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When Things Don't Fall Apart

Global Financial Governance and Developmental Finance in an Age of Productive Incoherence

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1 Introduction: Contesting Continuity

The East Asian financial crisis of the late 1990s focused attention on the limitations of the Bretton Woods institutions (BWIs), the International Monetary Fund (IMF) and World Bank, and the broader inadequacies of global financial governance. The crisis catalyzed calls for a "new global financial architecture."[1] The global financial crisis that began in 2008 induced similar diagnoses and remedies. As the global crisis unfolded, prominent economists and other experts proposed radical, systemic reform. For instance, a United Nations (UN) commission chaired by Joseph Stiglitz ("the Stiglitz Commission") called for rebuilding the international monetary system from the ground up (UN 2009, chaps. 4 and 5). In a widely discussed March 2009 essay, Xiaochuan Zhou, governor of the People's Bank of China (PBOC), derided the dollar's privileged status as the world's global reserve currency and advanced the idea of a "super-sovereign reserve currency," a role that he argued could be played by the IMF's Special Drawing Right (SDR) (Chin 2014b; Zhou 2009). In addition, leaders of the Group of Twenty (G-20) nations signaled at the outset of the crisis the need for a "New Bretton Woods" to promote bold new thinking and international coordination (Parker, Barber, and Dombey 2008). Finally, representatives of the BRICS (Brazil, Russia, India, China, and South Africa) cited the global crisis as evidence that the U.S. financial model was irrevocably flawed and should be abandoned as a global ideal.[2] BRICS leaders also argued that the legitimacy of the BWIs was undermined by outdated, biased, and dysfunctional practices and that those institutions were out of touch with the dispersal in global economic power that was associated with the rise of the global south and east (Leahy 2011; Giles 2012).[3]

The most ambitious proposals for architectural reform faded quickly in the face of opposition from powerful political and economic interests and institutional and ideational inertia. In this respect, the fate of the reform campaigns inaugurated by the global crisis mirrored that of the more radical

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New International Economic Order (NIEO) agenda of the 1970s (see Golub 2013) and also the less extensive proposals for a new global financial architecture that followed the developing-country debt crisis of the 1980s and the crises of the 1990s. In all of these instances, hopes for radical transformation in the global financial governance architecture were roundly defeated. Recurrent failures of the reform agenda have led many observers to emphasize continuity in global financial governance up to the present. What I will call the *continuity thesis* claims that the opportunity for meaningful reform created by the global crisis has been lost and that nothing of significance has changed in terms of global financial governance architecture, especially concerning emerging market and developing economies (EMDEs).

Is the continuity perspective correct or, minimally, largely adequate as an interpretation of the recent past and contemporary developments? In fact, it is neither. It is substantively mistaken in critical respects. The East Asian and especially the global crises induced a series of disparate, disconnected innovations in the world's financial governance architecture. The crises precipitated significant and sustained, though uneven, discontinuities across several dimensions of global financial governance. I argue that these discontinuities matter deeply from the perspective of EMDEs. They bear on national policy autonomy and policy space for economic and human development, financial stability and resilience in the face of disturbances, and financial inclusion. Recent initiatives carry the potential to contribute toward attainment of the UN's newly adopted Sustainable Development Goals (SDGs), particularly the goals that focus on sustainable and inclusive economic growth, infrastructure development, sustainable industrialization, and the realization of multistakeholder partnerships in pursuit of more just and inclusive development. This is not to say that the global crisis has occasioned an abrupt shift from one regime of global financial governance to another. It hasn't. As we will see, continuities today are as salient as the discontinuities. But then, how are we to make sense of the current conjuncture?

Purpose of Book

The chief purpose of this book is to present and defend one principal thesis—what I have called elsewhere the *productive incoherence thesis* (Grabel 2011; 2013a; 2015a; 2015b; 2017). It can be summarized simply. The emerging constellation of financial governance institutions and policies are not reducible or faithful to any overarching "ism," be it neoliberalism,

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Keynesianism, dirigisme, or any other old or new model. When judged against the standards of any of these visions, which defined economic policy and institutional formation through much of the twentieth century, the changes we confront today appear variously as inconsistent, contradictory, redundant, ad hoc, and meager. The system (such as it is) that has emerged is at loose ends.[4] In the vacuum created by the absence of a unifying vision, a multiplicity of undertheorized, fragmented, overlapping, tenuous, and tentative interventions have emerged. It is in this sense that global financial governance, taken as a whole, is today "incoherent." This is the central positive claim advanced in the book.

This much might be apparent (and even disturbing) to many observers. But I will also contend, more ambitiously and provocatively, that this incoherence presents a welcome rupture, a break from totalizing visions (such as neoliberalism) that were intended to provide strict guidance on institutional design and policy choice and have sought to impose institutional harmonization globally over an irreducibly diverse world, as utopian schemes generally do. For the first time in a generation, many EMDEs have escaped the straitjacket of a commanding theoretical orthodoxy and the associated straitjacket of a narrowly prescribed menu of appropriate institutional forms and policy practices. Today EMDEs enjoy increased space to experiment pragmatically with new institutional forms and practices. Ideational and structural constraints that forced EMDEs to adopt strategies that were derived axiomatically on the blackboards of foreign and homegrown development experts are breaking down, and as of now no peer "ism" has emerged to replace them.

What is remarkable about the present conjuncture, but denied by continuity theorists, is the extent to which states that were for so long constrained under an encompassing global financial governance architecture are now enjoying development and financial policy autonomy. An unruly pragmatism has broken out in institutional design, governance, and policymaking. The new spirit entails learning from experience and learning from both the successes and failures of others, adjusting as necessary and in response to new challenges. The result so far has been the emergence of an increasingly dense, "pluripolar" set of fledgling institutions of financial governance and a diversity of institutional and policy practices. I purposely avoid the more commonly referenced "multipolarity" because the term is often associated with claims about the rise of one or perhaps two new hegemons or blocs that serve as a counterweight to the dominance of the United States and the international financial institutions that it dominates and that hold sufficient power to impose an alternative economic model.

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Pluripolarity, as I will use it here, does not entail the claim of a rising hegemon, a unified theoretical or practical model, or displacement capacity but refers instead to increasing diversity, heterogeneity, and even inconsistency within the landscape of global financial governance. A critical test of the resilience and capabilities of emerging arrangements will occur in future crises, as states rely on and adjust fledgling institutions, practices, and policies in hopes of dampening instability and otherwise managing turbulence better than they had been able to do during previous crises.

My central normative contention is that the aperture that has emerged in the space between competing overarching models—the one we are leaving behind and the one that has not as of yet emerged to replace it—is to be taken not as a handicap but instead as an opportunity. The incoherence of the present system is, in a word, productive rather than debilitating.[5]

The Continuity Thesis

The continuity thesis, which denies notable change in the contemporary era, is not to be dismissed lightly. Its advocates comprise some of the most astute observers of global financial governance. And so we should pause to take stock at the outset, even if only briefly, of the underlying logic and empirical findings that sustain claims of continuity.

The East Asian crisis had a lasting imprint in EMDEs. Particularly notable in this regard was the proposal for an Asian Monetary Fund (AMF). Though the proposal failed, the crisis ultimately bore fruit in the region and beyond. Not least, it yielded the creation of a reserve pooling arrangement among the members of the Association of Southeast Asian Nations plus Japan, China, and South Korea (ASEAN+3). More broadly, the Asian crisis stimulated in other regions of the developing world an interest in regional mechanisms that could deliver countercyclical liquidity support and long-term project finance through institutions that are, to some degree or other, independent of the BWIs.

The legacy of the East Asian crisis is also reflected in the rise of reserve accumulation strategies across EMDEs—strategies that were driven largely by a desire to secure a degree of independence from the IMF in view of its overreach in the crisis countries and its myriad failures prior to and during the East Asian crisis. Reserve accumulation was enabled by fortuitous global economic conditions during the decade and a half following the East Asian crisis. These included but were not limited to sustained commodity demand and rising commodity prices through 2011 and net capital inflows through 2013 (propelled in part by low interest rates in the advanced economies, or

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AEs). Reserve accumulation facilitated the growing assertiveness of larger EMDEs vis-à-vis the BWIs prior to and especially during the global crisis, and played a role in their ability to navigate the most dangerous early years of the global crisis relatively well. In some cases, reserves supported countercyclical fiscal programs, a response that was not available during previous crises (Grabel 2015b; Wise, Armijo, and Katada 2015; Ocampo et al. 2012). The insulation offered by high reserves, along with large international capital inflows in the years after the East Asian crisis and during the global crisis, also allowed EMDEs to deploy capital controls without fearing the reaction of investors, the IMF, or credit rating agencies. Reserve-rich EMDEs were not only able to retain a degree of autonomy from the IMF during the crisis but also in 2009 and 2012 took on the unprecedented role of funding the institution instead of borrowing from it.

How significant are these and the many other developments we will examine throughout the book? Continuity theorists are largely unimpressed (e.g., Akyüz 2013; 2016). We will probe these matters in some detail later in the book, but here a quick overview must suffice. Many observers recognize the emergence of a vast (bilateral) central bank swap network that sustained liquidity as an important legacy of the crisis. But they see this network as having limited political and economic implications for the international monetary system (Henning 2016; McDowell 2017). For others, evidence of continuity is found in the prevalence of unilateral and bilateral over coordinated multilateral or (outside of Europe) regional responses to the global crisis. In regard to the EMDEs, many cite the "institutionally light" nature of regional crisis response frameworks (Chin 2010).[6] Continuity theorists also emphasize the prevalence of U.S.-centered responses to the global crisis (Helleiner 2014b; Prasad 2014).[7] Indeed, the crisis strengthened the role of the dollar and underscored the importance of accumulating the currency in the form of reserves while also revealing the relative power and centrality of the United States even vis-à-vis the IMF (Akyüz 2016).[8] Further evidence of U.S. power in the global financial arena was provided by the ability of the U.S. Congress until late 2015 to block implementation of the modest IMF governance reforms agreed to in 2010 by IMF governors representing 95% of the institution's voting power (Vestergaard and Wade 2014). Relatedly, those arguing for continuity at the IMF highlight the continued enforcement of the "gentleman's agreement" on leadership, overrepresentation of key member states in the institution's decision making, consistency between recent and earlier conditionality programs (which feature austerity and reflect the neoliberal worldview and interests of key stakeholders), and at best a modest shift on capital controls (Gabor 2010; 2012; Güven 2012;

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Kentikelenis, Stubbs, and King 2016; Nelson 2014a; 2017; Vestergaard and Wade 2015; Wade 2013a; Weisbrot 2015).

Several prominent observers are skeptical of claims about emergent pluripolarity in international financial governance (Akyüz 2013; Vestergaard and Wade 2013a; Wade 2011).[9] Some argue that the United States and other key countries within the Group of Eight (G-8) continue to dominate policy discussions in the emerging networks of economic governance (Helleiner 2014b). For instance, some observers dismiss the G-20 as little more than a larger, more unruly G-8 (Helleiner 2014b; Mittelman 2013; Ocampo 2010b; 2010c; Vestergaard and Wade 2012b). Worse yet, the inclusion of some EMDEs in the G-20 divides EMDEs and gives those fortunate few with a seat at the table an incentive not to rock the boat (Wade 2013b). Advocates of continuity also dismiss the significance and potential of various institutional innovations in EMDEs, particularly the arrangements associated with the ASEAN+3 countries and the BRICS, while others dismiss the collective significance of these and a range of other institutional innovations by what are often termed the "rising powers."[10]

Continuity theorists highlight the continued power of the financial sector. This is exemplified by the financial community's capture of the post-crisis Dodd-Frank legislation in the United States (D'Arista and Epstein 2011) and by the exploitation of the Eurozone crisis by the IMF and the European Union (EU) to advance neoliberal reforms that reflect powerful financial interests and ideas about financial liberalization that should have been discredited by earlier policy failures (Weisbrot 2015). Many advocates of continuity have argued that neoliberalism remains firmly entrenched and that the economics profession itself remains stuck in its commitment to neoclassical theory (Blyth 2013b; Hodgson 2009; Mirowski 2013). Finally, some have argued that the global financial system remains as fragile and crisis prone as ever, and that EMDEs remain as vulnerable to crises today as they have been over the past several decades (UNCTAD 2016, chap. 1).

The continuity view entails important and undeniable insights. Certainly in comparison with the clarity and scale of the Bretton Woods–era transformations and the heroic NIEO vision, contemporary changes are disconnected, piecemeal, paltry, and even contradictory. But the dismissal of aperture and real and potential change comes too easily. Defeatism reflects a prevalent expectation that meaningful change must be dramatic, systemic, coherent, and unambiguous. I reject this view because it both lacks sufficient theoretical nuance and is empirically inaccurate. Instead of that kind of change, the global crisis has induced ambiguous, evolutionary, uneven, modest, and cross-cutting initiatives that are reflected in continuities, discontinuities,

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and ambiguities in nearly equal measure. In the continuity view, these kinds of changes are chimerical and distracting rather than adequate or even notable.

Heroic Transformations in the Bretton Woods and Neoliberal Eras

Why do continuity theorists overlook and even deny the significance of contemporary events? A key aspect of the problem derives from largely unspoken but nonetheless deeply held conceptions about the nature of institutional transformation and about how social change is to be understood more broadly. The archetype of institutional change that many observers have in mind when assessing contemporary events is the "Bretton Woods moment." Surely, the emergence of the BWIs (and the associated Bretton Woods order) in the closing moments of World War II marked a fundamental change in global financial governance—one that featured a new international architecture that facilitated postwar reconstruction, shared prosperity, and financial stability. Although the Bretton Woods system is primarily understood in connection with the influence and needs of AEs, it also influenced economic conditions and strategies in EMDEs.

The sharp discontinuities associated with the creation of Bretton Woods were enabled by a unique confluence of national and international economic, political, geostrategic, and ideational conditions. As Eric Helleiner (1994; 2010a) has argued, these conditions include the common experience of World War II; the unique position of the United States in the world after the war, which gave it both the moral authority and the power to shape global economic institutions; and the economic devastation and political turmoil in postwar Europe and Japan. While the war and postwar crisis could have spawned a profound ideological contest about economic governance, a common ideational environment provided by an ascendant Keynesianism directed the pursuit of a new model of domestic economic management and international economic integration. The new Bretton Woods model was characterized by a (sufficiently) coherent model of economic mediation that was to be centrally administered and directed by powerful interests that shared a common worldview. The transformation was enabled and directed by decisionmakers who embraced a commitment to Keynesian "embedded liberalism" (Helleiner 1994; 2010a). Under these conditions, the Bretton Woods negotiators and other key political actors were afforded a once-in-a-century opportunity to design and implement a new economic order.

The neoliberal revolution of the 1980s and 1990s marks another fundamental turning point, a radical transformation in global financial governance

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and development policy that filled the vacuum introduced by contradictions internal to the Bretton Woods system and the Keynesianism that supported it. In a remarkably short period, the Keynesianism of the Bretton Woods era was displaced, wall to wall (or so it seemed), in domestic economic policy formation, development policy, economic theory, and in the institutions of international economic integration. The markers of this transformation comprise the emergence of the Washington Consensus, financial liberalization in the global north and south, and, more generally, the substitution of market mediation for state direction of economic flows (DeMartino 2000; Harvey 2005). In the view of many observers, the shift was as dramatic and consequential as the transformations signaled by the postwar initiatives.

In the case of the neoliberal revolution, there was no Bretton Woods moment—no summit of leading government officials gathering to bang out the next institutional architecture, directed in that effort by a new economic and political model. Instead, the change was enacted in the context of a fairly radical displacement of Keynesianism in the economics profession by the triumphant Chicago school of thought. The shift occurred against the backdrop of economic crises (stagflation, unsustainable developing-country debt, and other economic problems), which the existing Keynesianism was ill prepared to explain, let alone manage. Very quickly, neoliberal economists (such as Anne Krueger) were appointed to leadership positions at the BWIs—just as those institutions came to increase their activism in shaping domestic institutions and policies across the global south and (parts of) the east. Neoliberalism was also propelled by the increased economic and political influence of financial and industrial interests, which sought to escape the constraints of Keynesian statism (while of course holding onto Keynesian-inspired state subsidies and protections of all sorts). These and myriad other factors conspired to turn the tide and shape preferences toward market liberalization. The change in regime spread across the global north, though it faced stiff opposition there from well-organized civil society constituencies that were able to sustain state-provided protections from the market. Matters were different in the global south, where neoliberalism was installed under crisis conditions that provided the BWIs and domestic elites (and, in some cases, authoritarian leaders) with a historic opportunity to engage in radical economic reengineering. Though there was no Bretton Woods moment, the neoliberal revolution yielded a dramatic and extensive transformation in theory, ideology, and practice away from explicit state management of economic affairs in the EMDEs (DeMartino 2000).

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The Global Crisis—The Continuity View

Against the standard of these epic transformations, history is littered with failed initiatives that leave no meaningful legacy other than the apparent futility of attempting institutional innovations that challenge dominant economic and political interests. Isn't this the legacy of the failed NIEO movement and of the failed reform efforts driven by the East Asian crisis and the crisis of 2008? Surely, contemporary adjustments in global financial governance pale in comparison with the two archetypal transformations of the twentieth century and fall far short of the most ambitious proposals of critics of global neoliberalism. As continuity theorists rightly claim, today we find neither a planned, expansive, abrupt, or coordinated displacement of neoliberalism nor a new, adequate, coherent theoretical model to ground ongoing innovations. We also cannot locate today any new oppositional interests that are sufficiently well organized and influential to counter neoliberal impulses and to direct architectural reform. Instead, the most ambitious proposals for reform in the immediate aftermath of the global crisis faded quickly in the face of opposition from entrenched interests and institutional and ideological stickiness. As in the past, hopes for radical transformation in global financial governance were roundly defeated.

What do we find in place of institutional, policy, and ideational revolution? At best, a series of fairly prosaic, mundane, localized, and disconnected adjustments to the crisis tendencies of neoliberalism, often driven by the champions of neoliberalism itself (such as finance ministries, and even the BWIs). *In short, they involve evolution, not revolution*. The initiatives undertaken appear at best to be ameliorative. Certainly, they can't begin to amount to a frontal challenge to neoliberal prescriptions, institutions, or practices.

In contrast to the continuity advocates, those who identify discontinuity in the present period tend to focus narrowly on isolated (though not unimportant) aspects of global financial governance. The clearest case of discontinuity is found in the reversal among EMDEs and even AEs, and within the international financial institutions and the economics profession, regarding capital controls. In addition, a few careful observers have argued that some changes at the IMF are indeed consequential. Others have highlighted the significance of innovations in the financial architectures of EMDEs in the creation of a multilayered global financial architecture, or what Stuenkel (2016b) terms a complementary "parallel order." To date, however, the dissent against the continuity thesis has largely failed to provide an expansive assessment of the aperture, discontinuities, and possibilities of the postcrisis period or to make the case for far-reaching, fundamental discontinuity.

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It needs to be repeated here that the chief problem with the continuity analysis is its inappropriate notion of economic regime identity, stability, and change. Regime change is viewed either as systemic, enduring, and fundamental or as local, ameliorative, fleeting, and thin. Central to this vision is the notion of *displacement* as the test of the significance of change. Either neoliberalism has been or is in the process of being displaced in toto or it remains largely intact and unaffected by the diverse innovations under way. The IMF either has or has not shed its identity as the enforcer of neoliberalism. Liquidity support arrangements and development banks based in EMDEs either displace the BWIs, are trivial in relation to them, or are just a "poor man's" replica of the BWIs, guilty of the same sins (such as promoting extractivism and the dominant role of the U.S. dollar in global finance). At the moment, since there is no coherent challenger to neoliberalism in the domain of theory or practice, neoliberalism remains in charge, constraining the efficacy and significance of any institutional or policy innovations that might arise *within* it. For critics of neoliberalism, a romantic view of systemic change generates pessimism and dismissiveness toward institutional and policy experiments. All are domesticated by the neoliberal regime that sets the limits to what can be achieved and dictates what does and does not matter.

An Alternative Change Framework: Productive Incoherence

Is this the best or even the only way to understand social change—such as change in global financial governance? A central claim of this book is that it is neither. Change—real, meaningful, deep change—is unscripted. It can and does occur in diverse ways and takes diverse forms. An abrupt systemic regime shift is just one kind of change—and one that is historically atypical. Unfortunately, stylized accounts of the emergence of the Bretton Woods system continue to be the standard against which many judge institutional reform. I say "stylized" because over the intervening decades we have lost sight of the complexity of the birth of that system. As Helleiner demonstrates, the Bretton Woods vision unfolded over considerably more time than most observers tend to appreciate. The Bretton Woods system emerged through a contested process, not as a result of a decisive moment. It was the outcome of a slow, incremental series of developments that predated Bretton Woods and that influenced subsequent events. Design and implementation were fraught with difficulties and were challenged within and across nations (Helleiner 1994; 2010a; 2014a; 2016a).[11] Thus, postwar transformation is best understood as the outcome of a complex of uneven,

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incremental, and even contradictory developments rather than arising from an immediate, decisive shift from one regime to another. From a vantage point of seventy years on, the changes of the postwar era seem much cleaner and coherent than they appeared at the time. The lesson is that we need to be cautious about holding to an oversimplified account of the Bretton Woods era as the standard by which we judge contemporary events. Against that mythic standard, ongoing transformations must fail to register as noteworthy.

In contrast to heroic visions of change, I will suggest that organized institutional innovation of this sort is not always available. That much should be uncontroversial. More controversial is a second claim: that this kind of coordinated, coherent change is not the best model for promoting economic development, particularly inclusive and autonomy-enhancing development. Systemic institutional rupture can and often does induce overwhelming unintended consequences, the extent and depth of which mirror the extent and depth of the revolution that induces them, and generates much avoidable harm. Moreover, the success of abrupt systemic redesign depends on historical contingency and luck as much as on the prescience of its architects. Most often, history does not furnish us with the resources needed for the successful design and implementation of systemic revolution. What it does furnish us with in every moment is a surplus of hubristic experts who believe themselves sufficiently capable and knowledgeable about the world they inhabit to engineer utopia. When those experts achieve power, much damage is done (see DeMartino 2011; 2013a).

As should by now be clear, in my view it is an analytical, normative, and empirical mistake to impose the expectation of a grand, coherent plan as the standard against which to assess the significance of change. The romanticized view on the left and the right holds that institutional Armageddon followed by theoretically scripted, comprehensive, and coordinated transformation is the only way to effect meaningful, progressive change. I argue not only that this view fails to capture the diverse ways in which change actually occurs but also that it celebrates a form of economic and political change that is under most conditions decidedly suboptimal. Decentralized and evolutionary innovation and experimentation—disjointed, uneven, minimal, inconsistent, and chaotic as it may be—represents a better alternative. Strict policy and institutional harmonization is unsuitable in a world marked by ineradicable diversity. Moreover, while grand, unified strategies can induce massive harm in the event of failure, the harms associated with the failure of piecemeal reforms are apt to be localized, contained, and even reversible (DeMartino 2011; 2013a).

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The alternative vision that I embrace here recognizes that fundamental change can and even should come about through the proliferation of partial, limited, and pragmatic responses to particular concrete challenges that arise. This vision is predicated on the idea that meaningful change often emerges as a consequence of disconnected, erratic, experimental, and inconsistent adjustments in institutions and policies as actors seek to manage the challenges and opportunities they face in an evolving world. This conception of change turns our attention away from epochal ruptures of the sort that occur infrequently but that receive disproportionate attention among scholars and other observers and toward the much more prevalent but mundane, prosaic, small-scale, evolutionary, and even insignificant as the wellspring of what can turn out to be meaningful transformation. To the degree that development itself is to be recognized as a series of transformations, each of which amounts to a social experiment that permits learning from error and success, the alternative vision on offer here also bears on how we think about development theory and practice. Recognizing our inescapable epistemic limitations, good development practice ought to embrace tentative steps of varying scope covering manageable terrains, from which can be inferred valuable lessons without pretension that these lessons are globally applicable.

Productive Incoherence and the Hirschmanian Mindset

The concept of productive incoherence concedes the absence of a consistent, unified disciplinary plan or theoretical narrative driving contemporary reform, but it emphasizes the opportunities afforded by the absence of a new unifying "ism." In this and other respects, the book takes explicit theoretical inspiration from the work of Albert O. Hirschman, one of the most thoughtful intellects ever to work in the field of development economics and social science more broadly. Hirschman's work is largely overlooked today by scholars and development practitioners. Chapter 2 attempts to repair this omission. Hirschman understood far better than most of his contemporaries the harmful effects of blueprint economics. Taking a Hirschmanian view, I argue that, freed from the straitjacket of a commanding theoretical orthodoxy, financial policymakers and other political actors in EMDEs for the first time in decades are enjoying a degree of freedom to experiment with new institutional forms and practices. What is remarkable about the present conjuncture is the extent to which states that were for so long constrained under the global financial governance architecture are now enjoying a degree of policy autonomy, which they are exploiting to create new structures and practices in pursuit of economic development, state capacity,

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resilience, and financial stability. Pragmatic policy making and institution building of the sort Hirschman advocated entails experimentation in the small, learning by doing, learning from others, open-mindedness, humility, and adjusting as necessary and in response to new challenges. From this perspective, we should recognize the present period as one of extraordinary significance—one that holds substantial promise for meaningful reform via the creation of valuable knowledge and linkages that are overlooked by those holding to all-or-nothing change narratives.

The Hirschmanian view, which identifies promising discontinuities and pragmatic adaptation in global financial governance, emphasizes the fracturing not just of the neoliberal vision but of something more fundamental. What has disintegrated, and not a moment too soon, is the coherence that marked the neoliberal era—or, more accurately, the theoretical and ideological coherence that drove the era, even if the degree of coherence of actual institutions was far less than advocates or critics recognized. Today's "post-neoliberal era" is not at all free of neoliberalism—indeed, aspects of neoliberalism are being restored with each recent national election—and it is not characterized by an alternative coherent doctrine or a corresponding set of institutional and policy arrangements.[12] It bears emphasis that its central feature is *incoherence* in the theory and practice of financial governance. But I will argue—and this is the key point—that this incoherence is *beneficial* for development insofar as it dramatically expands the possibilities for policy and institutional experimentation among the EMDEs. Productive incoherence captures the proliferation of ideas, institutional innovations, and policy responses that have been given impetus by the crisis, and the ways in which the crisis has helped to erode the stifling neoliberal consensus that prevented innovation and constrained policy space in EMDEs over the past several decades.

Features of Productive Incoherence

What does it mean to say that the current conjuncture is marked by productive incoherence? One caveat is in order on the way to a definition. First, the claim here is not that previous economic eras were in fact internally consistent or all-encompassing. Despite the best efforts of the most committed neoliberal ideologues, for instance, nothing like the neoliberal ideal could or ever did emerge in practice. That said, the neoliberal ideal acted as a deadweight around the ankles of less powerful actors who sought to pursue economic initiatives that were significantly inconsistent with its dictates. To say that the neoliberal project ultimately failed in its grandest ambitions is hardly to say that it was ineffective. On the contrary, economic

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arrangements from the local to the global level were substantially revamped owing to the intellectual force and economic power that were joined in the neoliberal campaign. When we compare the current period against its immediate predecessor, then, we are not comparing a fragmented system against a watertight one. Incoherence emerges to some degree or other in every regime as agents look to manage economic affairs and advance causal narratives that would be deeply imperiled by fidelity to any overarching, simplifying regime. The presence of incoherence itself does not distinguish the present from the immediate past. What does distinguish the present is the relative absence of a consensus around any particular unified theoretical ideal toward which the institutions of financial governance are to hew.

We might say, tentatively, that global financial governance features productive incoherence when some combination of these features emerges:

- The existing central economic authorities are incapable of exerting or sustaining deep influence over the behavior of state and key nonstate actors and, at a minimum, do not exert consistent effective veto power over these actors.
- The existing central authorities do not speak with one voice—they are instead internally disunified over their mandate, intellectual grounding, and scripts to enact when problems of various sorts emerge or critical decisions must be made.
- Key epistemic communities (including elite economic theorists and policy entrepreneurs) and other interests are characterized by substantive disagreement about relevant economic theory and practice rather than by consensus.
- Not just the most powerful states but EMDE states as well face a set of opportunities for economic, institutional, and/or policy innovation that are not clearly constrained by the ideologies or policy preferences of other key actors, such as central authorities or key states.
- The center of gravity of economic policy innovation disperses across states, such that the key states and central institutions of financial governance do not exert a monopoly over, or even leadership in, pursuing such innovations. Those historically deprived of policy autonomy or the willingness to innovate in ways that contradict established norms and practices abroad find increasing space for institutional and policy experimentation.
- Economic forces and interests do not compel conformance to any one systemic ideal but instead provide some degree of aperture that permits divergence from that ideal.

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- As a consequence of some or all of these features, financial governance and economic development practice become increasingly heterogeneous, disconnected from central mandates and intellectual currents, and feature some degree or other of proliferation, fragmentation, pragmatism, learning by doing, or, more evocatively, what some theorists (following Lindblom 1959; 1979) call "muddling through."

All of these features are in evidence today. Rather than being unsettled by this state of affairs, I maintain that a world featuring productive incoherence is a better world to inhabit than many worlds characterized by high degrees of institutional and policy coherence. But I don't mean to overstep. The presence and impact of these features are unevenly distributed across the globe. Some EMDEs now enjoy enhanced institutional and policy autonomy, which they are able and willing to exploit. Others remain hobbled by political, economic, and ideational constraints. The hope is that the stragglers, too, will find in this period of increasing incoherence the space necessary to begin to chart alternative economic trajectories.

As we will see, Hirschman provides analytical clarity and direction as we try to make sense of contemporary developments. Hirschman broke with the predominant approach to development economics and social science of his day, which featured high theory and deduced policy prescriptions from Walrasian general equilibrium theory on the one hand and Keynesian theory on the other. The approach entailed identifying and eliminating what were taken to be the chief obstacles to the proper functioning of the market mechanism within EMDEs. Hirschman objected to textbook-driven development practice on several grounds while emphasizing the naiveté of his peers who believed that axiomatic-deductive reasoning could provide an adequate road map to necessary economic transformation. There is much more to be said about Hirschman's perspective on development. The richness of his oeuvre will emerge through an extended engagement with his work in chapter 2.

Discontinuities, Productive Incoherence, and the Global Crisis

The years leading up to the global crisis, and the crisis itself, precipitated significant and sustained change in the conditions facing EMDEs. Most important among these are an emerging attitude of intellectual uncertainty, pragmatism, and empiricism in the economics profession; a new landscape within which the BWIs operate, where they must negotiate to achieve and sustain influence that now seems precarious, and where they confront demands for governance reforms from increasingly assertive former clients,

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and potential and actual competition from and cooperation with EMDE institutions; the lack of recovery in Europe, and the fragility of the recovery in the United States; the serious and deepening financial fragilities and slowdowns in growth in EMDEs; and the tarnished image of the Anglo-American financial model. The discontinuities that have emerged in the financial governance landscape can only be understood in the context of these unique circumstances.[13]

The global crisis spurred expansion in the membership and scope of existing transnational financial governance networks. The Leaders' G-20 replaced the Leaders' G-8 in 2008, and the mandate and membership of the Financial Stability Forum (FSF) was broadened (and the body was renamed the Financial Stability Board, or FSB). It is true that these networks have proven to be unimaginative, timid, and impotent, even if they are more inclusive than their predecessors (Helleiner 2014b; Blyth 2013a; Payne 2010; Vestergaard and Wade 2012b).[14] Nonetheless, these groups should not be dismissed prematurely, since their future is not foreordained. Indeed, they may emerge over time as forums in which EMDE policymakers are able to promote serious dialogue, build relationships and coalitions, learn from one another, and refine their capacities to maneuver on the international stage and within multilateral institutions (Woods and Martinez-Diaz 2009).

Both the continuity and discontinuity views of the G-20 and FSB (and financial governance more generally) are represented in Helleiner's work. *The Status Quo Crisis* (Helleiner 2014b) sustains the continuity view. Helleiner argues there that the central roles of the U.S. Federal Reserve and the U.S. dollar have not just been unchallenged but have actually been strengthened by the crisis. In this account, formation of the G-20 and the FSB (and other initiatives) has not altered the global financial governance architecture to any appreciable degree. Helleiner's book nevertheless concludes with brief speculation about the potential for transformation over the medium term. In other work, both prior to and following his 2014 book, Helleiner speculates that the pressures unleashed by the crisis could ultimately result in more decentralized and fragmented international financial governance. Not least, he and Pagliari argue that current trends in financial regulation point in the direction of "cooperative regulatory decentralization" (see Helleiner 2009; Helleiner and Pagliari 2011). More recently and less equivocally, Helleiner (2016b) argues that policymakers are in fact "stumbling incrementally" toward such a regime—one that involves both increased multilateral cooperation and deepening decentralization—and that the G-20 and the FSB have begun to make more meaningful commitments.

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The global crisis has had more immediate and significant effects on the IMF. These effects have been complex and uneven (Grabel 2011). On the one hand, the crisis has restored the IMF's relevance, coffers, and central role as first responder to financial distress, just when long-standing critics might have hoped for new institutional arrangements to manage crises that would have displaced or demoted the Fund. In important respects, IMF assistance to countries in distress has followed its well-rehearsed script: many conditionality programs continue to stress contractionary macroeconomic policy adjustments, privatization, and liberalization (Gabor 2010; Kentikelenis, Stubbs, and King 2016; Nelson 2014a; Weisbrot 2015). Moreover, EMDEs have secured only very modest commitments for increases in their IMF voting shares. Today the United States and Europe continue to exercise disproportionate influence at the institution (Lesage et al. 2013).

The other side of the ledger is not blank, however. Today there are promising signs that the neoliberal ideas and prescriptions of important economists and departments at the Fund are being challenged by the global crisis in ways that most observers did not anticipate. In response, IMF economists are learning to live with significant departures from the old script. Most notable in this regard, Fund leadership, research staff, and staff working with countries in distress have moved further and more consistently in the direction of normalizing the use of controls over capital inflows, and even on outflows (Grabel 2011; 2015b; 2017; Chwieroth 2015; 2014; Gallagher 2014; Moschella 2014). There is also evidence of change—uneven and inconsistent though it may be—concerning the IMF's approach to fiscal policy during the crisis (Ban 2015; Grabel 2011). Fund economists have developed conditionality programs that, while still harsh, display greater flexibility than was the norm during previous crises. While the Fund continues to advocate fiscal retrenchment, it also now routinely emphasizes the need for "pro-poor spending" to protect the most vulnerable during crises. The IMF's crisis response strategy is marked by ad hoc measures that reflect important ambiguities within the institution. Strikingly absent here is the unyielding attachment to a global strategy of neoliberalism that marked its interventions over the past several decades.

The IMF's geography of influence during the global crisis has been transformed substantially as well. Some of its former clients have emerged as important lenders. At the same time, the institution's client base has largely shifted to the European periphery, and in Europe the IMF appears to be the weakest leg of the European "Troika." Indeed, there is substantial evidence of tension between the IMF and European authorities over important matters such as debt sustainability in Greece—which became particularly

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evident during the summer of 2015, when a third assistance package for the country was being negotiated—and the most severe forms of austerity in peripheral European economies.[15] In a different vein, but in keeping with the idea of discontinuities at the IMF, in 2015 China achieved a long-sought goal of having the IMF include its currency in the SDR. In addition, though the formal voice of EMDEs at the IMF has increased only trivially, the crisis has opened channels for several of these countries, particularly China, to increase their informal influence. Moreover, we find increasing inconsistency between the rhetoric coming from the institution, its research, and its actual practice. As we will see, the rhetoric-research-practice gap reflects something more than public relations imperatives. The gap reveals increasing contestation and even confusion within the Fund.

Of equal if not greater importance, productive incoherence is also evidenced in the emergence of a far more heterogeneous financial governance architecture. As noted, the East Asian crisis renewed interest in the creation of alternative institutions of financial governance. The drive toward institutional innovation was given far greater force during the global crisis, while the resources necessary to sustain such experiments only became available to rapidly growing EMDEs following the Asian crisis. New innovations have now emerged at the transregional, regional, subregional, bilateral, and national levels. Today we encounter a range of new and expanded reserve pooling arrangements and development and infrastructure banks. Existing institutions evolved in significant ways during the global crisis and have continued to do so (as we will see in the discussion of the Chiang Mai Initiative Multilateralisation, the Arab Monetary Fund, the Development Bank of Latin America, the China Development Bank, and Brazil's National Economic and Social Development Bank). At the same time, new arrangements have arisen to rectify perceived failings in the global financial architecture, particularly the shortage of infrastructure financing. The new arrangements are exemplified in twin BRICS initiatives, the New Development Bank and the Contingent Reserve Arrangement, and also in the Eurasian Fund for Stabilization and Development and in the China-led Asian Infrastructure Investment Bank and the One Belt, One Road Initiative/Silk Road Fund. These and other innovations are emblematic of developments and aspirations across EMDEs. The new willingness and ability to undertake innovation in financial governance may turn out to be one of the most important legacies associated with the global crisis, especially when compared with prior crises.

The new arrangements do not coalesce around a singular, grand global architecture that might replace the BWIs. Instead, we are observing productive

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incoherence in the expansion of disparate and, in some cases, overlapping and interconnected institutions that complement the BWIs. Taken together, they are "thickening" and diversifying the financial landscape in EMDEs and introducing the possibility of a transition to a more complex, decentralized, multitiered, pluripolar global financial and monetary system (Armijo and Roberts 2014; Chin 2010; Grabel 2013a; 2013b; Huotari and Hanemann 2014; Mittelman 2013; Riggirozzi and Tussie 2012). The expansion of these initiatives is widening policy space for development. They also generate opportunities for experience-based learning and the creation of new partnerships and coalitions, and in turn enable EMDE "forum shopping." In sum, the initiatives are substantially complicating the terrain on which the BWIs operate. We might also understand these institutions, however small in scale, in terms of their potential to increase robustness and even what Nassim Taleb (2012) terms "anti-fragility" of the global financial governance architecture. This would involve a collection of institutions that enjoy some degree of autonomy from each other, where crises are less likely to generate contagion across countries, and where each crisis might allow for learning that induces new innovations that are better able to prevent and limit the scope of future crises. What I call the *productive redundancy* that is a feature of the emerging financial governance landscape is central to the achievement of these goals.

A final dimension of productive incoherence concerns capital controls. Changes in ideas and practices around capital controls emerged during the 1990s. The changes deepened and extended during the global crisis. Of the many extraordinary developments that have occurred during the crisis, the successful "rebranding" of capital controls is among the most notable (Grabel 2011; 2015b; 2017; Chwieroth 2015; Gallagher 2014; Moschella 2014). Formerly denigrated as a policy tool of choice of the weak and misguided, capital controls have now been normalized as a legitimate tool of prudential financial management, even within the corridors of the IMF and the credit rating agencies.

The rebranding of capital controls has occurred against a messy backdrop of uncertainty and economic, political, and ideational change that reaches far beyond the IMF. Productive incoherence surrounding controls is reflected in the proliferation of responses to the crisis by governments, multilateral institutions, rating agencies, and the economics profession that have not yet congealed into a consistent approach. Instead, we find a proliferation of strategies that defy encapsulation in a unified narrative. The collapse of a consensus around capital controls has widened policy space to a much greater degree than in the years following the East Asian crisis

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(Abdelal 2007; Chwieroth 2010; Moschella 2010). As with most rebranding exercises, there is uncertainty about whether the new framing will prove sufficiently sticky, especially in the context of tensions and countervailing impulses at the IMF and elsewhere, a resilient bias among many economists against state management of economic flows, and new attempts to assert outflow controls in times of distress that would run counter to the interests of powerful financial actors. For now, though, there seems to be substantial momentum propelling increasing use of and experimentation with the flexible deployment of controls, in some cases with IMF support and in most other cases without IMF resistance.

Assessing the Significance of Change: A Hirschmanian Perspective

The institutional aperture, innovations, and policy changes examined in this book may not persuade those analysts who are committed to dramatic narratives of systemic change. They should. From my perspective, recent crises might be best understood as crucial turning points in a contested, uneven, and long-term process of pragmatic adjustment in global financial governance.

No one has made the case for the value of studying experimentation, diminutive changes, heterogeneity, and aperture more effectively than Hirschman. Hirschman argued for "possibilism"—the idea that small-scale, messy, disparate innovations revealed what could be; what reforms might be available. Central to his view is an emphasis on fundamental uncertainty—on deficient knowledge of what is and what could be. He counterposed possibilism with the predominant "futilism" in the social sciences (and especially in development economics)—the view that any initiatives that were not entirely consistent with the precepts of received theory were bound to fail (Hirschman 2013[1971]).

Hirschman's epistemic and normative views informed his understanding of social change in profound ways. He rejected the omniscient pretension that allows analysts to pass judgment ex ante on the significance of particular innovations, and the related tendency of social scientists to define change as either "fundamental" or "superficial." He despaired of the skeptical mindset that needs to dismiss most changes as superficial, a tendency that reflected both the futilism and the epistemic certainty that dominated social science in his time and indeed continues to infuse much scholarship today.

Following Hirschman, we can recognize the crisis and postcrisis periods as an extraordinary moment of institutional and ideational innovation that both reflects and contributes to a new degree of autonomy in financial

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governance in the EMDEs. Many of the innovations that I examine in the book might come across as prosaic and even trivial. But that's the central Hirschmanian point that must be kept in view—that the small, the disparate, the seemingly trivial, or the experimental must not be discounted in advance because they do not amount to much, because they are not the embodiment of some overarching plan, because they are not scalable, or because they are paltry when compared with the magnitude of the problems confronting EMDEs as they try to finance and sustain development.

The potential for change—meaningful, lasting change that can provide a basis for a more robust, participatory, sustainable development—is located here, in the disparate, the unplanned, and the experimental, rather than in a new "ism" to replace the now besieged neoliberal vision. Drawing on Hirschman's seminal work, I argue that the present era features practices that are far better suited to development than institutional fidelity to a disciplinary, coherent doctrine that serves as the blueprint for a new economic system. In this perspective, the absence of a new "ism" to replace neoliberalism is in fact expanding the terrain of policy and institutional experimentation. For those social scientists who cannot live without a new "ism," I propose *Hirschmanian Possibilism* as the new organizing system of thought. This doctrine rejects a coherent theoretical framework from which to deduce the singly appropriate institutional structure of the economy. Hirschmanian possibilism asserts instead the value of productive incoherence as a framework for creating a deeper, more resilient, more inclusive, and more developmental global financial governance architecture.

It needs to be reemphasized one last time before concluding this introductory chapter that the myriad innovations that I examine in subsequent chapters do not come close to displacing neoliberalism top to bottom. They do not sufficiently counter the power of the global financial community. Nor do they displace the IMF, the World Bank, or leading national governments as central actors in global financial governance or in shaping development policy. The innovations also do not inoculate EMDEs against economic downturns, capital flight, currency instability, or financial crises. Nor do they imply the emergence of financial multipolarity by 2025, as the World Bank predicted a few years into the global crisis (World Bank 2011). But the innovations do amount to *something*—to the evolution of a system of financial governance that encompasses both neoliberal and decidedly non-neoliberal features, and that is altering the geographic reach, influence, and internal governance of key actors. The transformations are generating pluripolar, multilevel arrangements that, to varying degrees, provide EMDEs with a degree of policy space that they have found it difficult to achieve

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during the neoliberal era. Rather than view the incomplete and improvisational aspects of the emerging non-neoliberal elements of the system—or the lack of a unifying, overarching model of global economic integration and financial governance—as debilities, we should recognize them as virtues. A noncoherent system, I argue, is one that is better able to promote the policy and institutional diversity and experimentation that are necessary to support economic development. In place of the pursuit of fidelity to a constraining model, the current era features pragmatic problem-driven responses and experimentation in response to pressing problems. After several decades of neoliberal coherence, this is a welcome deviation.

Related Literature, Caveats, and Risks

Hirschmanian possibilism requires patience regarding the realization of change. In this and other respects, scholars in international political economy will recognize affinities between Hirschman and contemporary "constructivist" scholarship in political science. Constructivism, too, emphasizes the importance of understanding change as inherently uneven, slow, and contested, often involving small, disconnected steps that have uncertain outcomes. We will return to constructivist contributions in chapters 5 and 7. For now, it bears noting that constructivist accounts emphasize subtle drivers of unscripted change that tend to be overlooked in reductionist accounts that focus on presumably more determinant factors such as the inexorable force of material interests. Hirschman would approve of this and related constructivist insights. For example, Campbell (2004, chaps. 3 and 5) speaks of change in political and economic institutions in terms that Hirschman himself might have used: as the outgrowth of pragmatic and ultimately uncertain processes of "bricolage."[16]

Per the Hirschmanian commitments that inform this book, I resist the temptation to label the innovations examined here as wholly "positive" or "negative." The book's organizing theme of productive incoherence suggests, of course, that on balance I am encouraged rather than discouraged. In my view, these changes hold within them the potential to generate a more heterogeneous, stable, and resilient financial architecture that is better positioned to promote development, financial stability, and financial inclusion. I speculate that this kind of architecture, in part because of the absence of a constraining, unified theoretical and political center, might enhance the autonomy of EMDE policymakers. For instance, the proliferation of forum shopping by EMDEs increases their leverage at the BWIs while providing smaller countries with opportunities that are potentially more favorable

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than those offered by the BWIs (on "competitive pluralism," see Culpeper 1997). Productive redundancy associated with a more heavily populated financial architecture enhances the adequacy of the global safety net and is central to the promotion of antifragility in global financial governance. These developments, in my view, are best seen as potentially transformative. At the same time, increasing policy space regarding capital controls is affording EMDEs the means to navigate disruptive capital flows better than they were able to do during the crises of the neoliberal era.

It would be terribly irresponsible, however, not to emphasize also the potential dangers associated with incoherence. I return to this matter in the conclusion to the book. Not least, in a world lacking universal rules of engagement backed by sufficiently influential authorities that can punish, or at least shame, disruptive behavior, countries may deem it advantageous to pursue beggar-thy-neighbor strategies. This concern, already expressed by the IMF in regard to the competitive use of capital controls and by EMDEs in connection with the spillover effects of monetary policies in AEs, should be taken seriously. In addition, incoherence and redundancy could breed uncertainty in times of crisis, just when questions such as who is in charge and who can and will offer assistance need prompt and dependable answers. But I will argue that these concerns should not authorize the premature short-circuiting of the new kinds of policy and institutional experimentation now under way. With Hirschman, I argue that protecting space for policy and institutional experimentation must be a central feature of any new multilateral initiatives to regulate what are seen to be harmful national financial practices.

Worrisome events in 2016 and signposts leading into 2017 are causing particular alarm among scholars and EMDE policymakers, and rightly so. EMDEs are now being damaged by uncertainty inaugurated by rising nationalism in the United States and several European countries, the fallout from Brexit, and the prospect of sustained monetary tightening and a chaotic policy environment in the United States. Today, EMDEs face a poisonous cocktail of macroeconomic and financial risks, including a sharp decline in commodity prices (through 2015), slowing economic growth, high levels of corporate and sovereign debt (a great deal of which is denominated in the U.S. dollar), instability of international capital flows, and tightening conditions in credit markets (see UNCTAD 2016, chap. 1). Any intensification of these crisis triggers in the coming year or two will surely test what are still very new and even fragile EMDE institutions and practices. Nothing that follows in this book should be taken as a guarantee that the EMDEs will be able to ward off economic disturbances. What we can hope for is that the

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initiatives examined here will allow these economies to do somewhat better than they have in the recent past, and that any new shocks will provide opportunities for new institutional and policy experiments that yield learning, cooperation, and enhanced robustness. These are precisely the kinds of opportunities that neoliberal coherence precluded.

Clarification of Terms

My principal professional interest is at the intersection of financial governance, economic development, policy space, and macroeconomic performance. In particular, I am concerned with the architectures and practices of global financial governance, especially as these bear on the prospects of EMDEs. Throughout the book, I use the term *global financial governance* to refer to institutions, arrangements, and policy practices, while *financial governance architecture* refers more narrowly to institutions and networks.

The term *development finance* is often used to refer to the provision of funding for long-term projects, such as infrastructure projects, provided by what are usually termed development banks. When I speak of *developmental finance*, I have in view those activities but also other financial flows that cushion the economy, private firms, and public entities from the effects of economic shocks and downturns of domestic or external origin. Beyond project finance, I emphasize the centrality of forms of financial governance and types of financial flows that can reduce the incidence of crises while ensuring liquidity, working capital, and trade finance during periods of distress and that can allow countries to reduce the depth of and/or ameliorate the effects of crises while protecting national policy autonomy. These are usually referred to as liquidity support arrangements, and they often involve the pooling of currency reserves among groups of nations. Developmental finance, as I use the term, therefore refers both to project finance and liquidity support. Defined in this way, developmental finance focuses attention on state actors and multilateral institutions that are charged with providing these services—not on private sector actors (such as investors) or nongovernmental organizations. But this sector is complex. The relevant institutions engage in the direct provision of finance of various sorts but also regulate private sector actors and financial flows that affect development prospects. Sometimes, the two activities are intertwined, so the focus here must be both on developmental finance and on financial governance.

Little more can usefully be said at the outset about what falls within and what falls beyond the scope of the book. I trust that my focus on developmental

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finance and financial governance will emerge clearly in the context of the discussion that follows.

For expediency, I have often, but not always, chosen to rely on the now commonly used term advanced economies (here AEs) to refer to wealthy countries and the equally common term emerging market and developing economies (here EMDEs) to refer to the developing and former socialist countries—what some analysts refer to as the countries of the global south and east. Nothing of significance is intended by that terminological choice.

I sometimes refer to the IMF and World Bank as the BWIs, and sometimes refer to the individual institutions as the Fund and the Bank, respectively. When speaking of the regional and multilateral development banks that are in fact a part of the broader architecture of the BWIs, such as the African Development Bank (AfDB), Asian Development Bank (AsDB), and Inter-American Development Bank (IADB), I refer to these individually by name.

Following common practice, I use the term global financial crisis to refer to the crisis that began in 2008.[17] Hereafter I often use Asian crisis to refer to the East Asian financial crisis. The dollar refers to the U.S. dollar, and I often use Fed to refer to the U.S. Federal Reserve. Finally, I use the terms policy space and policy autonomy to refer to a government's ability to select policy instruments and institutional forms free from external constraints, such as those imposed by the fear of triggering capital flight, or censure by the IMF or credit rating agencies.

The Book in Brief

Subsequent chapters provide a wide-ranging examination of important institutional and policy adjustments that have unfolded since the Asian crisis and especially during and since the global crisis. In chapter 3, I examine the Asian crisis itself since it is a key driver of innovations and reforms that deepened during the global crisis.

In chapter 4, I briefly explore the G-20 and the FSB, often taken by continuity theorists as exhibit A in the case against meaningful reform. I accept the claim that these networks have not achieved much of what had been hoped for them, but I contend that the verdict is more ambiguous and even promising—that these bodies are best seen as opportunities for learning, capacity building, and coalition building.

I turn to the IMF in chapter 5 and demonstrate at length the extent and diverse dimensions along which the institution has and has not evolved since the Asian crisis. The IMF can no longer be depended on to champion uncritically the neoliberal cause in the AEs or the EMDEs. Indeed, it has

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recently but certainly not always pushed back against the most strident neoliberal interventions in crisis situations.

The global financial governance architecture beyond the BWIs has been the site of extraordinary innovations over the past decade or so and especially during the global crisis. As we will see, institutions that provide liquidity support and those that provide long-term development and/or infrastructure finance at the national, bilateral, subregional, regional, and transregional levels are transforming the landscape of financial governance. The survey in chapter 6 is extensive but by no means comprehensive. Indeed, it has proven very difficult to keep up with institutional adjustments during the writing of this book, so rich and diverse are the innovations now under way.

Capital controls were central to the Bretton Woods era but were sharply stigmatized as desperate and ultimately self-defeating measures of the weak under the neoliberalism of the 1980s and 1990s. The consensus surrounding the indictment of capital controls began to crack in the years following the Asian crisis. Today, capital controls are back—they have been rediscovered and rebranded as a vital instrument of macroprudential management. This development is fundamental, so we explore it in depth in chapter 7.

In the concluding chapter of the book I examine the opportunities, lessons, risks, and mandates that arise in a pluri-polar, incoherent, and Hirschmanian world.

As the foregoing suggests, the argument that follows is largely empirical. I go to great lengths to sustain the case for pluripolarity, and for institutional and policy innovation that is not driven by any coherent economic doctrine. The empirical record can be overwhelming. A central question of the book is how to interpret these developments. If judged by the traditional standards of social science, the answer I offer is novel and even peculiar, so, before turning to empirical matters, I will take time in the next chapter to investigate carefully the work of Albert Hirschman to discern what he has to offer us in our engagement with contemporary events. Hirschman's central insights and commitments serve as both the analytical backdrop and the inspiration for this book. I will try to demonstrate why we should replace commonly held views on economic development and institutional and policy change with an alternative that features the productivity of incoherence.

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