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Article

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Note from the editor

The “liberal compromise” and after: Realities and fictions of global climate governance

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Leon Wansleben

This issue of *Economic Sociology* explores the promises and realities of governing society’s nexus with the planetary system and the role that capitalism plays in doing so. Coincidentally, attempts to govern society-earth system couplings started in earnest during capitalism’s most triumphant moment. In 1992, in the immediate aftermath of the Soviet Union’s collapse, parties at the United Nations Conference in Rio adopted the first Framework Convention on Climate Change (FCCC).

This historical coincidence has been important for the subsequent institutional development of climate governance. When governments entered into negotiations on how to reduce greenhouse gases, the negotiations were not only framed by distributional struggles over responsibilities, free-rider problems, and the United States’ claim to exceptionalism (Bernauer 2013); governments also took as

axioms the principles of market allocation, free trade, and private control over investment (Meckling and Allan 2020). For instance, in spelling out the principles of “Common But Differentiated Responsibilities” (CBDR), the Kyoto Protocol of 1997 emphasized “the need to support an open, international economic system (Art. 3)” (Gupta 2010, 640).

One idea to align differentiated government responsibilities for containing global warming with these economic principles was to set up carbon allowance markets. Governments should make “polluters pay” in national or regional compliance markets (such as the EU’s), aligning territorial pledges of reducing production emissions with allocative efficiency. Dominant climate policy experts supported this approach: Economists such as William D. Nordhaus gave ideological justifications for why market-based carbon pricing was optimal and climate scientists run-

ning integrated assessment models helped quantify the production-based carbon budgets to be incorporated into the respective trading schemes. The idea of market-based allocative efficiency ran deep, even guiding approaches to green development aid, such as the “Clean Development Mechanism” (CDM). Fiscal constraints (especially in the overindebted south) were taken as givens and governments were regarded as incapable investors. Hence, private finance was supposed to take the lead, channeling funds into the needed investments accompanied by derisking schemes designed at international organizations like the World Bank (Chiapello 2020; Gabor 2021). Steven Bernstein (2000) has aptly described this constellation as a “liberal compromise,” in which the distributional struggles between country coalitions (e.g., “Annex I” versus “Annex II”) occupy the front stage (Bernauer 2013), while the extant capitalist order provides its scaffold. In this issue, Stéphanie Barral discusses the broader societal implications of this constellation and introduces her concept of “Homo ecologicus.”

It is hard to overlook that this compromise sets up a paradox: Governments, and thus state actors, are supposed to assume responsibility for “their” territorial production-based carbon budgets (over which there is much conflict), implementing reductions via markets. But they are to do so under the increased structural and instrumental power of capital. Clearly, not just the big oil and gas players but almost all economic actors tied up with the growing material stock and flow in capitalism were and are opposed to comprehensive carbon pricing or taxation. Only where political commitments for climate policy were so strong that full opposition seemed futile, or where “green” fractions of capital were exceptionally strong, did enough corporate actors support carbon markets as the least intrusive and costly (manipulable) option (Meckling 2011).

But except for these few cases, the power of capital has meant that attention at some point moved away from national governments towards other actors as protagonists in climate change mitigation. Scholars adopted new concepts to emphasize the multilevel, multi-stakeholder, and often voluntary nature of governance processes (e.g., Bulkeley 2010). Particular efforts in this governance went into convincing corporations that climate protection is in their own interest by preserving the long-term ecological conditions for capital accumulation. The development of standardized protocols for reporting emissions, voluntary offset markets, various initiatives for voluntary corporate

pledges, and more recently of a special investment segment of environmental, social, and governance (ESG) titles reflects this trend. In this issue, Matthias Täger takes up the discussion to introduce the peculiar role of central banks in this broader strategy of persuasion. He looks critically at the strategic translation by central bankers of climate change into a risk management problem but also highlights possibilities for unexpected meaningful change in this process.

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While this topic is not covered in the current issue, the pivotal role of nongovernmental and particularly corporate actors in multi-stakeholder climate governance has directed attention towards various rituals of compliance with voluntary standards and pledges. Related research reveals various shades of greenwashing. However, rarely is such greenwashing outright fraud. More often, corporate actors strategically engage with the complexity and mediated nature of environmental and climate protection rules. For instance, Tim Bartley has shown how local audits function as rituals “of checking that rely on readily available and quantifiable indicators to produce simplified, decontextualized versions of truth” (2018, 51). In yet unpublished work, Ritwick Ghosh discusses “performances of sustainability” as careful balancing acts: Actors engage in just as significant investments into frontstage impressions across multiple domains (NGOs, the press, government reports) to uphold the desired green image while avoiding costly, long-term, and largely invisible structural change.

We no longer live in the period of the triumphant “liberal empire” (Streeck 2024) after the Soviet Union’s collapse. To find confirmation for this, one needs to look no further than to global climate governance itself: Even the champions of the international climate policy circuit show “COP fatigue”; globally prestigious firms, usually keen to maintain their good image, have decided to leave voluntary decarbonization initiatives; and, most decisively, in a situation of geopolitical tensions if not neo-imperial conflicts, the prospects for any significant agreements or any new credible self-constraints among competing powers to limit production or consumption of carbon seem dim.

We now have a more acute breakdown, but the previous slow failure of global climate governance had already redirected attention and hope to the domestic context. After all, contrary to the pure logic of collective action failure, we have seen significant advances in decarbonization in some countries as opposed to others (Aklin and Mildenberger 2020). Two lines of reasoning therefore put the internationally embedded, domestic political economy at the center of attention in recent research: First, the balances of power between opponents and proponents of decarbonization vary between countries and may dynamically change, due to possible positive feedback effects. While most sectors are still in a fossil lock-in, for some sectors, renewable energy and the downstream transformations connected to it (e.g., electrification of industrial production, cars, heating) may open up opportunities. Critical for this brown versus green balance of forces arguably are the opportunities and risks for “decarbonizable” sectors (Kupzok and Nahm 2024), i.e., those that could decarbonize their activities with new investments. A second line of thought is that, if at all, only states would have the means – fiscal, regulatory-coercive, as well as coordinative – to forge robust alliances between the possible winners from decarbonization and support their transition (Meckling and Nahm 2021) while dealing with losers (Ergen and Schmidt 2023). Braun and Gabor (2025), for instance, see the need for a “big green state,” and Ban and Hasselbalch (2025) argue for a rediscovery of planning. The promise of green growth, unleashed by strong interventionism, has been under discussion for some time. Only recently though did actual growth in some green sectors raise the hope for “win-win,” while China’s activist industrial policy showed how to capture these gains.

Much current research focuses on the conditions for a continuation or blockage of national or regional transition paths. This has revived interest in developmentalism and the state capacities needed to overcome cost barriers, coordination challenges, and problems of legitimacy. Concentrating on Mexico’s power sector transformations, Jose Maria Valenzuela Robles Linares discusses these issues in more depth in the following pages. But as already noted in my previous editorial, shifting from weak global climate governance to green growth brings its own paradoxes. On the one hand, there are the general and much debated questions of whether decarbonization can actually bring growth and whether green growth can actually reduce emissions sufficiently. Kohei Saito, a key proponent of “post-growth communism,” offers reflections on alternative paths in this issue. More narrowly, I see a distinct version of the prisoners’ dilemma becoming apparent: In a developmentalist framework, producers of green goods – electric cars or photovoltaic panels – may not be willing to constrain their own use of fossil energies to produce these goods competitively for the global market (as in the case of China). At the same time, these developmentalist states want to export and thus need other countries to foster consumption for their green goods. Why should importing countries be regulating or pricing fossil options out of the market for the benefit of green ones if the supply-side benefits (corporate profits, jobs, etc.) occur in countries that do not adopt such restrictive policies themselves? Unless countries figure out new ways to solve global coordination problems, now more focused on green economic and trade policies, the conundrums of climate mitigation will undergo a *gestalt switch* but will not disappear.

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