

Torsten Strulik, Helmut Willke (eds.)

# Towards a Cognitive Mode in Global Finance

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The Governance of a  
Knowledge-Based Financial System



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## Introduction

Torsten Strulik

1. The Governance of Global Finance
2. Normative and Cognitive Expectations
3. Governance as a Cognitive Problem
4. Towards a Cognitive Mode of Global Finance?

### 1. The Governance of Global Finance

The end of the Bretton Woods System in 1973 is widely seen as the starting point of the global financial business. Although the first global financial market had already been established in the form of the Euromarket in 1958, the transition to flexible exchange rates set financial economic dynamics in motion which reflected both a globalization of transactions and high-speed innovation. For the governance of the financial system, the developments of the last three decades have meant a massive expansion of the range of opportunities for market actors. With the support of new information technologies and communication media, domestic and offshore financial markets have been opened and integrated into a single global market, including all industrial as well as a growing number of developing countries. At the same time, social expectations regarding the ability of public actors to intervene have grown disproportionately to their ability to keep up with the new opportunities and competencies of the market actors. There is a discernable institutional gap between the global nature of finance and the domestic charter of central banks and supervisory agencies. On the basis of this diagnosis numerous observers have attributed current problems in regulating global finance to a transition from a government led international monetary system to a market-led international monetary system (Padoa-Schioppa/Sacomanni 1994). The corresponding research question is: Which new forms of governance respond to an increasing exterritorialization and autonomy of financial transactions? Instructive analyses can be found not only of institutional and regulatory adaptations on the national, international and supranational levels (e.g. Dale 1984; Kapstein 1996; Eichengreen 1999; Scholte 2002; Wood 2005) but also of the increasing relevance of private actors (e.g. Sinclair 1994; Tsingou 2003) and mixed public-private arrangements (e.g. Strulik 2000). This book aims at opening up a complementary perspective. On the one hand, diagnoses of exterritorialization and the autonomy of finance are addressed. On the other hand, a shift of research towards the relevance of knowledge for governance might produce new insights in light of the continuing development of the regulatory field as well as the intensification of the debate on the characteristics and effects of the knowledge society (e.g. Adhikari/Sales 2001; Willke 2002). This introduction will argue that, for an adequate understanding of the current governance problems of global finance, it is important to consider the characteristics and consequences of the knowledge production of the global financial system as well as the relevance of knowledge for politics. The starting point of this analysis is the assumption that the globalization of the financial business is not only accompanied by a spatial incongruity of financial economic and political opportunities for action. Considering Niklas Luhmann's (1991) thoughts on the emergence of a world society, it appears instructive to examine the present problems of the governance of global finance in respect to different expectation structures towards which the functionally specialized societal subsystems of politics, law and the economy orient themselves.