When Things Don't Fall Apart

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

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Notes

Preface

1. Later I encountered the use of the phrase "immensely productive incoherence" in Gibson-Graham (1996), invoking the work of Eve Sedgwick (1993). At the time I was relieved to find other theorists who recognized the potential virtue of incoherence.

Chapter 1

1. On architectural failings and the Asian crisis, see Feldstein (1998) and Stiglitz (2002). On new architectures, see Best (2003), Chin (2014b), Eichengreen (1999), and Kirshner (2014b).

2. The acronym BRICs (lower case "s") refers to Brazil, Russia, China, and India. In 2011 South Africa joined the group, at which point it was renamed the BRICS.

3. Representatives of Brazil and China made these points most vocally. On China, see Chin (2014b) and Kirshner (2014a; 2014b).

4. Ocampo (2015b) and others term it a "non-system."

5. I've benefited from engagement with Best's work (2005; 2012), which discusses the centrality and even desirability of ambiguity in global financial governance. She argues insightfully that the international political and economic stability of the post–World War II era depended on a carefully maintained balance between coherence and ambiguity, and that ambiguity can be both functional and necessary. Monolithic models of economic integration, such as neoliberalism, are intended in part to banish ambiguity—to generate clear, unambiguous institutional and policy directives that will yield fully coherent economic systems. One of my central contentions is that elimination of ambiguity represents a dangerous impediment to prudent financial governance.

6. See Chin (2010), which was written early in the crisis, before many of the most important discontinuities emerged. Chin has since moved toward a discontinuity view (Chin 2014b; 2015; 2016).

7. In contrast, James (2014) views the central role of the Federal Reserve as representing discontinuity (rather than continuity) insofar as the institution took responsibility for global stabilization, a burden traditionally borne by the IMF. Note that Helleiner's views have evolved over the course of the crisis (as we will see later in this chapter and elsewhere in the book).

8. See Cohen and Benney (2014) for a discussion of continuity in the international currency system.

9. Germain's (2009) intervention is more nuanced than most continuity contributions. He rightly emphasizes the importance of taking the long view of evolutionary change and continuity, and he identifies modest rebalancing of power among states in the period before the global crisis. But he ultimately emphasizes continuity and complex evolution rather than rupture, and he suggests that this is the most likely outcome in the years ahead. In my view, he undersells the significance of his findings, owing to an implicit notion that change must be abrupt and decisive.

10. On continuity and the ASEAN+3 countries, see Cohen (2012), Grimes (2015), and Haggard (2013). On the BRICS, see Bond (2016), Gray and Murphy (2013), Nel and Taylor (2013), and Rodrik (2013). On rising powers, see Peruffo and Prates (2016). Unlike most in this tradition, Gray and Murphy allow for some uncertainty regarding an emerging "regime change," though it is not likely to be what they see as "emancipatory."

11. Conflicting visions about development and the voices of EMDE representatives were a more important feature of discussions around the Bretton Woods order than most observers appreciate (Helleiner 2014a).

12. Political movements across the world continue to wrestle over the desirability of neoliberal policies. Recent political developments in some AEs threaten to promote a dangerous mix of neoliberalism and economic nationalism.

13. Kirshner (2014a) argues that the global crisis is a turning point for the United States, reflected in the relative erosion in its hard and soft powers, including the credibility of its liberalized financial model as a global ideal. He emphasizes the unevenness of this intellectual transformation, comparing its resilience in the United States to its loss of credibility elsewhere. More broadly, I note here that a range of traditions in political science examine how crises can open space for change. These studies pay particular attention to uneven, gradual evolution (e.g., see Blyth 2002; Gourevitch 1986). We return to this matter very briefly later in this chapter and more deeply in subsequent chapters.

14. The only area where the G-20 has taken a bold, though largely rhetorical, step concerns capital controls (see chapter 7).

15. See Lütz and Kranke (2014) on tension in some Eastern European and Central European cases.

16. Some work within "historical institutionalism" also approaches institutional change as a gradual, evolutionary process (most notably Mahoney and Thelen 2010). See chapter 5.

17. Some observers, such as José Antonio Ocampo (2016), use the term North Atlantic crisis since this region was the epicenter of the crisis.

Chapter 2

1. Following Ellerman (2005), I use the (admittedly awkward) term "Hirschmanian" to refer to scholarly work and policy and institutional innovations that are consistent with Hirschman's key theoretical and epistemic commitments. Others refer to "Hirschmanesque" impulses (Kirshner 1997; 2014a; Abdelal and Kirshner 1999–2000).

2. The most useful of these contributions are Drezner (2013), Fukuyama (2013), Gladwell (2013), Alacevich (2014; 2015; 2016), and a collection of papers published in the journal *Humanity* (Adelman et al. 2015). Drezner argues that Hirschman developed "some of the key building blocks of how to think about political economy"; that his ideas upended long-standing shibboleths in economics, political science, economic history, and sociology; and that some of his most important ideas (particularly insights in his books *The Passions and the Interests*, *National Power and the Structure of Foreign Trade*, and *Exit, Voice, and Loyalty*) became touchstones for scholars and prefigured what became critical areas of research in the decades that followed their publication. Gladwell (2013) describes Hirschman as one of the "twentieth century's most extraordinary intellectuals" and, like Adelman, finds it impossible to separate Hirschman's distinct life trajectory from the content of his writings. See also Lepenies (2008).

3. See Adelman (2013a, introduction; 2013b) and Alacevich (2014; 2015; 2016).

4. I thank Michele Alacevich for this point.

5. Hirschman is used as a foil in the essay. The history of development economics serves as a backdrop for Krugman's observations about methodology in economics more broadly.

6. The title of Krugman's essay, "The Fall and Rise of Development Economics," is a play on the title of Hirschman's 1981 essay "The Rise and Decline of Development Economics."

7. See Adelman (2013b, 343–344) for a more charitable reading of the same matter, and see Alacevich (2014; 2015) for a discussion of the context of the move away from high development theory.

8. In Krugman's (1994) view, the publication of Murphy, Shleifer, and Vishny (1989) helped resurrect development economics. See Herrera (2006) for a critique of

Krugman's essay, and a discussion of what he sees as the absorption of development theory and policy by neoclassical economics.

9. As will become clear in what follows, this claim, though not incorrect, is misleading. Hirschman was very much interested in small-scale initiatives and microresults, and his big concepts involved the need to appreciate diminutive, mundane policy interventions.

10. In a similar vein, Picciotto (1994), then director general of operations evaluation at the World Bank, optimistically argued in 1994 that the World Bank's development agenda, specifically its work in development evaluation, had become more Hirschmanian in response to past failures and criticisms.

11. *A Bias for Hope* is the title of a 1971 book of Hirschman's essays. Rodrik restricts himself, in his otherwise characteristically open-minded contribution *One Economics, Many Recipes* (2007b, 3), to "neoclassical economic analysis." "One Economics" signals from the outset that Rodrik seeks to rescue neoclassical economic theory from itself rather than propose that we embrace many paradigms within economic theory. That said, Rodrik's book, and indeed much of his work, is profoundly consistent with Hirschman's insights. We find in Rodrik an embrace of unbalanced growth (i.e., selective, strategic interventions), deep engagement with local context, pragmatism, humility, and experimentation (Alacevich 2016). Rodrik's 2015 book *Economics Rules: The Rights and Wrongs of the Dismal Science* is both a celebration of what he identifies as the discipline's movement toward "many and context-specific models" and a call for it to move further in this direction. By way of contrast, Ha-Joon Chang's *Economics: The User's Guide* (2014) argues for a greater degree of theoretical pluralism in economics.

12. See Chang (1994; 1997; 2002a; 2002b; 2007; 2012; 2014), Chang and Grabel (2014[2004]), Easterly (2001; 2014), Wade (1976; 2003[1990]; 2004), and, as previously noted, Rodrik (1991; 2007b; 2011; 2015a) and Hausmann, Rodrik, and Velasco (2008). The dedication to Wade's *Governing the Market* (2003[1990]) invokes Hirschman's "art of trespassing," a play on the title of Hirschman's 1981 book *Essays in Trespassing*. Though Alice Amsden's major books, *Asia's Next Giant* (1992) and *The Rise of the Rest* (2001), do not cite Hirschman, their emphasis on the importance of trial and error and learning clearly give them a Hirschmanian flavor. See also Lepenies (2008) for a reflection on Hirschman's numerous contributions to social science. The author focuses on what he sees as Hirschman's general approach to problem solving as embodied in his commitment to "possibilism" (to which we will return later).

13. See, for example, Kirshner (1997, chap. 4; 2014a), Abdelal and Kirshner (1999–2000), and Blyth (2011; 2013a).

14. As Drezner (2013) notes, Hirschman's book underscored his long-held commitment to the view that dialogue between economists and political scientists could be mutually beneficial. In this connection, Hirschman noted that, "In developing [exit

and voice] . . . I hope to demonstrate to political scientists the usefulness of economic concepts *and to economists the usefulness of political concepts*" (1970, 19, emphasis in original).

15. Gerald Helleiner (2010) employs Hirschman's exit, voice, and loyalty framework to explain why the Asian and especially the global crisis renewed interest among EMDE policymakers in ways to escape IMF control through the creation of alternative institutions of financial governance.

16. "Cult of exit" is drawn from the essay "Exit Albert Hirschman" published shortly after his death (*Economist* 2012).

17. The idea that linkage effects would induce unbalanced growth represented a stark alternative to the idea of "balanced growth" that was in vogue at the time. See also Paul Streeten (1959) for a critique of the balanced growth orthodoxy.

18. See Hirschman (2013[1970], 144) for an examination of the professional sociology that contributed to the tendency toward grand theories and paradigms.

19. Herbert Simon's (1990) conception of "bounded rationality" stems from a related recognition that the social world is inherently complex and only partly intelligible. Hirschman's approach is more closely aligned with the inferences drawn by contemporary students of complexity, such as Kirman (2016), than with the less radical inferences drawn by Colander and Kupers (2016), who try to retain a notion of equilibrating mechanisms.

20. Hirschman (2013[1970], 144) wondered whether such efforts were "inspired primarily by compassion or by contempt" for the lot of poorer countries. The failure to appreciate complexity and the limits of knowledge also underpins Popper's rejection of grand plans and social engineering (see McMillan 2008).

21. The commitments inform the analysis in *The Strategy of Economic Development*, *Journeys toward Progress: Studies of Economic Policy-Making in Latin America*, and *Development Projects Observed*, and are treated in particular depth in several of his essays, including "Obstacles to Development: A Classification and a Quasi-Vanishing Act" (1965), "The Principle of the Hiding Hand" (1967a, chap. 1), "The Search for Paradigms as a Hindrance to Understanding" (2013[1970]), "Political Economics and Possibilism" (2013[1971]), and "Against Parsimony: Three Easy Ways of Complicating Some Categories of Economic Discourse" (2013[1986a]).

22. Alacevich (2014; 2015) explores this episode, and I draw on his work in the following paragraphs.

23. The terms in quotation marks appear in Hirschman (1967a) and are discussed in Alacevich (2014).

24. Alacevich (2014, 140) cites Judith Tendler's related observations. In a book on Brazil (for which Hirschman authored a foreword), Tendler (1968) highlighted the

strong tensions that can "arise among the intrinsically uncertain nature of the knowledge acquired on development issues, the limits of knowledge transmission between donors and domestic recipients, and the status of 'development experts.'"

25. Alacevich (2014, 161–162) notes that the chilly reception of Hirschman's work may also have reflected an organizational culture that made outside evaluation unwelcome. Hirschman might have expected as much: he wrote insightfully about the mutual distrust that often emerged between foreign experts and their clients (discussed later).

26. Hirschman (1967a, xvii) acknowledges that the Hiding Hand was "the most speculative chapter of the book, was close to a provocation [to the World Bank]. Nothing could be less 'operationally useful.'" Nevertheless, he argued that the chapter was meant to function as a prologue to the more mundane, practical aspects of the book and that it was intended to reinforce his view that uncertainty, creativity, and learning are intrinsic to an understanding of development.

27. Highlighting the lyrical nature of Hirschman's prose in this and other essays, Gladwell (2013) writes: "Remember, this is an *economist* who's writing" (emphasis in original). Gladwell (2013) also discusses the roots of the Hiding Hand in Hirschman's deep reading in psychology and psychoanalysis, which contributed to his interest in the productive value of negative emotions—namely, frustration, aggression, and anxiety (see Adelman 2013b, 340–342). The Hiding Hand illustrates the value of adversity as a teacher.

28. In this respect, again, it is striking how much Hirschman anticipates the turn in economics away from theorizing the economy as an essentially simple, self-contained system toward recognizing it as an adaptive, complex system. For instance, teasing out the implications of complexity theory, Kirman (2016, 547) argues that this conception requires the economist to abandon the "benchmark model in which there are clear causal relationships, and in which the consequences of modifying parameters can be predicted, albeit with some uncertainty." See also Colander (2003).

29. George Soros's notion of reflexivity also focuses attention on the ways in which economic theory influences the world (Soros 2013). I thank Jerry Epstein for this point.

30. I thank an anonymous referee who pointed out parallels between Hirschman's work and that of another underappreciated theorist of global social change, Robert Cox. Both were iconoclastic thinkers who rejected the "problem solving" positivist bent of social science and were deeply committed to understanding the continuing process of historical change. That said, Cox was more sympathetic to grand narratives than was Hirschman.

31. See also Hirschman (2013[1971]). These themes are developed most fully and elegantly in his essays "Obstacles to Development" (1965), "The Search for Paradigms" (2013[1970]), and "Political Economics and Possibilism" (2013[1971]).

32. These themes are echoed in contemporary feminist thought, especially the work of theologian Sharon Welch (see Welch 1990).

33. In this respect, Hirschman anticipated the work of scholars working on "wicked" and "super wicked" problems (see Levin et al. 2012). I thank Matthew Paterson for pointing me in the direction of both Levin et al. and complexity theory (discussed later).

34. The rejection of utopianism had deep roots in Hirschman's personal and professional life—including his practical experiences working on the Marshall Plan and European reconstruction under the auspices of the U.S. Federal Reserve Board; his work as a consultant in Colombia, and deep connections to Latin America more broadly; his two experiences with the World Bank, first as its adviser to the Colombian government from 1952 to 1956 and later as a consultant studying project design, management, and appraisal; and his personal history as a refugee from fascism. The latter, in the view of his biographer, led Hirschman to appreciate the likelihood that grand utopian projects will yield horrific outcomes (Adelman 2013b).

35. The argument finds an echo in the work of Gibson-Graham (2008), who pushes back against the academic need for "strong theory" that purports to know too much and forecloses too readily on economic experiments. In a maneuver that is consistent with Hirschman's oeuvre, Gibson-Graham advocates instead "weak theory" that acknowledges what is not and cannot be known, writing that "experimental forays . . . are often judged as inadequate before they are explored in all their complexity and incoherence" (6).

36. The trend lamented in Krugman (1994), as we saw earlier. Hirschman's rejection of top-down social engineering resonates with the work of other critics, including Hayek (1974; 2014[1944]), Popper (1957; 1971), and Smith (1976[1759], 233–234) (who ridiculed the "man of system"), and contemporary critics such as DeMartino (2011, 9–11, 17, fns1, 5, 141–150), Easterly (2001; 2006; 2008; 2014), Ellerman (2004; 2005; 2014), McCloskey (1990), McMillan (2008), and Rodrik (2007b; 2009a; 2011). Ellerman (2005), a former World Bank economic advisor to the chief economist, indicts the institution (and similar institutions) for the hubris that characterizes its approach. Rodrik (2007b; 2009a; 2009b; 2011) has long written of the need for gradualism over abrupt institutional revolution, the importance of trial and error and practical innovation over fidelity to a scripted plan, and the related virtues of what he terms a "thin" version of globalization that protects national policy space in place of uniform and inflexible global rules and norms.

37. Colander (2003) likewise relies on the concept of muddling through in his examination of economic policy making. He simultaneously connects himself to and distances himself from Lindblom's (and, by extension, Hirschman's) conception of the process. Colander (2003, 198) dismisses early approaches to muddling through as applications of "armchair heuristics." That said, Colander's approach

retains a Hirschmanian flavor, particularly because he sees the economy as a complex system in which policymakers necessarily face limits on their ability to anticipate the effects of policy. This follows from Colander's rejection of what he sees as the economics profession's attachment to the "economics of control," a path that he traces to the long shadow cast by Abba Lerner (1944). Colander's notion of muddling through shares with Hirschman an appreciation of learning by doing, an embrace of the diminutive over the grand plan, and a return to what Colander (2003) terms "blended reasoning," by which he means economic policy analysis that draws broadly on social science and humanistic disciplines.

38. In this connection, Hirschman commends theorist Louis Althusser, even if he ironically notes that, as a Marxist, Althusser should be an "inveterate paradigm lover" (Hirschman 2013[1970], 151–152). What Althusser terms "overdetermination" in his account of transformative experiences, such as revolutions, Hirschman notes should more accurately be termed uniqueness.

39. Hirschman's work anticipates or, at the very least, resonates with contemporary work in complexity theory in regard to its emphasis on the inherent messiness and necessity of experimentation in climate governance (Hoffmann 2011).

40. Sabel and Reddy (2003) argue that pooled experience, learning, experimentation, and pragmatism are basic to any alternative to the command and control model of development. See the discussion of open learning in Ellerman (2004; 2005, 164–165, 218, 237–239), and see Schön (1994) for an examination of what he terms Hirschman's "underlying, elusive" model of social learning in development. Mazzucato (2013; 2015) draws on Hirschman (1967a, chap. 1) in a discussion of the messiness of the policymaking process and the benefits of trial and error.

41. See also the discussion in McMillan (2008).

42. Rodrik (2009a) identifies all of these as features of the "new" development economics, which in important respects is consistent with key features of Hirschman's "old" development economics. See also Ravallion (2008) on the process of evaluation in development.

43. Polanyi (2001[1944], 143) wrote of precisely this phenomenon when discussing the propensity of advocates of economic liberalism to explain its failure as stemming from insufficient liberalization rather than from the inherent failure of the utopian project itself: "Its apologists are repeating in endless variations that but for the policies advocated by its critics, liberalism would have delivered the goods; that not the competitive system and the self-regulating market but interference with that system and interventions with that market are responsible for our ills."

44. See McCloskey's (1990) scathing critique of economic planners.

45. Angus Deaton has been critical of RCTs on methodological and ethical grounds that resonate with Hirschman's sensibilities, particularly in connection with the lat-

ter's distaste for the hubris of development experts, the drive to generalize from and export what is inherently particular, and the complicated relationship between experts and affected populations. Deaton (2010) focuses on methodological concerns but includes a brief discussion of ethical matters (e.g., 447). The ethical critique is developed much further in Deaton (2015), where he notes that RCTs are generally conducted on the poor by researchers who are not themselves poor and that these RCTs reflect an underlying paternalism that he rejects.

46. Lepenies (2008) argues that possibilism constitutes what he terms Hirschman's "general method of analysis." He correctly sees possibilism as an approach that is useful outside of the development context, and he argues that it should be understood as a "valid and multidisciplinary tool for unorthodox contemporary social analysis" (439, 444).

47. This theme reappears in certain contributions to poststructuralist political economy (see DeMartino 2013b).

48. "Reverence for life" appears in Hirschman (2013[1970], 147).

49. Though this book focuses on conservative rhetoric, Hirschman argues that progressives are apt to deploy similar rhetorical strategies.

50. This theme remains relevant today. As Blyth (2011) argues, Hirschman's theses on conservative rhetoric provide insight into the justifications advanced by neoliberals since 2008 against regulation of the behaviors and practices that led to the global financial crisis. Hirschman's theses are also relevant to understanding claims that there was no meaningful change in financial governance or developmental finance in EMDEs during the crisis and that whatever innovations have occurred in fact make matters worse.

51. On refusing to know too much, see Gibson-Graham (2006, 6) and DeMartino (2013b).

52. Note that some see Hirschman as strictly a "state-centric" thinker. This implies that Hirschman's approach may not be the most appropriate frame for understanding the types of changes that I am discussing in this book, some of which are below the level of states and others above it. More generally and relatedly, some might assume that Hirschman's work is less relevant today in a world of sub- and transnational actors. Admittedly, Hirschman's best-known work, which is the work on exit and voice and on international trade and national interest, is often understood as statist. But in fact these works have readily apparent implications for sub- and transnational actors. Moreover, Hirschman's development trilogy (Hirschman 1967a; 1969[1958]; 1973[1963]) focuses explicitly on processes and change at levels below the state. I thank Randall Germain for raising this line of discussion.

53. If the monetary tightening in the United States that began in December 2016 were to continue, it would likely renew debate over the harmful international spillover

effects of AE policies. So might the uncertain policy environment that has emerged in the immediate wake of the election of Donald Trump as President of the United States.

Chapter 3

1. For etiologies of the Asian crisis, see citations in note 4 of this chapter. On the Mexican financial crisis, see Grabel (1996a; 1996b).

2. See Mishkin (2006) for an example of this kind of treatment.

3. Chinese authorities continued to advocate radical architectural reform in the years that followed the Asian crisis despite the absence of a sympathetic audience (Chin 2014b). The proposals advanced by the governor of the country's central bank in 2009 should be understood in this historical context (ibid.). Notwithstanding the longevity of its interest in architectural reform, China's dollar holdings supported the system and sustained U.S. current account deficits (Helleiner and Kirshner 2014). After 2009, China's policy moved more firmly in the direction of seeking greater autonomy from the dollar and fundamental adjustment to the international monetary system (Chin 2014b; Kirshner 2014b).

4. For explanations of the Asian crisis that "have the added advantage of being true," see Chang (2000), Crotty and Lee (2002; 2005), Grabel (1999a; 1999b; 2002; 2007), Noble and Ravenhill (2000), Wade (1998a; 1998b; 2003[1990], introduction), and Wade and Veneroso (1998). The phrase in quotation marks is drawn from Wade (2003[1990], xxiv, borrowing from former U.S. president Richard Nixon).

5. Papers in Kenen (1996) discuss the recommendations of the Rey Committee (formed at Halifax) and the decisions made at the next G-7 summit in Lyons, which tightly linked crisis prevention to information dissemination.

6. See Best (2006), Grabel (2003d), Helleiner (2014b, chap. 4), and Mosley (2003). Best (2006) discusses the underlying power dynamics behind the IMF's stance on universal standards and codes.

7. SBAs are the IMF's basic short-term loan agreement.

8. Many observers make this point. Examples include Crotty and Lee (2002; 2004; 2005; 2006), Grabel (2003a; 2007), Harvey (2005, chaps. 3 and 4), Singh (1999), and Wade (2007).

9. The same logic prevailed in the United States during the 1990s as neoliberals dominated discussions of how to respond to home-grown financial turbulence. For example, the Enron, Long-Term Capital Management, and other financial implosions were resolved on the side of those favoring more information, transparency, and market discipline in lieu of increased financial regulation.

10. See, for example, Bhagwati (1998), Chang, Park, and Yoo (1998), Chang (2000), Crotty and Lee (2002; 2005; 2009), Feldstein (1998), Noble and Ravenhill (2000), Kirshner (2014b), Pempel (1999), Stiglitz (2002), Wade (1998b), Wade and Veneroso (1998), and Winters (1999).

11. See citations in the previous note.

12. Ukraine returned to borrower status during the global crisis, when it signed a US$16.4 billion SBA with the Fund in November 2008, followed by additional support packages in July 2010, April 2014, and March 2015.

13. As the global crisis unfolded, demands on a now leaner staff increased just as the institution enjoyed an increase in its financial resources. By May 2009, the institution's hiring freeze was reversed, and it began an aggressive process of recruiting new staff, particularly economists and others with expertise in financial sector issues (IEO 2014, Annexes 1 and 2). See chapter 5.

14. Discussion of the evolution of the IMF's role draws on Blyth (2013a, 162–165), Broome (2010), and Eichengreen (2000).

15. But see Nelson (2014a), who argues that the institution never faced a legitimacy crisis and was never in danger of losing its unique position as the crucial catalytic lender during complex financial crises (see also Henning 2009a).

16. The World Bank was critical of the IMF's failure to consider the effects of its SAPs on poverty and inequality during the 1980s (e.g., in relation to IMF programs in Africa, as noted by Noble and Ravenhill 2000). Under the leadership of Camdessus (who assumed office in 1987), the IMF attempted to respond to these criticisms. However, efforts by Camdessus and his successors bore little practical fruit despite vigorous rhetoric and numerous policy directives concerning poverty and inequality (Momani 2010; IEO 2007).

17. See, for example, Best (2007), Momani (2005; 2010), Reinold (2016), reports of the institution's IEO, and chapter 5 on the gap between IMF rhetoric and practice.

18. MacIntyre, Pempel, and Ravenhill (2008) argue that the Asian crisis served as a powerful catalyst for wide-ranging change across several dimensions of Asian political economy, though they nonetheless recognize important continuities.

19. The latter was doubled to US$58 billion in October 2011. The Bank of Korea also had bilateral swaps in place with the central bank of Japan, which predated the global crisis (Obe and Jun 2015).

20. Official reserves and sovereign wealth fund data use the designation for AEs and EMDEs as reported by the IMF.

21. Many observers have claimed that excess reserve accumulation also generates global imbalances that contribute to global financial instability. Paradoxically, while

reserve accumulation enhances policy autonomy, it also reflects the structural power of the United States—or what Susan Strange calls its "super-exorbitant privilege" (Germain 2009, 684–685; Strange 1987).

22. Total global SWF assets of US$7.4 trillion (as of December 2016) dwarf the US$2.94 trillion managed by hedge funds as of the first quarter of 2015 (Hedge Fund Research Institute 2015). Global SWF assets in 2016 represent 2.5% of total global financial assets, which were estimated to be US$294 trillion in 2014 (global financial assets reported in Ro 2015).

23. There is evidence that during the global crisis China deployed official reserves to stabilize AE financial markets and that SWF assets supported foreign and domestic markets (see chapters 5 and 7).

24. Discussion of the AMF draws on Cumings (1999), Grimes (2009a; 2009b), Holroyd and Momani (2012), and Noble and Ravenhill (2000).

25. See Holroyd and Momani (2012) on the Japanese government's frustrations with the IMF.

Chapter 4

1. The term "network of networks" is drawn from Slaughter (2004). See also Drezner (2007) and Woods and Martinez (2009, introduction).

2. Networks therefore contribute to the development of "soft law."

3. The Finance G-20 (discussed later) included a small number of EMDEs from the start.

4. Discussion in this paragraph draws on several critical analyses of the G-20, including Blyth (2013a), Helleiner (2014b), Payne (2010), and Vestergaard and Wade (2011; 2012b).

5. The discussion in this paragraph and the next draws on Helleiner (2014b, chap. 2), Helleiner and Pagliari (2009; 2010), Moschella and Tsingou (2013), and Viola (2014).

6. The EU is represented by the European Commission and the European Central Bank.

7. See Viola (2014) and Helleiner (2011a; 2011b; 2014b; 2016b) for an accounting of accomplishments, failures, and missed opportunities.

8. Guerrieri and Lombardi (2010) cite the speed with which the Basel Committee reached agreement on the Basel 3 accord as an achievement of the G-20. They also praise the G-20 for its role in the IMF governance reforms of 2010. After their paper was published, the U.S. Congress stalled these reforms for five years (see chapter 5). During that time, the Finance G-20 and the G-20 pressed Congress to end the gridlock (see G-20 2015).

9. Henning and Walter (2016) see the expansion of membership in networks such as the FSB as a key achievement in the G-20's scant record. Among academics, Cooper (2010; 2011) is perhaps the most bullish on the G-20, though he acknowledges its limitations, such as the lack of regional representation.

10. For cautiously pessimistic views, see Helleiner (2011a) and Woods (2010).

11. See Vestergaard and Wade (2011; 2012a) and Wade (2011) on an alternative to the G-20, which they term a Global Economic Council, and see Ocampo and Stiglitz (2011) on a Global Economic Coordination Council.

12. Discussion of governance reform began at the November 2008 G-20 meeting in Washington, DC. In the spirit of the moment, then British prime minister Gordon Brown, host of the April 2009 G-20 summit in London, declared that "the old Washington consensus is over. Today we have . . . a new consensus—that we take global action together to deal with the problems we face. . . . A new world order is emerging and with it the foundations of a new and progressive era of international cooperation" (quoted in Prasad 2014, 171–172). Despite this rhetoric, the stimulus programs undertaken by some national governments reflected "distinct national choices . . . in response to domestic pressures" rather than the G-20's call for bold, coordinated action (Helleiner 2014b, 51).

13. The Keynesian moment was cut short by many factors, including the dismissal of Keynesian sensibilities by the European Central Bank and the German government (Blyth 2013a, 55–58). The IMF's rediscovery and abandonment of Keynes paralleled that of the G-20. However, some Keynesian ideas were sustained within the institution, as we explore in chapters 5 and 7.

14. See Skidelsky (2011) on renewed interest in Keynes in 2009, and Farrell and Quiggin (2017) on "foxhole Keynesianism" in academia. The latter refers to Robert Lucas's famous quip that "everyone is a Keynesian in a foxhole" (quoted in Fox 2008).

15. The IMF acceded to China's wishes in 2015 (see chapter 5).

16. Several arguments in this paragraph are advanced in Helleiner (2011a; 2011b; 2014b, chap. 2).

17. Today, the World Bank and the OECD are similarly captivated by infrastructure and private infrastructure finance.

18. In this role, infrastructure has displaced microfinance and property rights.

19. See Alexander (2014, 9) for critical examinations of these and other infrastructure initiatives.

20. Much the same could be said about a recent infrastructure initiative by the World Bank (see chapter 6). Similarly, in 2012, African heads of state adopted the Programme for Infrastructure Development in Africa. Its main source of funding will

be the African Development Fund of the African Development Bank (AfDB), though it will also utilize public, private, and public-private partnerships. As of this writing, financing has not yet been secured.

21. The loose commitments on exchange rates were reaffirmed in March 2017 when Germany assumed leadership of the G-20, although U.S. Treasury secretary Steven Mnuchin insisted on striking from the resulting communiqué the G-20's longstanding pledge to "resist all forms of protectionism" (*Economist* 2017b).

22. Of particular importance are those networks that involve only EMDE policymakers, such as the Commission for Africa, the BRICS Leaders' Summits, the Heavily Indebted Poor Countries' Finance Ministers' Network, Central Bankers' Network of the Centre for Latin American Monetary Studies, and the Central Eastern and South Eastern Europe Senior Budget Officials Network.

23. The discussion of the FSB draws on Pagliari (2014) and also on Griffith-Jones, Helleiner, and Woods (2010, 6–7) and Helleiner (2010; 2014b, chap. 5).

24. The European Central Bank was already a member of the FSB. See Helleiner (2014b, 137) for a discussion of pressure for this membership expansion.

25. Helleiner has written critically of the limited achievements of these networks, but on occasion he has taken a more encouraging view of their potential, as noted in chapter 1. In particular, in recent work he is encouraged by G-20 and FSB efforts in 2015 to address over-the-counter derivatives, though he recognizes difficulties in coordinating regulations and sharing information, which may lead to "greater fragmentation of global derivatives markets along territorial lines" (Helleiner 2016b, 6).

Chapter 5

1. See Grabel (2011) for an early elaboration of some of these arguments.

2. The continuity view of the IMF is reflected in Gabor (2010; 2015), Güven (2012), Islam et al. (2012), Kentikelenis, Stubbs, and King (2016), Muchhala (2011), Nelson (2014a; 2017), Ortiz and Cummins (2013), Rowden (2009), UNICEF (2010), Van Waeyenberge, Bargawi, and McKinley (2011), and Vernengo and Ford (2014). Reinold (2016) argues for continuity in one dimension of IMF practice; Güven (2012) and Vestergaard and Wade (2013a) find continuity at the World Bank; and Hanieh (2015) concludes that continuity marks BWI practice in Tunisia, Morocco, and Egypt.

3. On the BWIs, see Park and Vetterlein (2010). On the IMF, see Abdelal (2007, chap. 6), Babb (2003), Ban (2015), Barnett and Finnemore (2004, chap. 3), Best (2005; 2006; 2012), Broome and Seabrooke (2007; 2012), Chwieroth (2010), Lütz and Kranke (2014), Momani (2005; 2010), Moschella (2010), Nelson (2017), and

Woods (2006). On the World Bank, see Weaver (2008). On the role of local interlocutors, see Ban (2016) and Woods (2006). Another tradition in political science, historical institutionalism, also emphasizes the complex interaction of the economic and social realms and focuses on the mutually constitutive relationship between agents and the ideational, material, and political conditions that open and restrict their fields of action (see, e.g., Mahoney and Thelen 2010, 6–7).

4. See related discussions in Abdelal (2007, chap. 6), Broome and Seabrooke (2007; 2012), Moschella (2012), and Weaver (2008). Mahoney and Thelen's (2010, 8) treatment of "ambiguous compromises" echoes key constructivist themes.

5. Wade's (1996; 2002) and Weaver's (2008) work on the World Bank are taken as seminal. Wade advances the idea of "paradigm maintenance"; Weaver's concept of organized hypocrisy is an extension of Brunsson (1989; 2003; see Weaver 2008, chap. 2). See Kentikelenis, Stubbs, and King (2016) on the related idea of "organizational facades."

6. Broome and Seabrooke (2012) offer Fine (2001) as an example of analysis that fails to resist this temptation. Another example can be found in Vernengo and Ford's (2014) treatment of the IMF. Relatedly, Palley (2013) focuses on the public relations value and political cover provided by economists' strategy of asserting change in economic ideas when none has actually occurred. See also Vollmann (2015) on image and political cover in recent IMF research on inequality and labor unions.

7. Historical institutionalist analysis has tended to emphasize institutional continuity over long periods. New contributions push the boundaries of the approach, taking account instead of the ways in which institutions evolve endogenously, incrementally, and in subtle ways that can add up to consequential shifts in identity and practice. Piecemeal adjustments tend to be overlooked and underappreciated by those who focus on momentous exogenous shocks leading to radical, abrupt institutional transformation. See Mahoney and Thelen (2010, chap. 1) (and essays therein) on modalities of gradual institutional change.

8. Seabrooke (2010, 139) focuses on another type of gap at the IMF—the gap between the IMF's "reform 'talk' and borrowers' reform 'walk.'" The gap between IMF dictate and borrower practice has grown since the Asian crisis, as more EMDEs achieve greater relative autonomy from the IMF (discussed later).

9. See Barnett and Finnemore (2004, chap. 3), Chwieroth (2007a; 2007b; 2010), and Nelson (2014b; 2017) on the shared neoliberal worldview, selection, training, and socialization of IMF staff, and related work by Best (2007) and Momani (2005).

10. Several key contributions focus on the way that exogenous shocks undermine the capacity of predominant ideas to explain events while creating opportunities for new ideas to gain traction, either rapidly or incrementally, and stick (Best 2003; Blyth

2002; Broome and Seabrooke 2007; Chwieroth 2014; 2015; Moschella 2010; 2014; Widmaier, Blyth, and Seabrooke 2007), while others focus on the interaction between ideas and external interests in driving ideational change (Blyth 2003; Kirshner 2003; Moschella 2010). McNamara (1999) illustrates how ideas influence economic policy formation, Widmaier (2007) shows that similarities in crisis conditions facing policymakers can yield dramatically divergent interpretations of interests and crisis responses, owing to their respective understandings of monetary trends (see also Widmaier 2014), and Widmaier (2016) demonstrates how ideas that initially reduce uncertainty can ultimately breed misplaced certainty and crisis.

11. See citations in note 3 of this chapter.

12. See Wade (2010; 2013a) on the World Bank.

13. There was also a very modest increase in IMF resources through gold sales and other means. The NAB was established in 1997 and activated in 1998 to finance an SBA for Brazil. The NAB was not utilized again until April 2011. It has been activated ten times since its 2011 enlargement.

14. See McElhiny (2009) for a description of how the IADB's holiday party in 2008 celebrated the increased demand for infrastructure packages. See Kulish (2009) on reinvigoration of the European Bank for Reconstruction and Development (EBRD). See chapter 6 for a broader discussion.

15. See Helleiner (2014b, 40, fn58), Henning (2016), and Prasad (2014). On bank exposure, see Broz (2014).

16. See also Harding (2014), Reuters (2013b), and Yukhananov (2013).

17. After the Fed, the PBOC provided the second-largest set of swaps to EMDEs (Gallagher 2014, 75). Together, the two provided over US$200 billion in swaps to EMDEs during the global crisis (ibid., 76). McDowell (2017) notes that EMDE central banks have been key actors in the spread of the international swap network, which was motivated by recognition of the risks of international capital flows and of dollar dependence in trade.

18. European officials were initially reluctant to involve the IMF, but by March 2010 they were forced to acknowledge the necessity of doing so (Eichengreen 2015, 134).

19. The ESM is a crisis-resolution mechanism that was created by euro area countries during the global crisis. The ESM can raise funds from numerous sources, including private markets, and can provide support to Eurozone countries, subject to conditions (Schadler 2014, fn8). It is to replace the temporary European Financial Stability Facility (EFSF).

20. The preference for internal devaluation over external devaluation by national authorities reflected what Kattel and Raudla (2013) identify as a hardening of neoliberal resolve in the Baltics during the crisis. Troika members apparently feared that

external devaluation would induce severe instability in Baltic capital markets and capital flight, and would have negative spillovers in Central and Eastern Europe.

21. See also Ban (2016) and Moschella (2016).

22. The levy was ultimately rejected by the Cypriot Parliament.

23. Strauss-Kahn, a small group of IMF staff, and officials from the German and French finance ministries quietly explored Greek debt restructuring in 2010. Debt relief was not granted until March 2012 (Blustein 2015, 1).

24. The report also contains self-indictment: it acknowledges that the IMF underestimated the negative effects of spending cuts and tax increases, and misjudged the government's capacity to implement structural reforms. Nevertheless, it concludes that the IMF's "overall thrust of policies" was "broadly correct" (IMF 2013a, 32).

25. The IEO takes note of EU discomfort with the IMF's Ex Post Evaluation (IEO 2016, 3). The IEO (ibid., 16) also notes that senior IMF officials were divided and that staff were generally skeptical regarding its involvement in Greece.

26. One of the main goals of the second SBA was to protect European banks that bought Greek bonds in the hopes of making a profit (Ewing and Alderman 2015).

27. Discussion in this paragraph relies on Taylor (2015).

28. The Eurogroup is an informal body comprising Eurozone finance ministers, the EC, and the ECB.

29. The primary budget excludes interest payments on debt.

30. As of May 2017 the IMF remains non-committal about whether it will participate in the disbursal to Greece that is scheduled for July 2017.

31. Despite much evidence to the contrary, a 2016 IEO report rejects the view that the IMF had a "muted voice" in Troika programs in Portugal, Ireland, and (the first program in) Greece (IEO 2016). The report does note that the institution lost its "characteristic agility" as a crisis manager and that the technical judgments of staff were potentially subjected to political pressure. It also faults the fragmented nature of euro-area decision making. News reports suggest that IMF staff, some executives, members of the European Department, and some European executive directors unsuccessfully tried to obstruct production of and remove passages from the IEO report (Thomas 2016).

32. Additional support to Ireland also came in the form of bilateral loans of €3.8 billion from the United Kingdom, €0.6 billion from Sweden, and €0.4 billion from Denmark; €17.7 billion from Euro-area member states/EFSF; and from the Irish government itself, which contributed €17.5 billion from its own cash reserves and liquid assets. Reporting on IMF participation in European packages is complicated

by program suspensions, renewals, replacement of programs by new ones, and the rapid evolution of European support mechanisms. Figures here are drawn from IMF press releases and Miyoshi (2013, 19–21).

33. For example, at the end of December 2015, the notional amount of outstanding over-the-counter derivatives contracts was valued at US$493 trillion (BIS 2016).

34. Some analysts disagree, arguing that the IMF would likely not consent to being a junior partner in arrangements with regional financial actors outside Europe (Mohan and Kapur 2015, 51).

35. Disbursal of the larger loan by the World Bank has been delayed until at least 2017, owing to a dispute between the government and the institution over macroeconomic reforms. Nigeria did receive disbursement of the US$500 million IDA loan in 2016.

36. See Yukhananov (2013) for comments along these lines by other BRICS country leaders.

37. The Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (known as the G-24) is an informal organization established in 1971. It has a permanent secretariat in Washington and is housed within the IMF's building, though it does not operate on the IMF board level (Woods and Lombardi 2006). The G-24 coordinates the positions of a collection of EMDEs at the BWIs and advocates on their behalf in discussions of global financial reform (G-24 2014).

38. See Woods (2010) on BRICs positions on governance reform, financial support to the Fund, and instruments through which support would be provided.

39. The agreement abolishes the right of the five largest quota holders to appoint their own members of the Executive Board. Instead, all board members are to be elected by groups of countries (Eichengreen and Woods 2016, 48).

40. Executive directors are civil servants appointed by their home governments. They sit on the IMF's Executive Board and are apportioned voting rights on it. The Executive Board is the institutional venue where member states most directly exercise their national interests (Nelson 2014a, 167). The Executive Board is the IMF's day-to-day governing council. Countries with more voting power have their own representatives on the board, while other countries share a representative (Eichengreen and Woods 2016).

41. Mohan and Kapur (2015, 3) note that U.S. Treasury officials had called for IMF governance reform since at least 2005. The United States was the principal architect of the 2010 agreement (Truman 2015). See Vestergaard and Wade (2015) on the politics of the gridlock, and see Lesage et al. (2013) on why the U.S. executive branch was willing to approve the 2010 agreement.

42. Vestergaard and Wade (2014; 2015) show that governance reforms at the World Bank in 2010 had an even more microscopic, perverse effect on EMDE voice than reforms at the IMF.

43. This matter is explored extensively by Lesage et al. (2013), and I draw on their discussion.

44. As noted in chapter 1, South Africa formally joined the group at its April 2011 meeting, leading to the adoption of the new acronym BRICS to replace the previous acronym BRICs.

45. See Wade (2012) on the politics of this episode.

46. So did the practice (rather than formal rule) of requiring a supermajority of votes. The norm maintains U.S. veto power (Wade 2012).

47. The divisiveness among the BRICS is proof for some analysts that they are unlikely to challenge prevailing patterns of global governance (Bond 2013).

48. Members can still enjoy exceptional access absent an upfront debt restructuring operation so long as other official creditors provide loans on sufficiently concessional terms to make the debt sustainable (Ellmers 2016).

49. Article IV consultations are carried out annually for nearly every member country, result in a paper on each country's economy and economic policy, and provide recommendations on a range of issues. Recommendations become influential only when countries require IMF assistance (Lombardi and Woods 2008).

50. Jiang (2014) takes a different view. She sees China's actions and rhetoric as symbolic, self-interested, and not indicative of a significant break with the past.

51. SDR-bond arrangements were to be folded into the expanded NAB, which was to be unwound once the 2010 agreement went into effect (Lesage et al. 2013, 561).

52. Some analysts suggest that China's decision to contribute this second tranche of funds was related to Japan's mid-April 2012 announcement that it would contribute an additional US$60 billion to the IMF (Jiang 2014, 174). Japan's announcement apparently came as a surprise to China. Since February 2012, and in a rare instance of solidarity, China and Japan have raised the issue of increasing the EMDEs' voice at the IMF while also pressing the Eurozone to lift a €500 billion cap on bailout funds if it hoped to secure additional funding from non-European G-20 members (ibid., 173). China's second tranche also reflected its "responsible great power" ambitions, its commitment to provide funds through the safety of the IMF, and broader BRICS demands to increase EMDEs' voice at the Fund (ibid.).

53. Civil society organizations protested these contributions on two grounds. First, there were far better domestic uses for these funds than helping the IMF assist European banks. Second, long-standing objections to Fund governance had not been

addressed. See Bond (2013) on opposition by South African trade unions to the government's commitment.

54. Recall that Mantega began raising this threat in 2007.

55. Abdelal (2007) highlights informal, though effective, influence exercised by France in relation to U.S. interests at the IMF prior to the global crisis.

56. The last time the Treasury Department labeled China as such was in 1994 (though it presently has the country on a "currency monitor list" along with Germany, Japan, and South Korea).

57. The discussion in the balance of this paragraph and the next draws on Armijo, Katada, and Roberts (2015, 17–18).

58. The IEO acknowledged that the IMF contributed to the crisis by promoting financial liberalization (IEO 2011) and missing signs of banking system fragility in several countries (IEO 2016, vii).

59. The IEO takes the IMF to task in noting that the "call for fiscal consolidation proved . . . premature," that the policy mix was "not appropriate," and that the negative consequences of European austerity were foreseeable in light of the institution's precrisis research (IEO 2014, 11, 33).

60. See also findings in Molina (2010), Muchhala (2011), Rowden (2009), and Van Waeyenberge, Bargawi, and McKinley (2011).

61. More broadly, Vreeland argues that IMF conditionality provides the political leverage to advance unpopular domestic policy changes: "The moment it demands that deficits be cut . . . the IMF has entered into domestic politics" (Vreeland 2008, 367).

62. Country reports include Article IV consultations, reviews conducted as part of lending operations, consultations under nonlending arrangements, and publicly available IMF reports.

63. Momani and Lanz (2014) see the impact of the Arab Spring on the IMF differently. They find that there has been significant change in the cases of Tunisia, Egypt, and Morocco. In their reading, the content of IMF policy advice is "visibly different" in these cases (i.e., the IMF gave greater attention to inclusive growth, income inequality and redistribution, and health and education spending). They acknowledge, however, that the quality of the IMF's advice on social targets is vague, particularly in comparison with advice in other policy realms. While the authors do not address the factors that drove change, their analysis suggests that political turmoil and social pressures led to increased IMF focus on the social dimensions of economic policy.

64. Egypt's currency was devalued by 50% in anticipation of the IMF agreement.

65. Some countries, such as Nigeria, have continued to turn away from the Fund and have sought support from other multilateral institutions and investment from China.

66. The IMF continued to highlight the need to contain the wage bill around the September 2016 disbursement of a loan tranche.

67. Several self-congratulatory reports written early in the crisis by Fund staff conclude that the policy content of new IMF programs is fundamentally different from that of the Asian crisis era (IMF 2009b; 2009d; 2011a).

68. For example, in public statements on the November 2016 program with Egypt, the IMF emphasized its "homegrown" character (IMF 2016e). Best (2014) links the IMF's emphasis on country ownership to its efforts to manage policy failure. In earlier work, she argued that the IMF's efforts to promote borrower ownership of reforms and revise conditionality were at the heart of its struggles to reinvent and "re-legitimize" itself prior to the global crisis (Best 2007).

69. The creation of the IEO after the Asian crisis and the office's willingness to issue reports critical of IMF performance even in areas that are central to the IMF's mission themselves represent vitally important ruptures in IMF conduct. The reports contribute to ambiguity at the IMF. They often validate the critiques of less influential IMF members and external IMF watchers but do not dictate changes in IMF practices. The latter point was underscored in an early external evaluation of the IEO, which concluded that there is "little evidence that findings and recommendations . . . are being systemically taken up and followed by senior management and the Board" (Lissakers, Husain, and Woods 2006, 4). Nevertheless, IEO reports have legitimized a range of dissenting voices within the IMF and beyond, and have contributed to an environment where it is increasingly respectable for key actors to criticize and/or discount the Fund's policy positions.

70. The remainder of this paragraph draws on Kentikelenis, Stubbs, and King (2016).

71. The Fund developed precautionary facilities after the Asian crisis. It introduced several precautionary facilities during the global crisis. It launched the Short-Term Liquidity Facility in October 2008, replaced it with the FCL in March 2009, and introduced the Precautionary Credit Line (PCL) in 2010. Macedonia was the only country that applied for and received support under the PCL (in January 2011). In November 2011, the PCL was replaced by the Precautionary and Liquidity Line, which has only been used by Morocco. The replacement of one program by another is indicative of the IMF's inability to develop the right instrument and to appreciate the stigma and market signals associated with its support (Henning 2016, 123).

72. Mexico was the first to apply for an FCL. It was approved for US$47 billion in April 2009. In May 2009, Poland and Colombia were approved for US$20.5 billion and US$10.5 billion, respectively. These three countries have not drawn on the FCL,

and each has several times requested and been approved for new, larger lines as old ones expired.

73. One scholarly study of social spending targets in IMF concessional lending programs early in the global crisis concludes that there has been nearly universal incorporation of these targets into concessional loans (Clegg 2014).

74. Lütz and Kranke (2014, 320, 324) argue that in Hungary, Latvia, and Romania the IMF was more sensitive than its European partners to social protection. See Kattel and Raudla (2013) on conflict between the IMF and EU partners over internal devaluation in the Baltics.

75. Reinold (2016) identifies the same dynamic in explaining the IMF's failure to mainstream what it terms "social issues" (e.g., human rights and the right to food and shelter) despite much rhetoric about doing so. She also identifies this dynamic in the failure to act on Lagarde's frequent attention to income inequality and gender equity (discussed later).

76. As Mody (2016) observes, estimation of fiscal multipliers is arguably one of the IMF's areas of "core competency," so this failure is particularly damaging to its credibility. The IMF has a long history of issuing overly optimistic forecasts only to downgrade them later.

77. See also Ban (2015) on modest changes at the IMF regarding fiscal consolidation, and see also the discussion earlier in this chapter.

78. Other IMF research during the crisis is indicative of a new discomfort with "big finance." Gabor (2015) traces the emergence after 2010 of the IMF's view that transnational banks were, in its words, "super spreaders" of systemic risk and tended to engage in regulatory and tax arbitrage. Here, too, there is a gap between IMF research and practice, as Gabor demonstrates. Another high-profile IMF study expresses reservations about the size of the financial sector in several large AEs (Sahay et al. 2015). The authors argue that these economies suffer from "too much finance" and that banks and financial institutions that assume too big a share in the economy contribute more to economic and financial volatility than to growth.

79. The IMF also toyed with new ideas on tax policy. It issued tepid support in 2010 and 2013 for taxation of large financial institutions and more general progressive taxation (Claessens, Kean, and Pazarbasioglu 2010; IMF 2010b; 2013c). Some observers saw the Fund's *Fiscal Monitor Report* of October 2013 as advancing a case for a wealth tax (IMF 2013b). After the report was released, the institution quickly issued a press release to distance itself from this interpretation (IMF 2013d). The reversal illustrates the continued internal contestation over new ideas, and also the influence of key member states that sought to reframe what they saw as the IMF's message on taxation.

80. Though an advocate of strong continuity, Nelson (2017, 205) acknowledges discontinuity around IMF research (and capital controls).

81. Monetary and exchange rate policies have not figured into the European programs since most of these countries do not have independent monetary policy and several post-communist countries chose not to break their currency peg.

82. For citations of what I have called the continuity literature, see note 2 of this chapter.

83. Scattered throughout this chapter are references to the salient literature, such as Ban (2015), Ban and Gallagher (2015), Best (2014; 2016), Broome (2015), Clegg (2014), Grabel (2011), and Moschella (2010; 2014; 2016).

84. On change in other international organizations, see, for example, Sharma (2013) on discontinuities at the World Bank and Chorev (2013) on the World Health Organization. See Babb (2013) on change surrounding the Washington Consensus.

85. The essay does not address capital flow liberalization, though this is an area where IMF research and practice has evolved most unambiguously.

Chapter 6

1. Chin (2015, 307) advances a subtle interpretation of the kinds of changes examined in this chapter. He argues that, on the surface, the "rising powers" appear to have a status quo orientation toward and effect on the global financial architecture. But he urges a deeper, more patient treatment, highlighting the potential significance of their increased commitment to bilateralism and the renewal of interest in regional and subregional arrangements that respond to transnational economic (and security) problems. See also Armijo and Roberts (2014) and Fritz and Mühlich (2014).

2. See also Helleiner (2010), Ocampo (2006, chap. 1; 2010a; 2010b; 2011), and essays in Volz and Caliari (2010).

3. I thank Luis Rosero for this point.

4. Eichengreen (2015) proposes principles regarding the relationship between the IMF and regional financial arrangements.

5. On Asia, see Chin (2012); on Latin America, see Riggirozzi and Tussie (2012) and Armijo (2012); and for surveys, see Fritz and Mühlich (2014; 2015), Grabel (2013a), McKay, Volz, and Wölfinger (2011), Miyoshi (2013), Mühlich and Fritz (2016), Rana (2013), Rhee, Sumulong, and Vallée (2013), and Volz and Caliari (2010). For an examination that pre-dates the crisis see the essays in Ocampo (2006), especially Culpeper (2006). Peter Katzenstein's (2005) *A World of Regions* is a seminal contribution to the political science literature on regionalism. He argues that diverse regionalism(s) reshaped but did not displace a globalized world, an observation that resonates with the discussion of regional and other institutional innovations in this chapter.

6. See treatments along these lines by Chin (2015), Golub (2013), Grabel (2013a; 2015a), Helleiner (2016b), Huotari and Hanemann (2014), Mittelman (2013), Rana (2013), Sohn (2012), Tussie (2010), and Woods (2010).

7. See Culpeper (2006) and Ocampo (2006, chap. 1) on regional payment systems and regional macroeconomic and monetary integration in EMDEs prior to the global crisis.

8. Some of the reserve pooling entities described in this chapter are formally considered "arrangements," while others are considered "institutions." In the text, I will use each term as appropriate, though nothing of significance is implied by the terminological choice.

9. The discussion of the CMI/CMIM draws from AsDB (2010), Capannelli (2011), Ciorciari (2011), Cohen (2012), Eichengreen (2010; 2012), Fritz and Mühlich (2014), Grabel (2013a), Grimes (2009a; 2011; 2015), Henning (2009a), Kim and Yang (2014), Lombardi (2010), Miyoshi (2013), Rhee, Sumulong, and Vallée (2013), and Sussangkarn (2011), and personal communications with officials.

10. See Eichengreen (2012) and Haggard (2013) on the challenges of regional surveillance.

11. Given China's long-standing discomfort with the IMF, and its own commitment to policy autonomy, its insistence on an IMF link reveals the wariness with which many policymakers approach regional surveillance mechanisms. Of course, China did not expect to need assistance, so the IMF link was not expected to compromise *its* autonomy.

12. The Asian Bond Market Initiative was also expanded. CMIM was not given the capacity to issue its own bonds.

13. China and Japan each contribute 32%; Korea supplies 16%.

14. In order to address the latter issue, some have called for expanding the swap pool through broader membership, including India, Australia, and New Zealand (Lombardi 2010).

15. Personal communications with officials.

16. Kim and Yang (2014) are optimistic on this score; Eichengreen (2012) is pessimistic, especially in light of the ASEAN tradition of noninterference.

17. Katada and Sohn (2014) argue that the CMIM allows Japan and China to increase their bargaining power in global and regional financial governance without directly confronting Western powers.

18. Even some skeptics note that another crisis may propel further development; see Cohen (2012) and Grimes (2015).

19. Personal communication with official.

20. The AsDB and AMRO signed a memorandum of understanding to strengthen cooperation in May 2017.

21. Discussion of the FLAR draws on the institution's website and annual reports, and Eichengreen (2012), Fritz and Mühlich (2014), Grabel (2013a), McKay, Volz, and Wölfinger (2011), Miyoshi (2013), Mühlich and Fritz (2016), Ocampo and Titelman (2009–2010; 2012), Perry (2015), Rhee, Sumulong, and Vallée (2013), Rosero (2011; 2014), Titelman et al. (2014), Urrutia (2015), and personal communications with officials.

22. In 1984, the FLAR created a subregional currency, the Andean peso, which is an accounting unit created to facilitate payment among central banks and other authorized holders (Ocampo and Titelman 2012, 18).

23. Members are Bolivia, Colombia, Costa Rica, Ecuador, Paraguay, Peru, Uruguay, and Venezuela.

24. The FLAR has 52 permanent staff members (Miyoshi 2013, 33).

25. Lending to Peru was delayed in the late 1980s, however, while the country negotiated its arrears with other international institutions (Ocampo and Titelman 2012, 26).

26. The only exception involved two loans to Ecuador. A loan was approved in October 2005 but not disbursed until 2006, on the condition that newly elected president Palacio meet FLAR requirements that the government maintain a primary budget surplus of at least 2% of GDP during 2006–2008 and that a new central bank board be installed (Rosero 2014, 75). In 2009, the FLAR approved a US$480 million balance of payments credit to the country. But when the government rejected conditions that the FLAR usually attaches to loans, credit was extended to the central bank on the stipulation that it deposit US$250 million of reserves with the FLAR (Haggard 2013, 271).

27. This is also the case with Treasury credit lines.

28. The FLAR contributed just 7% of the resources to a Colombian rescue package in 1999. Its loan was part of a larger package from the IMF, IADB, World Bank, and the Andean Development Corporation (Rosero 2014, 70). FLAR members have on ten occasions drawn on the institution's resources while also receiving support from the IMF, though one was not conditioned on the other (Mühlich and Fritz 2016, 21). This happened most frequently in the 1980s and 1990s and involved Bolivia, Colombia, Ecuador, and Peru (ibid.).

29. During the global crisis, the IMF disbursed only one loan to a FLAR member, and that was to Ecuador. It disbursed an emergency loan to the country under the Rapid Financing Instrument following the 2016 earthquake. The IMF extended an SBA to FLAR member Costa Rica, though it was treated as precautionary and was not disbursed. In general, the IMF made relatively few traditional loans to Latin America

during the crisis, though it did make a number of loans to Caribbean countries. In addition, the IMF extended FCLs to Colombia and Mexico. The former is a FLAR member, while the latter is not.

30. Under the latter, each country would hold equal basic votes, and additional votes would be allocated based on contributions to a common fund and in proportion to claims on particular credit lines (Ocampo 2015a).

31. In the view of Titelman et al. (2014), an expanded FLAR should be sized to cope with “most likely” scenarios. See also Ocampo and Titelman (2012, 26) and Kawai and Lombardi (2012).

32. See Truman (2010) and especially Eichengreen (2015) on the problems of subordinating the IMF to regional financial arrangements.

33. Discussion of the ArMF draws on the institution’s website and annual reports, and Ciorciari (2011), Corm (2006), Fritz and Mühlich (2014), Grabel (2013a), McKay, Volz, and Wölfinger (2011, 20–22), Miyoshi (2013), Mühlich and Fritz (2016), Rhee, Sumulong, and Vallée (2013), Titelman et al. (2014), and UNCTAD (2007,122).

34. Members include Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Djibouti, Saudi Arabia, Sudan, Syria, Somalia, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Mauritania, Yemen, Comoros, and the Palestinian Authority.

35. The technical staff comprises about 50 employees (McKay, Volz, and Wölfinger 2011, 21).

36. Data in this paragraph are from ArMF annual reports, except where noted.

37. The discussion of the EFSD draws on the institution’s website and annual reports, and Fritz and Mühlich (2014), Miyoshi (2013), Mühlich and Fritz (2016), Rhee, Sumulong, and Vallée (2013), and personal communications with officials.

38. The countries include Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Russian Federation, and Tajikistan.

39. The Russian government has committed not to borrow from the EFSD. The second-largest member in the EFSD, Kazakhstan, is not likely to draw on financial credits since (like Russia) it has oil reserves.

40. The Eurasian Development Bank was founded in 2006 by Russia, and the country contributes about two-thirds of its resources.

41. A member may elect to reallocate a portion of its access to another member state. Russia’s decision to do so in 2011 made the large financial credit to Belarus possible (Miyoshi 2013, 43).

42. The discussion in this and the following paragraph draws on Armijo and Echeverri-Gent (2014), Armijo, Katada, and Roberts (2015), Chin (2014a), Ghosh

(2012), HKEx (2012), Mielniczuk (2013), Stuenkel (2013, 619–620, 626), Ustinova (2012), and Wade (2011, 365).

43. Details on the CRA drawn from BRICS (2014c). See Montes (2014) for examination of the treaty that establishes the CRA, including voting procedures and prioritization of creditors based in BRICS countries.

44. See Armijo and Roberts (2014), Chin (2015), and Stuenkel (2016a) on evolving thinking on the BRICS and other rising powers in relation to the global financial architecture.

45. Examples of arguments along these lines include Bond (2016), Chandrasekhar (2014), Eichengreen (2014), Patnaik (2015), Roy (2014), and Steil (2014).

46. See, for example, Ban and Blyth (2013), Fourcade (2013), Huotari and Hanemann (2014), and Palacio (2015).

47. On the new imperialism, see Bond (2016, 615–617; 2015) and Ferrando (2014); on the BRICS' significance, see Palacio (2015).

48. Examples of arguments along these lines include Armijo (2017), Bello (2014), Desai (2013), Grabel (2013a; 2015a), Griffith-Jones, Fritz, and Cintra (2014), Mielniczuk (2013), Montes (2014), Stuenkel (2016b), Ugarteche (2014), and Weisbrot (2014).

49. Henning (2016, 126, 134) examines the question of whether the CRA (and other regional or transregional reserve pooling arrangements) will or even should develop surveillance capacities and concludes that the IMF is the better institution to handle surveillance.

50. Economic historian Alexander Gerschenkron (1962) examined the important role of specialized financial institutions in overcoming the shortage of long-term capital in late industrializing nations in the late nineteenth century. For analyses and surveys of development banks, see Chandrasekhar (2015b; 2016), de Luna-Martínez and Vicente (2012), and Humphrey (2015b). See Amsden (1992; 2001) and Wade (2003[1990]) on development banks in a range of Asian countries; Mazzucato and Penna (2016) on the "market-correcting" and "market-shaping" roles of development banks; Humphrey (2015b) for comparisons between newly created banks and older ones; and Humphrey (2015a) on a range of multilateral development banks.

51. Trends in infrastructure finance at the IADB and AsDB are similar to those at the IBRD/IDA (Humphrey 2015a).

52. A study of the infrastructure gap by the AsDB (2017) estimates that "developing Asia" will need to invest US$26 trillion between 2016 and 2030—or more than double the US$750 billion that the AsDB estimated in 2009 (AsDB 2009). To put the figure in context, loan approvals by the AsDB in 2015 were US$15 billion.

53. The vast infrastructure investment gap and the need for sustainable infrastructure is reflected in the SDGs. Infrastructure figures explicitly in SDG number 19, which focuses on infrastructure. But it also figures in several others, such as goals 6, 7, 11, 13, and 17, which focus (respectively) on water, energy, sustainable cities, climate change, and partnerships for development. See Alexander (2014) and Bhattacharya, Oppenheim, and Stern (2015) for discussions of how infrastructure investment can facilitate inclusive, green development.

54. The acronym CAF is still used for legal reasons, so it will be used in what follows. Discussion of the CAF draws on the institution's website and annual reports, and Griffith-Jones, Griffith-Jones, and Hertova (2008), Humphrey (2014), Ocampo and Titelman (2012), and personal communications with officials.

55. Members include Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad and Tobago, Uruguay, and Venezuela. Fourteen private banks have ownership positions in the CAF.

56. Data in the balance of this paragraph draw from Ocampo and Titelman (2009–2010, 252; 2012).

57. Data in this paragraph and the next two are from the annual reports of the CAF and the IADB, except where noted.

58. The discussion in this paragraph draws from Griffith-Jones, Griffith-Jones, and Hertova (2008), except where noted.

59. I thank Luis Rosero for information on bond issuance by the CAF.

60. Discussion of the NDB draws from BRICS (2014a, 2014b), Chin (2014a), Griffith-Jones (2014), and especially Humphrey (2015b). Data on the World Bank and MRDBs are drawn from the institutions' websites and annual reports.

61. In September 2016, the institution's representatives announced that they were pursuing a credit rating (NDB 2016b).

62. See Alexander (2014) and Chandrasekhar (2015a) for critical examinations of the infrastructure boom.

63. The World Bank established a Global Infrastructure Facility in October 2014 as an entity outside the World Bank. The facility was launched in April 2015 with an initial capitalization of US$100 million. To date, outcomes have lagged aspirations. Various problems have limited the scope of this facility to pilot projects and preparatory work (Arezki et al. 2016).

64. In addition to the arguments advanced against the CRA, critics argue that the NDB represents the "old development as infrastructure view" (Rodrik 2013). Others argue that the NDB is not inherently progressive insofar as it does not mark a break with traditional powers and that it is neither green, democratic, nor inclusive of

EMDEs beyond the BRICS themselves. See Bond (2015; 2016), Chandrasekhar (2014), Ferrando (2014), Patnaik (2015), and Steil (2014). Possibilists acknowledge these risks but nevertheless recognize the NDB as an evolving institutional experiment with potential, even if with no guarantees. For this view, see Armijo (2017), Bello (2014), Chin (2014a), Desai (2013), Eichengreen (2014), Grabel (2013a; 2015a), Griffith-Jones (2014), and Stuenkel (2016a).

65. Japan and the United States are the AsDB's largest shareholders, followed by China. The United States and Japan each have voting rights that are nearly equal to one another and well over twice those of China. The president of the AsDB is always from Japan.

66. The discussion of these and other financial initiatives led by China draws on the AIIB website, Chin (2016), Dollar (2015), Elgin-Cossart and Hart (2015), Gallagher, Kamal, and Wang (2016), Griffith-Jones, Xiaoyun, and Spratt (2016), He (2016), and Humphrey (2015b).

67. In April 2017 the AIIB and the World Bank signed a memorandum of understanding that signals increasing cooperation and promises increased lending capacity for both institutions.

68. In the lead-up to the launch of the bank, China was apparently willing to reduce its voting rights and forgo veto power if the United States and Japan joined. It appears that the matter of China's voting rights remains negotiable should new members join (Chin 2016, 13; Humphrey 2015b, 26).

69. Chin (2016, 17) suggests that this board structure may have a demonstration effect for the World Bank and that it is notable that the World Bank recently began a review of its governance.

70. This contrasts with the NDB, where discussion of a similar document was confined to founding member countries.

71. A final round of public comment on a revised energy strategy document concluded in March 2017.

72. It is unclear if this commitment is more or less solid than that of the World Bank. Following U.S. president Obama's lead in 2013, the World Bank announced in the same year that it would lend for coal-fired electricity generation projects only in "rare circumstances" (Chin 2016, 19).

73. For instance, a 2016 report by an advocacy organization finds that the World Bank's International Finance Corporation has supported institutions that have funded at least 41 new coal projects since the 2013 decision on coal-fired plants (IDI 2016).

74. The Belt and Road initiative was announced in late 2013 and is articulated in a detailed document released in early 2015 (Ministries of Foreign Affairs and Commerce 2015).

75. The "S" for social was added in 1982.

76. The discussion of BNDES draws on the institution's website and annual reports, and Armijo (2017), Armijo and Echeverri-Gent (2014), Hochstetler (2014a), Hochstetler and Montero (2012; 2013), Studart and Ramos (2016), Tavares de Araujo (2013), and Torres Filho (2011).

77. As of this writing, it is uncertain whether BNDES will continue to play as central a role, given Brazil's economic and political turmoil, scandals that have damaged the institution, and the current government's decided tilt toward the market.

78. Another controversy concerns the dependence of BNDES on transfers from the national treasury, especially after 2009 (Studart and Ramos 2016, 21–22).

79. The discussion of the CDB draws on the institution's website and annual reports, Bräutigam and Gallagher (2014), Gallagher, Kamal, and Wang (2016), Gallagher, Koleski, and Irwin (2012), and Wang (2016).

80. Data in this paragraph and the next are drawn from the annual reports of the CDB and World Bank. The combined assets of the CDB and the country's Export-Import Bank are over US$2 trillion, whereas the combined assets of the World Bank Group and the MRDBs are just over US$700 billion (Gallagher, Kamal, and Wang 2016).

81. The CDB has also been promoting the cross-border use of the country's currency for international trade and investment through a variety of means, such as selling renminbi-denominated bonds outside the Chinese mainland beginning in 2007. Armijo, Katada, and Roberts (2014, 16) note that "by 2014, more than 22% of China's trade was being settled in renminbi, up from almost nothing five years previously." China's central bank also used currency swaps during the global crisis as an alternative mechanism of financing and trade settlement. Ultimately it established a network of 23 bilateral local currency swap agreements at a total value of RMB2.57 trillion with Asian and non-Asian central banks. The network facilitated trade settlements by providing access to the renminbi, boosted the role of the renminbi by increasing the share of China's trade invoiced and settled in renminbi, and promoted market confidence during a period of fragility (Chin 2014b; Henning 2016, 129; Huotari and Hanemann 2014; Jiang 2014).

82. The discussion in this paragraph summarizes research by Bräutigam and Gallagher (2014). See Bräutigam (2009) on the country's loans (and other financial flows) to Africa prior to the crisis. See Gallagher (2016) on China's role as a dominant lender to Latin America.

83. The World Bank and the MRDBs provided about US$118 billion in energy-related financing in the same period (Gallagher, Kamal, and Wang 2016).

84. The discussion in this paragraph draws on Hochstetler (2014b).

85. I do not discuss two European banks, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). The EBRD operates more like a commercial bank than a development bank (insofar as around 80% of its loans are to the private sector). The EIB operates mainly in industrialized European countries, and only a small share of its operations are outside the EU (Humphrey 2015a, table 1). See Babb (2009, chap. 1) on the EBRD, and Griffith-Jones, Griffith-Jones, and Hertova (2008) and Ocampo et al. (2012) on the EIB. See Babb (2009) and Strand (2014) for analyses of the MRDBs.

86. Data and discussion in this paragraph and the next two draw on Ocampo et al. (2012, especially 65–69), except where noted.

87. Data for the World Bank are from 2016, data for the IADB are from 2013, and data for the AsDB and AfDB are from 2012 (World Bank Group 2016; Humphrey 2015a, 13, figure 14).

88. Gross disbursements by the EIB of US$69.7 billion during 2015 exceeded those of the World Bank Group. World Bank Group data are reported on a fiscal year basis; AfDB, AsDB, EIB, and IADB data are as of December 31, 2015. Data are from the institutions' annual reports.

89. In contrast, China has been increasing the paid-in capital for both the CDB and its Export-Import Bank (Gallagher, Kamal, and Wang 2016).

90. See Bradlow and Humphrey (2016) for a survey of development banks in Africa, which they argue are mostly quite small, have limited access to finance, and insufficient capacity.

91. ALBA members include Venezuela, Bolivia, Ecuador, Cuba, Nicaragua, Dominica, St. Vincent and the Grenadines, Antigua and Barbuda, St. Kitts and Nevis, St. Lucia, and Grenada. In 2006, ALBA expanded to include the Peoples' Trade Treaty (Spanish acronym TCP), and in 2009 it accordingly became ALBA-TCP. ALBA members Antigua and Barbuda, St. Kitts and Nevis, St. Lucia, and Grenada are not members of the Bank of ALBA.

92. The most widely known of ALBA's projects involves the Unitary System for Regional Compensation (Spanish acronym SUCRE), which is a regional payment system created in October 2009 (see Fritz and Mühlich 2014). ALBA's portfolio of projects broadened beyond the SUCRE and the Bank of ALBA during the time that Venezuela enjoyed large oil revenues and several members had populist governments. ALBA moved into South-South aid and concessional financing via Petrocaribe, a Venezuelan program to provide oil to Haiti at preferential prices; exchanges with Cuba in which subsidized oil is bartered for medical services, education, and pharmaceuticals; and a variety of human development and capacity-building programs (Baranyi, Feldmann, and Bernier 2015; Riggirozzi 2012a; 2012b).

93. The discussion of ALBA draws on Armijo (2012), Baranyi, Feldmann, and Bernier (2015), Fritz and Mühlich (2014), Riggirozzi (2012a; 2012b), and Rosales (2013).

94. SUCRE officials report in personal communications that as of the end of November 2016, the payment system was still operating despite the challenges facing Venezuela's economy.

95. Members of the BDS include Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay, and Venezuela. The discussion of the BDS draws on Armijo (2012), Marshall (2010), Marshall and Rochon (2009), Riggirozzi (2012a), Rosales (2013), Rosero and Erten (2010), and personal communications.

96. See Rosales (2013) and Bond (2016, 614) on Brazil's role in reshaping the BDS vision.

97. Many of the participants (myself included) at a simultaneous meeting at the same venue where the BDS reached and announced this agreement were consequently surprised by the news.

98. Personal communication with official.

99. Disbursal criteria for both forms of support available from the CMIM and CRA are currently under consideration.

100. In a related vein, Weller and Zulfiqar (2013) show that greater financial market diversity (i.e., different types of institutions serving different constituencies) can contribute to stability.

Chapter 7

1. See Ghosh and Qureshi (2016), Helleiner (1994), and Neely (1999). The turn away from capital controls began at the IMF during the 1970s (Chwieroth 2010).

2. On broader programs of financial liberalization, see Grabel (1995) and Arestis (2017). On complementary central bank reforms, see Epstein (2006).

3. Investor antipathy toward capital controls continued through the next decade. Controls in Thailand were reversed by the central bank within a few days after their implementation in December 2006 (following a coup) after they triggered massive capital flight (Adam and Kate 2010).

4. On Keynesian support for capital controls prior to the global crisis, see, for example, Chang and Grabel (2014[2004]), Crotty (1983; 1990), Crotty and Epstein (1996), Epstein, Grabel, and Jomo K. S. (2004), Epstein (2005), and Grabel (2003a; 2003c; 2003d; 2004).

5. Other observers remained skeptical about the lessons of Malaysia's outflow controls. Magud and Reinhart (2006) argue that outflow controls succeeded in Malaysia

but had inconclusive effects elsewhere, and Abdelal and Alfaro (2003) conclude that Malaysia's experience holds few lessons for other countries. Research by IMF staff during the global crisis supports what is by now a sanguine consensus view on Malaysia's controls (Saborowski et al. 2014, 5–6). The IMF's Lagarde in a 2012 speech even commended the country for "being ahead of the curve in this area" (Lagarde 2012).

6. The IEO report (IEO 2005, 48) finds that during and after the Asian crisis, the IMF "displayed sympathy with some countries in the use of capital controls and . . . even suggested that market-based measures could be introduced as a prudential measure." The report documents that the IMF supported the use of capital controls in 7 of the 12 countries it assisted, that in 2 of these countries it advised policymakers to deploy controls as part of their overall reform recommendations, and that on balance its support for controls increased following the Asian crisis. That said, the report rightly acknowledges that there was a lack of consistency in the IMF's advice regarding controls in the years following the Asian crisis.

7. In addition to the constructivist insights introduced in the discussion of the IMF (see chapter 5), we should take note here of others that are relevant for the rebranding of capital controls. Chwieroth (2015) offers the useful idea of "stigma management." Elsewhere he explores the informal, internal norm entrepreneurship within the IMF (Chwieroth 2010), and relatedly the layering of new policies over old ones (Chwieroth 2014). Abdelal (2007) explores processes by which leaders of international organizations sought to rewrite formal rules around capital liberalization; Moschella (2009; 2012; 2014) examines the incremental change around capital controls and the interaction between ideas and the political environment; and Nelson (2014a) and Kirshner (2003) highlight the pragmatism of actors at the IMF who may abandon sanctified views of liberalization during crises when they come to obstruct what is perceived to be effective intervention. See also Mahoney and Thelen (2010, chap. 1) on messy, incremental processes of change.

8. Five factors play critical roles in the extraordinary evolution regarding capital controls (see Grabel 2015b). These include: (1) the rise of increasingly autonomous EMDEs, largely as a consequence of their successful response to the Asian crisis and the fortuitous economic conditions that followed; (2) the increasing confidence and assertiveness of their policymakers, in part as a consequence of their relative success during the early years of the global crisis, when many AEs stumbled; (3) a pragmatic adjustment by the IMF to an altered global economy in which the geography of its influence was severely restricted and in which it became financially dependent on its former clients; (4) the intensification of the need for capital controls by countries facing a range of economic circumstances; and (5) the evolution in the ideas of academic economists and IMF staff concerning the trade-offs involved in capital flow liberalization and the consequences of this liberalization. I have discussed the first

three of these factors in chapters 3 and 5. The fourth and fifth factors are the subject of the discussion that follows.

9. Some scholars reject the idea of incoherence and discontinuity regarding controls (Gabor 2012; Güven 2012, 875; Helleiner 2014b; Nelson 2014a). In recent work, Nelson (2017) and Helleiner (2016b) see the matter differently.

10. Though I do not explore the matter here, the range of countercyclical macroeconomic policies adopted during the global crisis represent another indicator of increased EMDE policy space. Ocampo et al. (2012) provide an extensive examination of countercyclical policies in EMDEs, and we draw on this work here. China deployed the most ambitious countercyclical support—equivalent to about 14% of its GDP in 2009 and 2010. Sub-Saharan African countries (i.e., Kenya, Mauritius, South Africa, and Tanzania) adopted more modest programs. In Latin America, the picture was more mixed. This record represents a radical departure from the recent past, when EMDE policymakers generally had no alternative but to implement strongly procyclical policies in the context of liberalized international capital flows, most often per the conditions of IMF assistance. EMDE policymakers could implement countercyclical strategies because of the enabling effects of prior reserve accumulation strategies and the related growth in SWFs. SWF resources were used inter alia to stabilize domestic stock markets and banking systems, and even foreign economies (BIS 2009, 153; Campanella 2012, 20; Park and van der Hoorn 2012).

11. The G-20 did not explicitly address capital controls as a protective response to the crisis until late in 2010 at its Seoul summit, when it charged the IMF with examining the matter. Chwieroth (2014; 2015) suggests that the G-20's timid and late focus on capital flows reflects U.S. policy preferences and influence.

12. The process of setting negative interest rates was triggered by the ECB in June 2014. The central banks of Japan, Sweden, Switzerland, and Denmark followed suit, and the ECB itself undertook three additional rounds of rate cutting. Lagarde's support of negative interest rates reflects the desperation of the times. Of these, she said: "If we had not had those negative rates, we would be in a much worse place today, with inflation probably lower than where it is, with growth probably lower than where we have it" (Jaffe 2016).

13. The difference in interest rates between nations is known as the "carry." The practice of borrowing at low rates and investing at high rates is accordingly referred to as "carry trade" activity.

14. The figure for China includes US$216 billion in unrecorded outflows in errors and omissions.

15. See Akyüz (2016) on the end of the "super commodity cycle," which he and others see as partly resulting from the slowdown in China and massive excess supply in many markets.

16. Compared with the previous five years, EMDE currencies experienced their second-largest daily sales volume a few days after the U.S. election; foreign investors withdrew approximately US$7 billion from EMDE markets in the week following the election (*Economist* 2016c).

17. See Chwieroth (2015) on the country's successful "counter-stigmatization" of controls, and Gallagher (2014) and especially Fritz and Prates (2014) on the political economy of its controls.

18. In an example of the stickiness of old views, in August 2010, Canadian prime minister Harper used some of his time in Brazil to lecture the government about dismantling controls (Mayeda 2011).

19. Personal communication with a former Indonesian central bank staff member.

20. Iceland's "temporary" outflow controls have turned out to be rather long lived—indeed the central bank and the Finance Ministry did not begin to remove them until October 2016, in a gradual process set to continue into 2017. As recently as June 2016, the central bank introduced a new capital control to protect the economy from inflows driven by exchange rate fluctuations and differences between the country's interest rates and those elsewhere. This new control took the form of a reserve requirement against certain foreign currency inflows (and involved a one-year holding period) (Central Bank of Iceland 2016). In a statement announcing an upgrade in the country's sovereign debt rating in 2016, Moody's favorably noted the cautious nature of the liberalization program while also highlighting the continued risks of removing controls (Moody's 2016b). The new inflow control was tightened in March 2017 at the same time as the country's remaining outflow controls were eliminated (*Economist* 2017c).

21. In late 2008, Ukraine attempted to stem outflows and defend the currency by implementing a five-day waiting period for nonresident conversions of domestic currency into foreign currency (IEO 2015, 13). According to the IEO, the IMF recommended removal of the country's controls as quickly as possible in the context of an SBA, and the Fund noted that Ukraine's controls did not work (IEO 2015, 13; Saborowski et al. 2014).

22. Fitch downgraded Cyprus's Hellenic Bank, but this seems to reflect the surprisingly sudden observation that the country's banking system was bloated with laundered Russian money.

23. Greek officials removed some controls in July 2016 in hopes of attracting deposits. However, restrictions on many types of cash transactions remain in place as of May 2017 and are expected to stay in effect through 2018 (*Financial Times* 2016b; Chrysopoulos 2017).

24. Subacchi (2016; 2017) argues that managed convertibility has thus far been associated with the very problems that it was designed to avoid; namely, outflows

that have necessitated sustained currency intervention, depleted reserves, and an erosion of confidence in the currency. These problems were predictable, and indeed were predicted (Bayoumi and Ohnsorge 2013).

25. Increased renminbi convertibility has been a goal since 1993, and was reiterated in 2013 (Wildau 2015).

26. Some of these measures were loosened in 2015.

27. A separate annex (i.e., a "carve-out") to the TPP would have allowed Chile to maintain or enact capital controls consistent with its own domestic laws to ensure financial stability, but such a carve-out was not negotiated for other TPP signatories.

28. Lisbon Treaty obligations precluded the use of capital controls by countries on the European periphery during the crisis (with the important exceptions noted earlier). On paper, such countries enjoy less policy space than many EMDEs.

29. On the EC's approval of capital controls in Cyprus, see Higgins (2013). On Greece, see Reuters (2015a).

30. Chile had to settle for a "cooling off" provision that prevents a U.S. investor from filing a claim for damages related to the use of controls until one year after they are deployed. By contrast, Korea's 2007 trade agreement with the United States allows temporary controls under certain circumstances. The greater leeway granted to Korea reflected the country's greater bargaining power with U.S. negotiators, who sought access to particular sectors of Korea's economy (see Gallagher 2014, chap. 8, 181, 192–195). The U.S. concession proved consequential: although Korea is an OECD member, it was nevertheless able to implement capital controls (labeled as macroprudential regulations) during the global crisis without raising the ire of other members.

31. NAFTA includes a balance of payments exception that allows capital controls when the host states "experience serious balance of payments difficulties, or the threat thereof," but use of this exception must be temporary and nondiscriminatory (Gallagher 2014, 181).

32. The renormalization of capital controls may involve rebranding, the focus of this chapter, and/or the reframing of capital controls as something other than capital controls. The former represents a more direct assault on the preexisting neoliberal ideology and is expected where states have achieved substantial policy autonomy. The latter amounts to "cheating"—attempting to use a strategy that is not permitted under the neoliberal rules of the game without admitting it. We should expect this strategy in cases where states have not achieved significant policy autonomy. In a case like Korea, it is difficult to discriminate between the two strategies. Capital controls are taken to be valuable policy instruments that are central to Korean economic governance, which suggests rebranding, but the

government has been very careful to refer to its strategies as macroprudential measures while avoiding altogether the use of the term capital controls, suggesting reframing. See Chwieroth (2015) on Korea's policies.

33. Recall that (as noted earlier) Carstens spoke more pragmatically about controls in January 2016.

34. See also Heathcoate and Perri (2016).

35. That this work is marketed as "new" says much about the state of economics.

36. Ghosh, Qureshi, and Sugawara (2014) also cite Keynes and White in arguing for international coordination, but they also recognize the impediments to coordination, including administrative deficiencies and treaty obligations.

37. Adair Turner, former chair of the United Kingdom's Financial Services Authority, takes note of the staying power of the liberalization ideal despite empirical evidence against it (Turner 2014).

38. We should of course not presume that developments at these three levels necessarily unfold in a lockstep manner. What is remarkable about the current conjuncture, however, is the degree to which there have been parallel developments on all three levels concerning capital controls.

39. Even though they do not represent the IMF's official position (and do not require member state approval), Staff Discussion Notes (such as Ostry et al. 2011) are nevertheless authorized for distribution. Thus, they are important documents in tracking the evolution of thinking at the IMF. Indeed, Ostry et al. (2011) and Ostry, Ghosh, and Korinek (2012) were authorized by no less than Olivier Blanchard.

40. See Gallagher (2015a, 14) on conflict over last resort language.

41. See Fritz and Prates (2014) for a critique of the Institutional View on these and other grounds.

42. Chwieroth (2014) argues that the greater equivocation on controls in the Institutional View reflects the fact that official documents require member state approval, whereas reports such as Staff Position Notes and Staff Discussion Notes do not.

43. An IMF review of experiences with the Institutional View issued at the end of 2016 reiterates findings from the previous studies discussed, while making oblique reference to differing opinions among IMF executive directors (IMF 2016a).

44. Notably, Kentikelenis, Stubbs, and King (2016, 15) did not find in the last decade a single instance of IMF conditionality that required capital account liberalization.

45. Managing capital controls through multilateral rules has long been a French preoccupation (Abdelal 2007).

46. See Gallagher (2014, chap. 6) on the ability of the BRICS and other EMDEs to move the IMF on capital controls by working within the institution and through leverage gained by working in the G-20.

47. See Moschella (2015b) on codes of conduct around capital controls and the broader “legalization” trend.

48. Another possibility is that conflict over controls has decisively shifted from the economic to the legal arena of investment and trade agreements, as I suggested earlier.

49. On the matter of blunt versus targeted controls, Rodrik (2015b) argues that “limited controls that target specific markets . . . do not have a significant impact on key outcomes—the exchange rate, monetary independence, or domestic financial stability.” He argues that “capital controls may need to be blunt and comprehensive, rather than surgical and targeted, to be truly effective.” By contrast, Stiglitz and Rashid (2016a) advocate a more cautious (and, in my view, less helpful) approach, arguing that turbulence in EMDEs may necessitate quick action that includes targeted and time-bound capital controls, especially on outflows.

50. On these views, see Horsefield (1969, 31, 65) and Steil (2013, 134, 150).

51. I thank Roy Culpeper for this point and for reference to Chakrabortty (2016), who linked the tax avoidance revealed in the Panama Papers to Hirschman’s exit and voice.

Chapter 8

1. The paramount exception to the new pragmatism is the reactionary political movement that now appears to be spreading across the AEs, which is rooted in a romanticized longing for a utopian past.

2. As of this writing, the IMF is again pushing back against the position taken by Eurozone officials (see chapter 5).

3. See DeMartino (2011; 2013b), Gibson-Graham (2011), and Gibson-Graham and Roelvink (2010) for poststructuralist accounts of the “productiveness of ignorance” that accord well with Hirschman’s view and with the arguments I advance here.

4. One can concede the point while also recognizing that a better response would have entailed expansionary and redistributive fiscal policies and new measures that placed more stringent controls over the financial sector (such as on capital outflows from AEs and on the activities of lenders and other financial actors).

5. Rodrik develops this point most explicitly in his essay “A Plan B for Global Finance” (Rodrik 2009b) and elaborates on it in other work (e.g., Rodrik 2001; 2007b; 2007–2008; 2011).

6. See the discussion of other EMDE networks in Woods and Martinez-Diaz (2009).

7. That said, the SDGs also call for a greater role for private financial flows than is desirable given the inherent instability and “short-termism” that marks liberalized financial markets.