “a large amount of assistance” and involvement of many organizations do not guarantee project success. There is need to develop an effective mechanism of governance and this is crucial for coordinating various organizations’ activities in complex circumstances.

O’Brien, et al. (2000) examine the relations between major multilateral institutions (MEIs) and global social movements (GSMs). For MEIs, they examine the International Monetary Fund (IMF), the World Bank (WB), and the WTO, and for GSMs they examine environmental, labor, and women developments. In general, the authors argue that “the foundations of global governance go beyond states and firms to include social movements.” Based on their analysis, the authors find that MEIs have undergone significant transformations since early the 1980s, to which GSMs have contributed. In the contemporary situation “MEIs are moving beyond their interstate mandates to actively engage civil society actors in numerous countries.” According to Keck & Sikkink (1998), similar to GSMs, “transnational advocacy networks” influence behavior of states and international organizations.

Despite so many challenges, the nation-state still has important role in governance, but it is important to note that many changes are taking place in this role. Although states continue to dominate the leading international economic organizations, like the IMF, WB and WTO, we need to consider the rise of non-state actors while examining governance. As Keohane & Nye (2000) argue quite convincingly, the “nation-state is the most important actor on the stage of global politics, but it is not the only important actor.” It is important to remember that, as Rodrik (2000) argues, globalization “undercuts the ability of nation states to erect regulatory and redistributive institutions.” In the contemporary situation, global networks are becoming more complex. The effects of globalization on states vary depending on the size, power, and domestic political structure of the states (Keohane & Nye, 2000).

3. States, Markets and Governance in the 21st Century

In the first part of this essay, we tried to summarize discussions on the influences of globalization over state authority and whether states still have the capability to control broad areas of social life. What one can discern from these disputes is the fact that markets— especially the free markets of neo-liberalism—

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are the main institutions that not only have significantly bypassed state regulations and the concept of territoriality but in the process have apparently carved out autonomy for themselves.

As claimed by many pundits since the emergence of Euro-Dollar markets in the 1960s and widespread capital movements across geographical areas in the aftermath of the fixed exchange rate system of Bretton Woods in the 1970s, capital has been greatly empowered against other actors in societies. Accompanying these aforementioned changes were the rise of neo-liberal economic theory against the Keynesians, and the more flexible work place and production organizations vis-à-vis the old standardized Fordist model. So what we witnessed was a kind of qualitative break with the regulatory social welfare state in Western economies (Harvey, 1999). Moreover, the cumulative effects of debt crisis and unsuccessful experiments with import substitution in underdeveloped countries culminated in IMF and WB structural adjustment policies, whose gradual results were the opening up of Third World markets to increasing penetration by foreign capital. Hence, by the time we arrived at the end of the 20th century, most of the world's governments had, one way or another, through the collapse of existing alternatives, been forced to accept the legitimacy of mantras of free market and free trade.

Within that nexus of globalizing markets and national economies, some market actors, especially in the financial world, were found to be ahead of others in what we call creating spaces of authority for themselves, which provided them with a structural power against both states and other private actors. Rising uncertainties in global capital movements, increasing financialization of the corporate balance sheets and the widespread attraction of informal, low-tax havens for investors brought to the fore these actors, namely credit rating agencies, off-shore financial centers, hedge funds and leveraged financial operations. Since they were the main culprits in the 2008 financial crisis, we will analyze them in more detail in future sections. However, first we have to look at the nature of private authority and what pundits called private governance over public government in today's global economy.

Private governance as a concept has emerged concurrently with the growing power of markets and transnational neo-liberalism's increasing questioning of state involvement in economy. Thus, markets' rising autonomy from state regulation engendered a need to govern those autonomous areas of economy and society. As explained above, the collapse of the Bretton Woods institutions and their associated certainties in terms of trade and exchange parities paved the way for an era of uncertainty in the economic realm, and given the suspicions of corporations in government regulations and social welfare states, private actors required cooperation among themselves. The areas of issue were forums for deliberations and conflict resolution, dissemination of crucial information regarding norm compliance and the need for responses to urgent social and economic problems (Pattberg, 1999). In recognizing the ascendance of parallel processes of governance alongside traditional institutions of government, Rosenau (1997) defined these processes as new generic spheres of authority whose primary feature was freedom from sovereignty. Kooiman & Vilet (1993) described this new phenomenon as a more horizontal and multifaceted way of reaching decisions in certain areas of social life, but one whose efficacy may vary according to the structural power of actors within the global political economy. For Stoker (1998), governance refers to a set of institutions and actors that are drawn from but also beyond government. Ruggie (2004), on the subject of constructing norms, rules and responsibilities in the global arena, argued that a small but growing area of norms and rules governing relations among social forces is based on global channels and

processes. According to Bailey (2002), with the advance of bourgeois society and capitalism's market-based social relations, the private and public realms and their juxtaposition become an important dimension of our society. Arendt (2013), in 1958, outlined the importance of the issue by noting that public interest, elected government and representative decision-making in the public sphere is a fundamental form of legitimacy for politics. Then, the growing autonomy of markets and private actors from public regulation brought with itself questions regarding concept of popular sovereignty. In criticizing off-shore financial centers and their relationship with state sovereignty, Roberts (1994), in pointing to the participation of big industrial states in creating off-shore financial centers and banking operations within their own territory, concluded that these autonomous spheres of private actors have been eroding not state sovereignty, but the notion of popular sovereignty, since they result in almost complete nullification of public regulation and taxing powers over corporations. What one can conclude from this discussion is the fact that in today's global neo-liberal markets, the distinction between private and public authority is a significant problem, with the forms of legitimacy for democratic decisions continuing to lie in the public sphere. In the next section, through looking at the main contours of the global financial crisis and the solutions implemented by authorities afterwards, we will analyze what kind of problems occur around this controversy pertaining to different forms of governance.

4. Increasing Autonomy of Private Networks

As corporations have searched for cheaper costs and new lucrative markets around the world since the 1970s, so too have the banking sector and financial firms pushed for less regulated markets in order to pave the way for financial innovation, tax evasion, and unrestricted capital mobility. As and from the Thatcher and Reagan years in the Anglo-Saxon world, bankers gradually persuaded law makers to abandon the precautions of the previous period, i.e. Fordism, regulated markets, etc.

Most commentators argued that the 1999 repeal of the Glass-Steagall Act in the USA, (legislation that had aimed to separate investment banking and commercial banking operations and to limit the underwriting of securities and affiliated activities by commercial banks) was a turning point for the rising recklessness in risk-taking among financial industry players (Carpenter, & Murphy, 2010). Stiglitz (2010) noted that with repeal of this act, commercial banks were free to explore the uncharted territory of excessive risk-taking since they had to compete with investment banks and other securities firms in the new banking field. Moreover, he further argued that these new banks would create such large bank-holding companies that they would be too big to fail in the event of a crisis. Another voice from the same strand was Mayer (2009), who connected the repeal of the Glass-Steagall Act to financial crisis through three factors. First, it permitted banks to perform operations whose risks they did not understand. Second, it allowed for the spread of risk to almost every corner of the finance industry through easing the formation of close-knit networks. Third, it neglected the incompatibilities of business logic in commercial and investment banking. He went on to say that since 1961, commercial banks had been engaged in this endeavor to bypass government regulation, a prime example being Citibank's shadowy liability management of negotiable certificates of deposit. Hence, one can assume that financial sector players were involved in excessive risk-taking and shadowy operations even before the 1990s.

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As for off-shore centers, these jurisdictions or sometimes small islands overseas served financial and non-financial institutions, and individuals in numerous ways. Mainly, they facilitate escape from higher tax burdens in original home countries by establishing low or non-tax legal frameworks. Financial or other company types also use these jurisdictions as asset parking places, especially if the nature of those assets may create legal and regulatory risks for the owners. Another service rendered by these places is protection of assets from repatriation currency controls or total expropriation by home country authorities. Usage of flags of convenience by the shipping industry can be counted as a primary example, as it was even encouraged by the U.S during the Cold War years. As these shadowy banking operations increased and even became permitted by governments since the late 1960s, financially risky trading in derivatives, securities, and insurance swaps have been taking place in those off-shore financial centers, isolating investors from sometimes cumbersome banking regulations in on-shore areas. Also by providing an opportunity for companies or individuals to form off-shore subsidiaries, these centers facilitate operations of market manipulation such as accounting tricks. The Enron and Parmalat scandals revealed the risks these centers brought to the global economy (Roberts, 1994).

Hedge Funds were created on the promise of creating higher rates of return regardless of the overall market situation, so-called market neutrality. In this way, they gradually attracted large-scale investors to their portfolios, which were more complex and volatile in nature compared to conservative mutual fund operations. Since the hub of their business depends on diversification of risk, these funds and their managers tended towards escape from strict regulations, as this was the prime reason for the creation of off-shore hedge funds (Brown, Goetzmann & Ibbotson, 1999). In such diverse markets and with such fluctuating values, privacy of the operations and slightly higher returns against competitors were of the utmost priority because fund managers were paid according to the overall performance of their portfolios. Off-shore centers provided a convenient sanctuary in terms of secrecy, while at the same time these non-tax environments increased the values of funds, which in turn accrue as profits to investors and managers. After the 2008 financial crisis, the US government did try to strengthen regulatory oversight of these funds, through the Dodd-Frank Wall Street Reform Act for example, by forcing them to disclose more information regarding their transactions, but managers mostly bypassed those requirements using independent private auditors. Also, the US legal system offers much by way of loopholes to these funds in their use of overseas shadow banking corporations to refrain from meaningful disclosure on their balance sheet.

Apart from these regulatory problems, another dimension to the problem of governance in the current global economy is that hedge funds can make extensive use of electronic trading in complex ways, which creates controversies as to their burden on market competition. By commanding enormous amount of money, these funds and their structural operations can benefit from minuscule differences in time and space across world markets. Automatic orders and trading programs with highly sophisticated mathematical formulas were known to be used. These type of transactions not only increase arbitrage gains of speculators, but also heighten the volatility and spread of risk (Agarwal & Naik, 2004). Most interesting to note about these fund portfolios is the participation of retirement funds and some institutional investors, who were tax exempt in their home countries as they disguised these capital gains through off-shore centers.

The nexus at which all these private financial actors and their behavior converged were the credit rating agencies. These emerged mostly as national credit reporting agencies and continued that way until the 1970s, but significantly

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increased their presence in the financial world from the beginning of the 1980s. After the Bretton Woods era and in the period of euro dollar markets, the ability of corporations and sovereign borrowers to acquire funds has come gradually to depend on the ratings that these agencies ascribe to their bonds and stocks. With this new power, Moodys and Standard & Poors changed their fee payment structure from subscribers to issuers of paper assets. These actions were supported by US regulatory and licensing framework, as it declared these agencies "nationally recognized statistic and rating organizations". Moreover, retirement funds and other institutional investors were required to invest in high grade bonds, thus implicitly signaling the growing power of credit rating (Sylla, 2002). Aside from these developments, under the globally uncertain conditions of the financial markets the need for knowledge regarding the past and future potentials of corporations and sovereign borrowers rendered these rating firms more powerful. Even though their performance as predictors of imminent crises has so far been signally unsatisfactory, they can easily influence the fate of a borrower through their grading changes. In addition to this, protected by freedom of speech clauses in the U.S constitution, these private actors are not accountable to the public, while the general population is directly affected by the immediate consequences of rating upgrade or downgrade in the current global economy. On another note, some scholars point to the conflict of interests among these private actors in assigning ratings and the process of issuing a bond or stock, since most credit rating agencies have created and depend on complex forms of networks to insure to access adequate information (Sinclair, 1994).

5. 2008 Crisis and Return of Governments

While one group of pundits blamed lax government policies and certain individuals for its occurrence, one certainty regarding the 2008 financial crisis was the excessive risk environment created by free markets and their associated private actors, whose interests lay in joining the ongoing speculative frenzy in derivative markets. In Rasmus' (2008) words, at the time of the crisis the global derivative markets size reached 500 trillion dollars compared to mere 50 trillion dollar global GDP. Accompanied by privatization and deregulation, financial companies not only created innovative debt instruments out of derivatives, but also formed shadowy banks, so-called structured investment vehicles, credit default swaps, to secure the marketing of collateralized debt obligations (CDO). Annual debt issuance exceeded 1 trillion dollars at the height of this frenzy. As most CDOs were composed of different debt elements from sub-prime mortgages and asset-based commercial papers to student and car loans, when the liquidity gradually evaporated in the aftermath of the U.S housing price decline, most people and investors found themselves in total disarray. Since nobody was really sure about the exact content of all these diverse investment tools, stress signals emanated from BNP Paribas related hedge funds, Bear Sterns, and Lehman Brothers' defaults triggered a chain of events that spread the contagion effect of the risk (Rasmus, 2008). CDOs, initially bundled to diversify the risk, actually helped to proliferate the panic in the hands of now too-big-to-fail banks. So, in mid-September 2008, without a proper government bailout, the US and international financial system came to the brink of collapse as most valuation estimates of private actors failed to inject enough liquidity and confidence into the system. The Great financial crisis and ensuing recession across the world economy revealed another bleak point in the system; governments' voluntary participation in the speculative excesses by disguising real debt levels through using the same accounting tricks. After 2010, the collapse of confidence in the Greek government's ability to pay its debts,

concomitant Eurozone countries' intervention in the Greek debt, and news of Icelandic debt displayed how deeply the private-public partnership was responsible for formation of the crisis.

Although entirely in contradiction to the very notion of free markets and private governance, there was immediate action taken by governments to limit the contagion of risk and panic. U.S and Eurozone governments initiated bailout packages that surpassed 2 trillion dollars in the wake of the Lehman Brothers' collapse. Major central banks of the Western world, led by the U.S Federal Reserve, designed these bailouts in terms of providing liquidity to frozen markets in the form of asset purchases from troubled banks with the hope that these saved banks would supply commercial and consumer credit markets in turn. However, largely the result of these actions was the hoarding of money by financial institutions due to a lack of profitable investments in the short term (Black & Hazelwood, 2013). Even at the time of writing, the U.S and other major economies have hardly passed pre-2008 GDP levels. In terms especially of quality of jobs lost and new ones created after 2009, there are great discrepancies, if we look at the general increase in wage levels of the work force in major economies. Political economists have found that from 2009 to 2015 wealth and income inequalities have deepened across the Western world despite the rhetoric of recovery. In addition to these developments, newly initiated regulatory efforts like the Dodd-Frank Wall Street Reform Act, the Volcker Rule and Basel III liquidity standards have remained palliative solutions to the problem since they do not question the roots of the problem and the inherent tendencies of markets (Roberts, 2015).

So governments' return to the scene did not mean any real weakening in neo-liberalism and private sector power over governance of the global economy. Though it was obvious that financial markets and private firms could not correct the crisis conditions without outside help, most post-2008 policy responses focused on relieving private sector stress rather than that of the public. As examples, the US TARP bailout of big banks, relatively smaller size fiscal stimulus followed those bail-out packages and the European Central Bank's stringent insistence on fiscal austerity in troubled Eurozone countries can be given. Even in highly troubled countries like Greece, the priority of the troika of European institutions was to pay back Greece's private sector debts rather than alleviate the suffering of the Greek masses. The Greek public's refusal to comply with fiscal austerity in the 2015 election and referendum fell in deaf ears as EU major powers like Germany refused to step back from the fiscal austerity conditions of Greek bailout package (wsws.org, 2016). Hence, the question that comes to mind is whether international and national financial decisions of governments are really insulated from popular vote and participation?

6. Conclusion

Do we currently have an interdependent international economy or a global economy? While we have a system closer to an international economy in trade, in finance we have many characteristics of a global system. FDI carries the characteristics of both economic systems.

As presented in the first part of the paper, given the varying conclusions on different issues, state-market relations have become much more complicated leading to much greater challenges in governance of domestic and international markets. These difficulties may be related to a number of factors, such as growing challenges to state sovereignty, increasing numbers of 'civil society' organizations, and increasing complexity in economic networks.

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Despite all these changes in contemporary economic relations, it is important to note that we are presently nowhere near complete international economic integration and completing this process may take a very long time. The highly integrated so-called, 'global' economy exists only in economically developed regions of the world, namely North America, Western Europe and Pacific Asia. A big part of the world has been left out of this process. While debating globalization, it is important to keep in mind that a 'global' economy is not necessarily the final destination. As has been argued earlier, since globalization is not a linear process, it may not go in the direction many people have been forecasting. Regional integrations may pose the biggest challenge to a 'global' economy in the future and globalization may come across greater hostilities in economically inferior regions and states.

In the current situation, the nation-state, despite several challenges, continues to be the most important actor in economic relations. While analyzing state's role in the contemporary world economy, it is important to note that the state is not static, and by transforming itself it has been able to remain at the economic center. In today's highly interdependent world economy, the state's power has been transformed to meet the needs of changing international markets, but this transformation has not necessarily happened in the form of diminishing power of the state.

Even as private mechanisms of governance replace public decision-making and regulations in broader areas of life, the recent global financial crisis again exposed the inherent weaknesses of private institutions like markets in correcting and administering to their excesses. We have witnessed public authorities being called on to bail out some of these private actors whose behaviors were the primary causes of the crisis, but the above-mentioned discussion revealed that these public interventions usually aimed to reduce the losses of a minority rather than providing any extensive solution to alleviate widespread mass suffering in the wake of a recession. In this essay, we focused on the discussion among pundits on the state-private governance dichotomy, but research results show that the immediate question is much broader than this dichotomy and touches upon the more sensitive area of the importance of popular sovereignty. Rather than getting caught up in the former, people should instead cast a closer eye on the erosion of popular power in public issues.

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