

Responsibility For Financial Crises

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Abstract: *How is the unjust global order reproduced, and how are we to think about individual responsibility therefor? Social and global justice scholars have devoted much thought to these two interrelated questions. In this article I argue that to capture the multifaceted responsibility picture for the reproduction of the unjust global order, an integrated responsibility model is needed, which builds on, integrates and revises existing responsibility theories. To do so, I analyze one set of complex social processes through which the unjust global order is reproduced, namely financial crises. The integrated responsibility model defended offers three heuristic categories to think through the full responsibility picture for the reproduction of the unjust global order via financial crises: the structural-agential level, structural processes proper, and the structural-systemic level.*

The trickiest question for global justice scholars to answer—and the question that this article addresses head-on—is who is to be held responsible for the reproduction of the unjust global order (UGO). In this article, I draw on existing responsibility theories to present and defend an “integrated responsibility model (IRM), whose aim is to capture the multifaceted responsibility picture for the reproduction of the UGO. To do so, I focus on one set of complex social processes through which the UGO is reproduced: financial crises. Financial crises are crucially important and deeply puzzling social phenomena. They are crucially important since they are devastating for those occupying a position of disadvantage and vulnerability in a deeply unjust global order. If one shares the conviction that any insightful analysis about responsibility attribution needs to take a closer, more critical look at individual domains in which the injustices characterizing the global order are reproduced (Forst 2001, 165–66), then financial crises become a crucial domain of study. Financial crises are deeply puzzling since chains of causality are notoriously complex and difficult to trace. From the thousands of depositors who rush to withdraw their savings from banks, to bankers,

bondholders, hedge fund managers, governments, regulatory agencies, and international financial institutions, financial crises develop out of the intended and unintended consequences of the decisions of a vast number of actors within complex institutional environments. Rather than being a reason to shy away from it, however, the very complexity of financial crises in combination with the awareness that they reproduce preexisting global injustices should serve as a powerful invitation to endeavor their study.

To defend my IRM and answer the question of how we ought to think about individual responsibility for the reproduction of the UGO, I proceed as follows. In the first section of this article, I briefly lay out why I take the global order to be unjust and how financial crises reproduce this unjust order. I also introduce desiderata that any responsibility model aimed at capturing the responsibility picture for the reproduction of the UGO needs to meet. In the second section, I outline the two main models defended so far in the global and structural (in)justice literatures on how the UGO is reproduced and how we ought to think of responsibility in turn. In the third section, I revise these models and introduce the

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first two heuristic categories that an IRM ought to entail, namely, structural-agential contributions and structural processes. In the fourth and final section, I introduce the last heuristic category, the structural-systemic level.

Preliminary Remarks

Philosophers continue to disagree on what ideal justice entails. This does not, however, inhibit most of them from identifying situations in the real world that are nearly unanimously considered to be unjust: A situation is considered to be unjust, first, when asymmetries between the starting position of agents exist that put some agents in a position where they face significant obstacles to and disadvantages in the pursuit of living good lives, which, second, are social in origin. Let me briefly elaborate on both conditions of this working definition of injustice.

First, by talking about “starting positions,” what is implied is that an agent’s options in life are not solely affected by factors that are in his or her control—such as how hard he or she wishes to work or how much leisure time he or she chooses to have—but also by factors that are not. Among those factors are things such as the family, social class, or country that an individual is born into. These factors condition an agent’s options in life. When the starting positions between agents differ in such a way that some face significant obstacles to and disadvantages in the pursuit of living good lives, this constitutes an injustice as long as condition 2 is also met. Condition 2 dictates that an asymmetry only constitutes an injustice if these asymmetries are social in origin, rather than a consequence of misfortune. Whereas injustice is human made, misfortune is not, and can be a consequence of natural catastrophes. As Sen writes, “a calamity would be the case of injustice only if it could have been prevented, and particularly if those who could have undertaken preventive action had failed to do so” (2009, 4). Consequently, while there is a group of agents who can be held responsible for having caused injustice, there is no such group for misfortunes (Kahn 2012, 51).

What I mean when stating that the global order is unjust is that individuals qua members of a particular state face significant obstacles in living good lives due to the position their state occupies in the global order. Given that the global order is not the result of misfortune but is human made and could be changed (Pogge 2002), the asymmetries in starting position that inhibit some to live good lives constitute an injustice. To analyze how the UGO is reproduced, we thus need to analyze

how the starting positions of individuals qua members of states are reproduced.

When claiming that financial crises reproduce the UGO, what I am suggesting is that financial crises reproduce the positions of disadvantage that characterize the global order; where a position of disadvantage is defined as one where the agent occupying it faces significant obstacles in the pursuit of living a good life. Conclusively showing this claim to be true empirically goes beyond the scope of this article. I do not take this to be a very contentious claim, however. All that needs to hold for the claim to be true is that occupiers of positions of disadvantage are negatively affected by the consequences of financial crises, in virtue of the position occupied. If financial crises have a negative effect on those who are already worse off, this entrenches the positions of disadvantage of the global order for reasons that escape the agency of the occupiers of these positions. In the next two sections, three examples will be given as to how each type of financial crisis discussed reproduces the UGO.

My aim in this article is to evaluate the extent to which the ways of thinking about responsibility proposed so far allow us to make sense of the full responsibility picture in cases in which the UGO is reproduced via complex social processes, and financial crises in particular. I contend that to think through the full responsibility picture for financial crises, any responsibility model must meet three desiderata.¹

First, when applied to a concrete case, a responsibility model must provide an accurate and comprehensive diagnosis of how the UGO is reproduced by agents. In order to do so, a responsibility model needs to have heuristic categories at its disposal that capture the manifold ways through which the UGO is reproduced. Heuristic categories serve as mental aids. They help those who wish to attribute responsibility for injustices reproduced by complex social processes to think through all the relevant dimensions through which this occurs. How important these types of aids are to answer the question of how the UGO is reproduced via financial crises will become increasingly clear as I proceed. For what becomes clear is that some of the most important mechanisms through which this occurs do not require much intervention of agents at all, but can be “as silent as gravity” (Pettit 2012, 79).

¹To be sure, my aim is not to evaluate responsibility models as such, but to assess the extent to which the ways of thinking about responsibility proposed so far allow us to make sense of the full responsibility picture in cases in which the UGO is reproduced via complex social processes. These desiderata are postulated with this narrower aim in mind.

Developing a responsibility model that provides the appropriate heuristic categories requires engaging with the empirical details of how the UGO is reproduced. At the same time, developing such a responsibility model does not require incorporating all empirical evidence needed to make sense of the full responsibility picture for concrete financial crises. A balance needs to be found. Although the empirical analysis need not be exhaustive, enough empirical details and social science literature need to be taken into account to be able to develop a responsibility model with heuristic categories that truly capture the different ways through which the UGO is reproduced.

Second, a responsibility model must postulate a normatively sound conceptual toolbox that facilitates prescriptive debates regarding the attribution of responsibility to different agents. We care about responsibility attribution because we have a deep-seated intuition that those who commit a wrong need to be held accountable for that action. When an agent acts wrongly, the world changes in a normatively salient way, and this change requires redress (Miller 2007). This intuition is particularly forceful when an agent in a position of power contributes to reproducing an injustice or when a wrong is committed intentionally—that is, in a nonmorally innocent manner. Our responsibility model thus must provide the appropriate tools to attribute responsibility in a manner that allows us to set the moral scale right. As we shall see, however, not all contributions to the reproduction of an injustice are of this kind, and some may be morally innocent, unintentional, and/or conducted by agents with relatively little influence or knowledge about the complex social process that their actions contribute to (Young 2011). Our responsibility model thus needs to assist us in recognizing the distinct nature of different contributions made by agents to the reproduction of the UGO.

Finally, a third desideratum that our responsibility model needs to meet is actionability. Actionability implies that something ought to follow from the attribution of responsibility: The model needs to be able to say something about what is required to fix the status quo. While one reason why we care about responsibility attribution is undoubtedly because we want to set back into balance a moral scale that was upset by a wrongful act, we also care about responsibility because we want an unjust situation to be fixed, or at least be remedied (Miller 2007). Precisely because we do not solely care about fingerprinting—about identifying an agent or agents who can and ought to be held to account—but also about the unjust status quo being fixed, we hold the intuition that the moral scale is only put back into balance when the contributors to the injustice discharge their responsibilities.

The three desiderata—diagnosis, prescription, and actionability—are connected: In order to be able to say something about how agents can discharge their responsibilities by changing the UGO, the responsibility model needs to meet desiderata 1 and 2. It needs to meet desideratum 1 because it will not be able to say something about how agents can discharge their responsibilities by altering the UGO without an accurate diagnosis of how it is reproduced and where the pressure points in the UGO lie that would allow for meaningful change to occur. It needs to meet desideratum 2 because in order to say something about how agents need to discharge their responsibilities, the nature of an agent's contribution to the reproduction of the UGO needs to be taken into account. Expressed a bit more formally, for the responsibility model to meet desideratum 3 (actionability), it is a necessary yet not sufficient condition for it to meet both desiderata 1 and 2. In the next section, I evaluate how existing responsibility models fare in meeting the desiderata exposed.

Agential and Structural Responsibility Models

One can recognize two main camps in the global and structural (in)justice literatures regarding how the UGO is reproduced and how responsibility ought to be attributed therefor, namely, the agential and the structural models.² The agential model traces back the maintenance of the UGO to the contributions made by individual agents. Agents are held responsible for an unjust outcome resulting from a causal process that resides in the past and ought to be remedied.³ Responsibility is seen as deriving from a constitutive link between action and outcome, and attention is focused on identifying the grounds based on which an unjust outcome can be attributed to an individual or a collective agent.⁴ Based on this diagnosis, the prescriptive conclusion of the agential model is to

²What I call the agential and the structural responsibility models are best known in the literature as the liability and social connection models, respectively, as labeled by Iris Marion Young (2011). By calling the models “agential” and “structural,” I seek to highlight what I consider to be the focus of each model.

³Scholars who have defended the main tenets of what I call the agential responsibility model include Miller (2001, 2007) and—adopting an institutional approach—Pogge (2002).

⁴Different normative grounds are defended to do so, and these range from causal responsibility to moral responsibility, role responsibility, and benefit as well as nonmoral grounds such as capacity and/or community.

attribute backward-looking and isolating responsibility. It is backward-looking because responsibility is attributed for an act that came to an end and resides in the past. It is isolating because once responsibility is attributed to one agent (collective or individual) or to a group of agents, the others are “off the hook” (Young 2011, 105–6). Distributing and assigning responsibilities in a backward-looking manner appears essential to those defending the agential model, since a fair distribution of burdens is considered crucially important to set the moral scale back into balance (Miller 2008).

The agential model is invaluable in providing us with distinct, normative grounds that allow us to distinguish between different ways in which an agent can be responsible for an injustice. The agential model thus has the potential of providing invaluable conceptual tools to meet desideratum 2. Conversely, the biggest challenge faced by those defending purely agential accounts resides in their diagnosis (the first desideratum) and, more concretely, in showing how exactly particular agents are connected to and causally reproduce the UGO.

This critique of the agential responsibility model can take a stronger form and a weaker form. The stronger version maintains that isolating a single action is problematic because it is epistemologically impossible to directly link an actor’s deeds to the reproduction of the UGO. The causal link is so occluded by complex interactions that it is not possible to trace the relevant causal mechanism. The weaker form questions how sensible it is to identify one causal mechanism and single it out as the normatively relevant one. Even if it were possible to identify one such link (a possibility that the stronger version rejects), it does not seem normatively convincing to single out one agent’s contribution if different agents contributed in distinct ways to the reproduction of the UGO (Wiedenbrüg 2018, 7–8). Indeed, the biggest strength of the model—namely, that it identifies a wide array of distinct normative grounds to hold agents accountable—does not seem to be used to its full potential due to the isolating attribution of responsibility.

Partly in response to the difficulties faced by the purely agential accounts to prove the direct link between individual agents and the reproduction of the UGO, the structural model sustains that the UGO is reproduced through structural processes.⁵ Structural processes consist of the interplay of manifold actions, none of which can be isolated or individuated. According to Iris Marion Young, who coined the structural model, the UGO

is thus reproduced “by thousands or millions of persons usually acting within institutional rules and according to practices that most people regard as morally acceptable” (2011, 97). Financial crises are seen by defenders of the structural model as the paramount example of “large-scale social processes in which masses of individuals believe they are following the rules, minding their own business and trying to accomplish their legitimate goals . . . [resulting] in undesirable, unintended consequences when looked at structurally” (Young 2011, 97).

Based on the diagnosis that it is impossible or undesirable to single out an individual contribution to the reproduction of the UGO, the contributions made by different agents to the instantiation of a UGO is not specified. The prescriptive conclusion is that all those who contributed to a structural process that resulted in injustice are responsible for it. Contra the agential model, responsibility is not seen as deriving from a constitutive link between action and outcome, but “from belonging together with others in a system of interdependent processes of cooperation and competition through which we seek benefits and aim to realize projects” (Young 2011, 105). This responsibility is forward-looking and shared. It is forward-looking in the sense that responsibility resides in taking action to change the unjust structures. It is shared and non-isolating because the fact that one actor is held responsible does not relieve the others from being similarly responsible. Indeed, since the injustices at stake are structural, and therefore it is highly unlikely that one individual actor will have the ability to change the structures by him- or herself, the responsibilities will most likely have to be discharged collectively, by coming together and organizing politically to achieve change (Young 2011, 108–11).

In line with what defenders of the structural model contend, I agree that when looking at complex social processes, such as financial crises, the diagnosis of the structural model seems to be better able to capture how the UGO is reproduced.⁶ The structural model faces important challenges, however. In contrast to the agential model, whose main implausibility springs from the diagnostic part of its analysis (the first desideratum), the structural model’s biggest weakness resides in its prescriptive solution (the second desideratum): The claim that we all solely share forward-looking responsibility based on our belonging together in a shared system of cooperation and competition implies that all contributions to structural processes that reproduce the UGO are comparable. This is implausible at least in two ways.

⁶I argue for this claim in the next section.

⁵Scholars who have defended the structural responsibility model in some of its forms include Young (2006), Moncrieffe (2011), Kahn (2012), Parekh (2011), Calder (2010), Neuhäuser, (2014), Hayward (2017), and Ingram (2012), among others.

First, it is implausible because it does not distinguish between morally innocent and morally blameworthy contributions to the structural process. The claim that most contributions to structural processes that reproduce the UGO are “morally acceptable” (Young 2011, 97) disregards that not all contributions to the structural process actually are. To be sure, it is not the case that defenders of the structural model do not recognize that morally blameworthy contributions to the structural process exist, but they fail to develop a responsibility model that allows us to take this insight on board when attributing responsibility. Since responsibility springs from “belonging together with others in a system of interdependent processes of cooperation and competition” (Young 2011, 105) and not from a constitutive link between action and unjust outcome, we are given no conceptual tools to differentiate between the different forms of contributions that agents can make to the reproduction of the UGO.

The second reason why it is implausible to sustain that all contributions to the structural process that reproduces injustice are comparable is because agents who make these contributions have different degrees of power (Goodhart 2017; Gould 2009). The intuition to hold those to account who contribute to the structural process from a position of power is twofold. First, those in a position of power have the epistemic capacity to understand more thoroughly what type of consequences their actions will bring about. Second, there are strong reasons to be skeptical of the idea that the contributions made by the powerful are always morally innocent. The norms that become accepted as the epoch’s unquestioned background music often spring from powerful actors’ active pursuit of their particular interests (Goodhart 2017).⁷

⁷If we think of these two variables as conforming to a 2×2 table, it becomes clear that we ought to distinguish between four types of contributions: contributions of agents who have no real power and perform morally innocent acts that contribute to the structural process, agents who have little power and perform immoral acts, powerful agents who perform morally innocent acts, and, finally, powerful actors who perform immoral acts. Note, too, that it is not necessarily the case that simply because an agent is in a position of power, he or she will immediately be attributed greater responsibility. How the type of responsibility differs between agents making different sorts of contributions to the structural process is still an open question. In theory, some agents in positions of power may, for instance, have less responsibility, either because they did not act immorally or because they actively sought to avoid unjust outcomes. The overarching point here is that our responsibility model needs to provide us with the conceptual apparatus to be able to make these fine-grained distinctions.

In sum, the agential model fails desideratum 1: While it provides us with valuable conceptual tools to identify responsible agents, such as allowing us to distinguish between the contributions of agents with different degrees of power and moral innocence, it has difficulties in showing how exactly particular agents are connected and casually reproduce the UGO. Since the agential model fails desideratum 1, it also necessarily fails desideratum 3: The limited understanding of how the UGO is reproduced—the diagnosis—makes it difficult to make the model’s prescriptions of responsibility actionable. It is not clear what agents ought to do to remedy or change the UGO to which they contribute. The structural model, in turn, fails desideratum 2: Although the diagnosis of how the UGO is reproduced seems more promising, the model does not allow us to distinguish between normatively significant differences between the contributions made by different agents to structural processes that reproduce injustice. Failing to meet desideratum 2, the structural model thus also fails desideratum 3: It cannot provide guidance regarding what is to be done to discharge agents’ distinct responsibilities to alter the UGO.

On the basis of the respective strengths and shortcomings of these responsibility models, I contend that an integrated responsibility is needed—a responsibility model that draws on the respective advantages of these models and cancels out their drawbacks. To be sure, scholars who defend nuanced versions of the agential and the structural models may not necessarily disagree with the claim that an IRM is required to capture the full responsibility picture in cases in which the global order is reproduced via complex social processes. Young states that she does “not aim to replace or reject” the agential model, but simply seeks to show that it is “appropriate in some contexts but not in all” (2011, 100). Similarly, David Miller, whom I take to be defending a nuanced version of the agential model, makes very explicit that merely a “personal ethics approach” does not suffice to think about global injustice. “The harder we look at the problem” of global injustice, Miller claims, “the less it resembles walking past a pond in which a child is drowning.” Global injustice “is a macro-problem that requires systemic solution, and so thinking about it in terms of individual moral obligations seems an irrelevance” (Miller 2007, 11). Despite being committed to the idea that thinking about the reproduction of the UGO requires a way of thinking about responsibility that draws on both agential and structural considerations, to this day, no one has integrated them.

In the next section, I show how the shortcomings discussed theoretically in this section are problematic when trying to capture the full responsibility picture for financial crises and introduce the first two heuristic categories of the IRM.

Structural Processes and Structural-Agential Contributions

Financial crises are an excellent domain of study in which to develop and test an IRM, not merely because they reproduce positions of disadvantage in a deeply unjust global order, but also because they are paramount examples of extremely complex processes involving individual actions, chains of causality that are difficult to trace and occur within complex institutional environments. As stated in the introduction, rather than being a reason to shy away from them, the very complexity characterizing financial crises in combination with the awareness that they reproduce preexisting global injustices should serve as a powerful invitation to endeavor their study.

When political and social theorists think about financial crises (if at all), they tend to think about them in a very generic manner. In reality, however, financial crises represent “an amalgam of events,” which, while having common elements, “come in many forms” (Claessens and Kose 2013, 3–4). Though different categorizations and labels exist, four types of financial crises are most commonly identified: currency crises, sudden stop crises, sovereign debt crises, and systemic banking crises. Looking at these different types of financial crises in a more granular way allows us to shed light on how the UGO is reproduced and why an IRM is required.

Currency crises can be defined as an acute threat to the value of a domestic currency produced by a speculative attack. Currency crises may result in a devaluation (or sharp depreciation) of the domestic currency and/or in authorities attempting to defend the currency by expanding a large amount of international reserves, sharply raising interest rates, or imposing capital controls (IMF Research Department 1998, 74). There are innumerable examples of currency crises. A recent example is the devaluation that the Argentine peso suffered in mid-2018. A combination of factors made the Argentine peso an ever riskier currency to hold, and for months the speculative pressures had been rising. Internationally, the Federal Reserve’s (Fed’s) raise of interest rates hit emerging market currencies across the globe, making it more attractive to save in dollars than to hold emerg-

ing market currencies.⁸ Domestically, a rising debt burden raised question marks regarding the ability of the Argentine government to service its debt, and the monetary mismanagement of the central bank contributed to eroding confidence in Argentina’s administration.⁹ Together, these factors resulted in an uncertain climate for investors, who started dropping the peso. The sudden flooding of the market with ever cheaper pesos created the downward pressure, and a currency crisis unfolded (Basualdo et al. 2020).

This currency crisis reproduced the UGO. A marker that characterizes positions of advantage and disadvantage for states within the global order is a state’s capacity (or absence thereof) of accruing debt in its own currency at reasonable prices. Although the explanation as to why a country is or is not able to borrow in its own currency is still contested, there is a certain consensus among heterodox economists that the reasons why a country can or cannot do so “have something to do with factors largely beyond its [the country’s] immediate determination and control” (Einchengreen, Hausmann and Panizza 2003, 8). Indeed, a country’s inability to borrow in its own currency has been referred to as a country’s “original sin” to convey the idea that the problems that spring from not being able to borrow in one’s own currency may result not only from the actions of the affected country, but also from the position it occupies within the global order.¹⁰

As an occupier of a position of relative disadvantage within the global order, most of Argentina’s external debt is dollar denominated. Thus, once the peso started losing value against the dollar in mid-2018, the dollar-denominated debt burden became more expensive to service. This, in turn, reduced confidence in Argentina’s ability to service its debts, increasing financing costs and ultimately requiring Argentina to turn to the International Monetary Fund (IMF) for a US\$50 billion loan. This is one example through which the position of Argentina as a state occupying a position of disadvantage

⁸For an excellent analysis of the effect that interest rate changes of hegemonic central banks have on capital inflows and outflows to Latin American countries, see Cardoso and Helwege (1992).

⁹With its history of multiple defaults, confidence in Argentina as a sovereign debtor is highly volatile. For an overview of Argentina’s sovereign debt history, see Buchheit et al. (2020). For an analysis of how past defaults affect confidence in the present, see Bucheit et al. (2013).

¹⁰Second-generation dependency scholars, largely based at the Universidade of Campinas and the Universidade Federal do Rio de Janeiro, take this “original sin” argument one step further, arguing that it is the inability to borrow in one’s own currency that explains the late and/or underdevelopment of countries in the periphery (Velasco 2002; Vernengo 2006).

within the global order is reproduced via currency crises and hence one example of how the position of disadvantage of individual Argentines qua members of the Argentine state is reproduced.

Returning to the question of how the UGO is reproduced and abstracting from the Argentine example, we learn that currency crises that reproduce the UGO spring from the individual actions of manifold investors who, in aggregate, create downward pressure on domestic currencies. This is not to say that investors intend the outcome. Instead, the unintended consequences from a vast number of intended actions (saving in dollars and dollar-denominated assets) result in a pattern that triggers financial crises. This type of aggregate pattern is precisely what defenders of the structural model have in mind when describing structural processes that reproduce a UGO. To that extent, the structural model is correct, both in choosing structural processes as the conceptual lens through which the reproduction of the UGO is explained and in identifying financial crises as a paradigmatic example of such structural processes. Structural processes should thus be one of the heuristic categories of an IRM. To illustrate why it needs to be complemented with other heuristic categories, I now turn to a second type of financial crisis, namely, sudden stop crises.

Sudden stop crises result from a large and often unexpected fall in international capital inflows, or from a sharp reversal in aggregate capital flows to a country (IMF Research Department 1998, 75). A notorious example of a sudden stop crisis was the one that followed Paul Volcker's decision to sharply raise the Fed's interest rates in 1979. What constituted a cure for inflation and came at the price of a relatively short-lived recession in the United States and other advanced economies, however, was devastating for emerging and developing economies. When Volcker increased the Fed's interest rates, investors decided to stop investing in emerging and developing economies, preferring instead to save in dollars. The sharp reverse of capital inflows was particularly devastating for developing and emerging countries that had extensively borrowed from Western banks in the preceding decade, with the sudden stop crisis quickly turning into a sovereign debt crisis (Cardoso and Helwege 1992, 116–18).

As in currency crises, sudden stop crises reproduce the positions of disadvantage that characterize the global order. The very fact that the U.S. dollar operates as the world's currency to save, trade, and speculate is evidence enough for the existence of positions of advantage and disadvantage along the statehood axis. The sudden stop crisis, moreover, resulted in what has been termed "the lost decade" in Latin America (Devlin 1989) in terms

of economic growth, thereby reproducing the positions of disadvantage of the UGO. As in currency crises, too, in sudden stop crises we can recognize how the unintended consequences of individual activities result in a pattern that triggers financial crises. In the aggregate, the intended decision of individual investors to save in dollars drained emerging and developing economies from international capital inflows. If this were the only, or the most appropriate heuristic category through which to analyze the unfolding of a sudden stop crisis, the structural model would remain sufficient.

It can be argued, however, that a better description of the unfolding of the 1979 sudden stop crisis centers around Volcker's role as governor of the Fed. After all, it was his decision to raise interest rates that motivated individual decisions of investors to move their capital to dollar-denominated assets. Highlighting Volcker's contribution increases the diagnostic capability of the IRM. Any IRM that lacks the appropriate heuristic tools to distinguish between contributions such as Volcker's from contributions such as those of individual investors that, cumulatively, resulted in the retreat from capital from emerging markets seems incomplete, at best.

Looking back at currency crises, a similar claim could be made. What we observe in both cases is that, in addition to the cumulative effect of the unintended consequences of manifold individual investors, the decisions of public authorities in a position of great power (e.g., central bank governors) can be singled out as particularly meaningful. They are "particularly meaningful" because they either initiated a structural process that resulted in the outbreak of a financial crisis (e.g., in the Volcker case) or because the decision magnified the cumulative pattern that resulted in the crisis (e.g., in the Argentinean case).

Based on this observation, a second heuristic category needs to be introduced that captures the form of contributions that either initiate the unfolding of a structural process that reproduces injustices or that magnify such a structural process. These contributions may trigger or magnify a structural process in a morally innocent manner (with an act that is not itself morally condemnable and where the consequences of the intended act are not intentional) or may be morally condemnable (where the consequences were intended). I call this heuristic category the structural-agential level of analysis.

It is agential because the type of contributions that fall under this level of analysis can and ought to be individuated. They can be individuated because even if the strong critique against the agential model holds, we can still see that a particular act meaningfully contributed to the structural process that resulted in the unfolding of

financial crises and the reproduction of injustice. They ought to be individuated, either if the act is by itself immoral or if the contribution is done by someone in a position of power. Though the structural model is correct in identifying that the UGO is reproduced through individual contributions to a complex structural process, not all contributions are comparable. Using examples of the domain analyzed here, actors such as institutional investors, multilateral lenders, central bank governors, or government officials have a better grasp of the consequences their action may bring about than an individual pensioner who wants to retrieve her savings from the bank in the midst of a bank run. Even if those consequences are unintended, their contributions and the epistemic position from which they act cannot be compared to those of the individual pensioner whose sole contribution resides in retrieving her deposits from her neighborhood bank.

Though they can and ought to be individuated, it would be mistaken to see them as merely agential contributions. First, they are structural because although they can and ought to be isolated, these actions and decisions are also part of the overarching structural process that creates and reproduces structural injustice. Volcker's decision to raise interest rates, for instance, is as much a part of the structural process that resulted in the sudden stop crisis as was the decision of each individual investor to move capital out of emerging markets. Second, agents are not merely constrained, but also enabled by structures. Agents who contribute to structural processes that reproduce the UGO also draw on social practices that make their individual contribution possible (Giddens 1979). Deep financial markets, for instance, are an institution that makes the investment decisions of individual investors possible.

Together, the two heuristic categories of my proposed IRM presented in this section fare better than the agential and structural model separately in satisfying the desiderata presented at the outset of this article: They diagnose better how financial crises reproduce the UGO and provide appropriate conceptual tools to hold agents distinctively accountable. Although individual investors who started selling pesos during Argentina's currency crisis, for instance, are responsible in virtue of contributing to the structural process in a morally innocent manner and from a position of relatively little power, agents who initiate the unfolding of a structural process, or who magnify such a structural process, such as Volcker in 1979, need to be held distinctively accountable. Given the interdependence of the three desiderata, together the two heuristic categories identified in this section also seem to fare better than the structural and agential model individually in fulfilling the third desideratum.

Structural-Systemic Contributions

Having identified two heuristic categories that an IRM ought to rely on, let me illustrate how they allow us to analyze the reproduction of the UGO by looking at systemic banking crises. Systemic banking crises can be defined as those where actual or potential bank runs and failures can induce banks to suspend the convertibility of their liabilities (IMF Research Department 1998, 75). Perhaps the most spectacular example of a recent systemic banking crisis is the 2008 subprime mortgage crisis, which originated in the United States and subsequently spread throughout the world.

A systemic banking crisis demonstrates the analytical relevance of the two heuristic categories proposed so far. Though individual fraudulent and immoral acts (partly conducted by powerful agents) contributed to the outbreak of the 2008 systemic banking crisis, which in turn reproduced the UGO, it is difficult to find a more graphic illustration of structural process than that of thousands and millions of individual depositors choosing to retrieve their savings from their bank. Together, however, they produce a result (the banking crises) that reproduced the UGO. The same applies for major providers of funding (Tooze 2018). While none of the individual decisions of any single major funding provider would have resulted in the 2008 subprime mortgage crisis, the interplay between their individual decisions threatened to create a systemic banking failure.

Systemic banking crises also bring to the fore, however, that merely relying on these two heuristic categories to provide a diagnosis of how the UGO is reproduced via financial crisis is insufficient. For what is missing from this analysis is the recognition that financial crises do not unfold in a global, institutional vacuum, but within a broader institutional order. Financial crises do not merely break out because "thousands or millions of persons usually acting within institutional rules and according to practices that most people regard as morally acceptable" (Young 2011, 97) or because agents in a position of power contribute in a morally innocent or morally tainted way to this structural process. Rather, systemic banking crisis evidence that the institutional order within which financial crises occur is of utter importance in explaining their outbreak.

A third heuristic category thus needs to be introduced. I call this the structural-systemic level. This third heuristic category does not focus on structural processes or on the contributions of agents to these structural processes. Rather, this third heuristic category focuses on the institutional order within which these structural

processes occur and on the way in which agents contribute to the maintenance and reproduction of the institutional order. An institutional order—composed of established organizations, rules, norms, and epistemic institutions—is defined by its constitutive rules. Constitutive rules do not only govern preexisting actions, as regulative rules do, but also create new forms of activity.

Let me introduce an analogy to better outline and defend this third heuristic category, and to make explicit how it differs from the first two heuristic categories introduced. The analogy I have in mind is one of sports.¹¹ Imagine you see two teams of players moving around with a ball, trying to hit a target. In itself, this does not constitute a specific sport. What turns this activity into a particular game are its most fundamental rules. These rules are “constitutive” because they turn an undefined activity into a specific sport, establishing a new activity. Regulative and constitutive rules sit on a continuum. It is possible, for instance, for less central rules of a given sport to change to such an extent, that—progressively and over time—the nature of the game is fundamentally altered.

Now, imagine further that these two teams are composed of players with different physical abilities. On one team, players are tall and can jump very high (team A). In the other team, players are shorter but are very fast and agile on their feet (team B). Nothing about the physical abilities of the respective players in each team necessarily advantages one over the other in a world in which the players simply move around with a ball, trying to hit a target. However, in our hypothetical world, soccer becomes the hegemonic game. Thus, given their respective physical activities, players on team B start off from a position of advantage and players on team A from a position of disadvantage. Although the two teams are not naturally disadvantaged, it is the choice of sport—a social choice—that makes them so.

During the unfolding of the game, the players will make different individual and collective moves. Some of these moves may further entrench positions of disadvantage. Imagine, for instance, that due to the physical abilities of the players on team B, these players fall into the (unconscious) habit of trying to score goals by making very quick, low passes to each other rather than making headers. This habit, which plays to the advantages of the players of team B, further disadvantages those of team A (since they will not be able to intercept the ball as easily as with headers). As the game unfolds, some of the players

may also engage in moves that are part of the overall unfolding of the game but are against the established rules of the game, such as stopping a player with a two-footed tackle. Finally, there is also a team coach for each team, who may set out a particular tactic.

According to the working definition of injustice provided at the outset of this article, the soccer world is unjust, first, because the players on team A start out the game in a clear position of disadvantage and, second, because this position of disadvantage (which creates a significant obstacle for their pursuit of living a good life in the soccer world) is social in origin. Nothing in the physical abilities of the players by themselves puts some agents in a position of disadvantage. To explain how these injustices are reproduced, one would have to start by pointing to the individual and collective moves of the players. Positions of disadvantage in the soccer world are reproduced because individual players make moves that contribute to the overall unfolding of the game but reproduce positions of disadvantage. Some of these are perfectly in line with the rules of soccer (e.g., low, quick passes) and others are not (e.g., two-footed tackles). The team coaches, in turn, have a particularly meaningful position in setting out the respective tactics for each team.

Were our answer to stop there, though, it would be incomplete. For the reproduction of the injustices of the soccer world also need to be explained by the constitutive rules of soccer as such and by the way in which these rules shape the players’ individual and collective moves. No explanation that leaves this fundamental level of analysis out of sight could ever be complete.

My contention is that the global order is analogous to this hypothetical sports world, first, because it puts individuals in positions of disadvantage that are social in origin and, second, because it is reproduced not only by the moves the players make and result in an overall unfolding of the game, but also because of the game as such and the constitutive rules that define it. The first and second heuristic categories of the proposed IRM capture individual moves of players in our soccer world. Those carried out by regular players (not the team coach) and according to the rules of soccer are contributions that fall within the heuristic category of structural processes proper. The contributions of players of team A fall into the heuristic category of structural processes proper because although players of team A may dominate the game, they are not doing anything wrong here—they are, indeed, playing within the rules and doing so excellently. By contrast, moves that are either done against the rules of the game or are conducted by the team coach are captured by the structural-agential level. The third heuristic category proposed here captures the way in which injustices

¹¹I draw inspiration for this analogy from Wright (2015). I have strongly changed and adapted it, however.

are reproduced by the game of soccer as such—that is, by the way in which the rules that constitute soccer affect and shape individual players' moves.

It is my contention that the institutional order that emerged after the abolition of the Bretton Woods system is to the reproduction of the UGO via financial crises what the game of soccer and its constitutive rules are to the reproduction of the injustices of our sports world. In 1944, representatives of the allied nations came together in Bretton Woods, New Hampshire, with the aim of sketching out a new international financial and monetary order (Conway 2017). An agreement was reached to institute a fixed but adjustable exchange rate system. In addition to effectively fixing the dollar as the world's reserve currency, the Bretton Woods regime offered widespread provision of deposit insurance to stop bank runs by strict regulations of the financial system, such as the separation between commercial and investment banking, and by strict capital controls. These restrictions kept the financial system under tight regulatory control, making the Bretton Woods era a period of remarkable financial stability (Ruggie 1982). In August 1971, Nixon abolished the Bretton Woods system by unpegging the dollar from gold. This marked the beginning of the period of “financialization” in which the tight fiscal control and stability of the Bretton Woods era were replaced by an international financial and monetary environment in which the financial sector could blossom, both at the domestic and international levels.

Without wanting to provide a definitive or exhaustive analysis of what defines the current institutional order and what its constitutive rules are, we can see how the changes that resulted since the abolition of Bretton Woods constituted new forms of activity that characterize today's highly financialized global political economy and which are crucial to explain the outbreak of financial crises that reproduce global injustice. Take systemic banking crisis as an example. The dismantling of capital controls at the international level with the abolition of the Bretton Woods system and the adoption of floating exchange rates made domestic credit controls appear unnecessary. In the United States—considered the pioneer in banking innovation—the Glass-Steagall Act of 1933 was abolished (Strange 1998, 40–41). With its abolition, banks became free to combine commercial banking (which took deposits and made loans) with investment banking (which underwrote, bought, and sold securities). This push for financial deregulation resulted not only in the growth of institutions that combined commercial and investment banking, but also in an increase in intrafinancial activities and a surge of financial innovations (Turner 2016). Together, these changes created

the institutional conditions that enabled a crisis such as the 2008 subprime mortgage crisis.

Now, if all there was to say about the institutional order was that it affects the context within which agents act, it might suffice to merely note that the structural processes that reproduce the UGO do not occur in an institutional vacuum, and the third heuristic category introduced may not be necessary. My claim, however, is that we are missing central contributions that agents make to the reproduction of the UGO if we only have these two heuristic categories at our disposal. For not only do agents contribute to structural processes, but they also have the ability to shape the broader systemic environment within which these structural processes unfold and are, in turn, shaped by the institutional order. What is more, an analysis based on the structural-systemic level is necessary for our IRM to meet the third desideratum.

Let me introduce the fourth and final type of financial crisis, sovereign debt crises, to draw greater attention to the different ways in which agents can contribute to the reproduction of the UGO and to show how this third heuristic category is essential for our IRM to meet desideratum 3. Sovereign debt crises can be defined as those situations in which a country cannot (or does not want to) service its foreign or domestic debt (Claessens and Kose 2013).

When looking at the explanations for sovereign debt crises, one recognizes how the ability of agents to shape the broader institutional order is a crucial dimension through which the UGO is reproduced. Private creditors set the terms on which countries borrow from international markets and control access to financing. Sovereign debtors—whose main interest lies in maintaining creditworthiness to be able to tap international markets at reasonable rates—know this to be the case and thus adapt their behavior to what they think creditors may want or expect from them (Brooks and Lombardi 2020). Afraid that restructuring their debts may result in a downgrade in their creditworthiness, sovereign states try to avoid restructurings, even if this comes at the expense of medium- and long-term economic growth and debt sustainability. Vast evidence exists that sovereign debtors thus tend to restructure “too little and too late” due to what they perceive creditors' preferences to be (Buchheit et al. 2013; Guzmán, Ocampo, and Stiglitz, 2016).

The unwillingness of sovereign debtors to show any signs that they might have to restructure their debts, in turn, has affected the institutional order by hampering the process of establishing a sovereign debt restructuring mechanism (SDRM; Helleiner 2009). The long-standing need for some sort of SDRM has long been recognized (Helleiner 2009; Krueger 2001; Rogoff and Zettlemeyer

2002). Despite various attempts, however, no such mechanism has been established to this day. Although the establishment of an SDRM would undoubtedly benefit debtor states, the fear of the short-term cost of losing their creditworthiness in the eyes of their creditors ended up breaking up the coalitions that tried to change the institutional order (Brooks and Lombardi 2020).

What this example shows is that to influence the behavior of sovereign debtors, private creditors do not need to engage in any large lobbying effort or even voice their concerns. The mere fact that sovereign debtors depend on the financing that creditors control gives creditors the ability to influence their behavior. The ability to shape sovereign debtors' behavior, in turn, also allows them to shape the institutional order as such. Creditors can thus contribute to the reproduction of the UGO without any active intervention or contribution to the structural process, but by shaping the institutional order as such, their contributions are "as silent as gravity" (Pettit 2012, 79). This is what the third heuristic category—the structural-systemic level—captures.

In addition to capturing a third dimension through which the UGO is reproduced, this third heuristic category also allows us to go beyond the agential and the structural responsibility models in answering the question of what follows from responsibility attribution. Recall that the third desideratum a responsibility model must meet is to be able to say something about what is required to fix the status quo and what agents can do to discharge their responsibilities by changing the UGO. Based on an analysis facilitated by this third heuristic category, the IRM proposed here identifies more explicitly than the agential and structural models do where the pressure points of the UGO lie that would allow for meaningful change to occur. To discharge their responsibilities, agents need to work toward changing the institutional order.

Continuing with the example of sovereign debt crisis, this could, for instance, be working toward the establishment of an SDRM. Although this may seem like a moderate reform when thinking about the post-Bretton Woods regime as a whole, the establishment of an SDRM would give debtor states a more equal voice at the negotiating table (Guzmán, Ocampo, and Stiglitz 2016). This change sits somewhere on the continuum between being a regulative and a constitutive change to the rules of the institutional order, and it could be said to be analogous to changing the rules in our soccer world in a way that incentivizes head passes.

I have argued that a responsibility model that wants to make sense of the full responsibility picture in cases in which the global unjust order is reproduced via complex social processes, and financial crises in particular, needs to consist of the three heuristic categories defended. A complete analysis of responsibility attribution will necessarily require analyzing the reproduction of the unjust order in a particular site of injustice through the three heuristic categories identified. Only such an IRM meets the three desiderata.

This is not to say, however, that an analysis conducted in line with each individual heuristic category is not individually valuable and that no reasons exist to favor one level over the others in particular instances. An analysis in line with the structural-agential model allows us to hold individuals accountable in a distributive and backward-looking manner for their contributions to the structural process that resulted in the perpetuation of the UGO. Such an analysis entails focusing on the players and the moves they make while playing a particular game. Focusing on the moves of players is important since—contra the structural model—not all contributions to the structural process are comparable. The fact that some contributions are morally blameworthy and that some are made by those in a position of power gives us powerful normative reasons to hold those agents accountable in a backward-looking and distributive manner.

An analysis based on structural processes allows us to denounce the complex social interactions that entrench the UGO. When attributing responsibility in this context, the focus should not be on assigning backward-looking and isolating responsibility since, by definition, the remaining acts that contribute to the unfolding of the structural process—the acts, that is, that have not been singled out on the structural-agential level—are morally innocent. In this context, responsibility should be attributed in a forward-looking and non-isolating manner to all those who contribute to the structural process.

Finally, a structural-systemic analysis questions the game being played. Developing this analysis is crucial given the sheer power that the institutional order has in shaping the conduct of agents. What is missing from an analysis based on the first two heuristic categories introduced is the possibility of challenging not only particular asymmetries of position within the game and the players' collective moves that sustain them, but also the ability to call for a different game altogether. If we are interested in fixing the unjust status quo, failing to account for this level of analysis will only frustrate our emancipatory goals.

Conclusion

The world we inhabit is so complex, and phenomena are affected by the interplay of so many actions, preexisting structures, and surprising events that the task of attributing responsibility for the injustices that spring therefrom may feel daunting, if not paralyzing. In this article, I provided an IRM that consists of three heuristic categories and provides the right conceptual apparatus to think through the manifold complex ways through which injustices are reproduced in practice. I argued that the UGO is not only reproduced because thousands or millions of people act in ways that, though morally acceptable, reproduce positions of disadvantage (the first heuristic category), nor only because some agents do act in a morally problematic way or powerful actors make distinct contributions to the structural process that perpetuates the UGO (the second heuristic category). Rather, the UGO is also reproduced due to the particular institutional order in which it is embedded, which is sustained by the actions of individuals (the third heuristic category). I argued, moreover, that the IRM meets all three desiderata set out at the beginning of this article. It meets desideratum 1 since it provides a comprehensive diagnosis of how the UGO is reproduced. It meets desideratum 2 since it has the conceptual tools to attribute differentiated responsibilities to those actors whose contributions can and ought to be isolated. And it meets desideratum 3 since it can tell agents what they ought to do to discharge their responsibilities.

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