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PROMISING AVENUES, FALSE STARTS AND DEAD ENDS: GLOBAL GOVERNANCE AND DEVELOPMENT FINANCE IN THE WAKE OF THE CRISIS

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Abstract: The paper examines three related questions. How is the crisis affecting the governance of the IMF and the influence that developing countries have within the institution; what new policy space is available to developing countries; and what alternative financial architectures will emerge as competitors or complements to the Fund? At this point it appears that IMF practice on capital controls has changed partly as a consequence of the crisis, that relatively autonomous developing countries are taking advantage of the policy space that has emerged, and that the global financial architecture is becoming more heterogeneous and multi-nodal. To date, developing countries have secured only modest commitments for increases in their formal influence at the IMF as a consequence of the crisis. However, it is premature to conclude now that the formal and informal influence of developing countries will not increase in the coming years. To the degree that the current crisis has precipitated ruptures in the global financial architecture, then, it may also create some space for pressing an inclusive, participatory, feminist agenda in this domain.

Key words: Global financial crisis; policy space for development; International Monetary Fund; capital controls; regional financial governance; global governance

JEL classifications: E65, F53, O23

1. INTRODUCTION

Has the current crisis altered the economic development landscape, as many have hoped? In part, this depends on the effects of the crisis on various dimensions of global financial governance. Even before the crisis signs were emerging of changes in the institutions and processes that bear on global financial flows and other financial determinants of developmental policy space. The question to be addressed here is whether these changes have by now borne fruit? Has the crisis induced new beginnings in financial governance, or have the initiatives undertaken proven to be chimerical?

These questions are of paramount importance for feminist economists. Financial governance bears consequentially on all matters pertaining to economic opportunities and constraints—both their levels and their distribution. This is by now borne out by extensive research which demonstrates the differential impact of austerity measures on men and women, and male and female children (and on the poor) [see Benería, 2003:ch.2]; and equally important, the gendered (and class) impacts of economic instability and financial crises (Floro and Dymski, 2000; Lim, 2000; Aslanbeigui and Summerfield, 2000; Elson, 2010; Seguino, 2010). By now it is well understood that women and girls constitute a disproportionate share of the casualized workforce, and so are often the first victims of macroeconomic turmoil. Moreover, in some cases women may lose jobs before men during crises [e.g., USAID, 2000]. This is not a universal result of crisis, however. Some of the sectors in which women tend to be employed may be more resilient to crises, with the consequent effect that women work longer hours in order to sustain household consumption [Lim, 2000]. Relatedly, during crises women and girls are also pressed by social norms and economic exigencies to sacrifice their own careers, schooling and even caloric intake in order to sustain household incomes—and this implies that even short-term economic instability can yield devastating and unequally distributed long-term harms [see Elson, 1993; Seguino, 2010; Espey, Harper and Jones, 2010]. We know by now that

disruptions to households are borne unequally and are rarely captured by traditional measurement techniques, and so the harms to female household members may substantially exceed the reported losses in household income [see Benería, 2003:ch.2]. Finally for present purposes, the loss of policy autonomy in service of the neoliberal ideal that dominated policy discourse until the current crisis has often led to the demolition of social welfare programs upon which women, as the principal care givers and managers of household affairs, particularly depend [Elson, 1992; Seguino, 2010]. When public services are reduced to protect currency values in a crisis, women can and often do suffer disproportionately as they seek or are pressed to fulfill their roles as responsible caregivers and wives.

Though it is beyond the scope of this paper, it certainly bears mention that the matter of reform of financial governance relates to the issue of mainstreaming of gender concerns into the global economic architecture [on trade architecture, see Catağay, 2001, Van Staveren, Elson and Catağay, 2007; on financial architecture, see Asblanbeigui and Summerfield, 2000, Seguino, 2010; on mainstreaming gender in finance, see Sen, 2000, Buvinic et al., 1996, Elson, 2010]. More so than in the area of trade policy, financial regulation and management have been historically regarded as a gender-neutral enterprise. Good financial regulation is that which promotes the efficient allocation of finance, full stop—as if matters of just what is meant by efficiency, how the opportunities created by financial flows are distributed, and what are the political entailments of alternative financial governance regime are off-point or otherwise unimportant. Altering these conceptions and then implementing concrete reforms that institutionalize more nuanced, gender-sensitive understandings and norms require a kind of institutional flexibility and intellectual openness that we have not seen in the IMF or finance ministries across the globe over the past several decades, when feminist economists have done most of their work. To the degree that the current crisis has precipitated

ruptures in the global financial architecture, then, it may also create some space for pressing an inclusive, participatory, feminist agenda in this domain. While my focus in what follows is not on gender explicitly, not least because my expertise lies elsewhere, I hope that my treatment of financial governance will suggest avenues of further research by feminist economists and/or will resonate with those who have long worked in this realm [e.g., Asblanbeigui and Summerfield, 2000; Seguino, 2010, citations in Benería, 2003:ch.2 and others referenced here].

The heart of this paper examines three related questions. How is the crisis affecting the governance of the IMF and the influence that developing countries have within the institution; what effect if any has the crisis had on the policy space available to developing countries; and what are the prospects for alternative financial architectures as competitors or important complements to the Fund? I am particularly interested in highlighting those instances where, in the crisis environment, we find some evidence of intellectual uncertainty, increasing policy space, the emergence of alternative institutional arrangements, and changes in the geography of influence in the global economy.

It is too early, of course, to draw definitive conclusions about just how financial governance vis-à-vis developing countries will evolve as a consequence of the crisis. But it is an appropriate moment to examine the promising avenues, false starts and dead ends that have already emerged. At this point, and to anticipate the arguments that follow, it appears that IMF practice on capital controls has changed partly as a consequence of the crisis, that relatively autonomous developing countries are taking advantage of the policy space that has emerged, and that the global financial architecture is becoming more heterogeneous and multi-nodal. Developing countries do not yet enjoy more formal influence at the IMF as a consequence of the crisis, though their voting power will increase modestly in 2012. But it may come to pass that other changes at the IMF (particularly the emergence of

developing countries as lenders to the institution) will ultimately reconfigure channels of informal influence at the institution in ways that enhance developmental policy space.

2. IMF GOVERNANCE

The IMF has had a dominant and controversial role in financial governance from the debt crisis of the 1980s through the immediate aftermath of the East Asian financial crisis of 1997-98. Many Fund observers have hoped that the current financial crisis would create space for governance reforms at the institution. Governance changes at the Fund could involve changes of two sorts, formal and informal. On the formal level, voting rights and decision making procedures at the institution can be changed. On the informal level, there is always the possibility of changes that bear on the relative influence of individual members over decisions and practices at the institution.

The IMF emerged from the Asian crisis a greatly weakened institution in regards to its credibility around the world, the adequacy of its own financial resources, the size of its staff, and the geographic reach of its programs. Critics on both the left and the right railed against the institutions' mission creep, heavy handedness, domination by the US government and by private financial interests, its myriad failures in East Asia prior to and following the crisis, and its excessively harsh and intrusive conditionality.

An important consequence of the Asian crisis and subsequent changes in the global economy was the loss of purpose, standing and relevance of the IMF. Indeed, prior to the current global financial crisis, demand for the institution's resources was at an historic low. Major borrowers (including Argentina, Brazil, and Ukraine) had repaid their outstanding debt to the institution and the Fund had

contracted its staff by as much as 15% [Kapur and Webb, 2006; Thomas, 2009].[1] In fiscal year 2005, just six countries had Stand-by Arrangements (hereafter, SBAs)[2] with the Fund, the lowest number since 1975 [Kapur and Webb, 2006]. From 2003 to 2007, the Fund's loan portfolio shrunk dramatically: from $105 billion to less than $10 billion, while just two countries, Turkey and Pakistan, owed most of the $10 billion [Weisbrot, Cordero and Sandoval, 2009]. The IMF's list of customers came to include primarily only extremely poor countries that had no choice but to seek its assistance [Chorev and Babb, 2009].

The current crisis has been good to the IMF [Chorev and Babb, 2009]. It has rescued the institution from its growing irrelevance by re-establishing its central role as first responder to financial distress for many countries. This re-empowerment has come about for a number of reasons. Even with reduced staffing, the Fund holds a monopoly position when it comes to experience in responding to financial distress in poorer countries.[3] However, this may be starting to change. The regional and bilateral arrangements and institutions that have evolved in the developing world in response to the Asian crisis are beginning to substitute or complement the Fund in important ways (see section 4 below). Moreover, Fund staff may be acting on the presumption that this trend will accelerate in the future. For this reason, the IMF may be conducting itself somewhat differently at the current

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[1] Ukraine returned to borrower status in July 2010.

[2] SBAs are the IMF's basic short-term loan agreement.

[3] Events in and on the periphery of the European Union (EU) have contributed substantially to the IMF's resurrection because the EU, European Commission and European Central Bank need the Fund's expertise, financial assistance and authority. Indeed, Lütz and Kranke [2010] argue that the EU has "rescued" the IMF by partnering with it on bailouts in Europe and by channeling its harsh conditionality circa the 1980s and 1990s.

juncture simply as a way of maintaining its market share relative to its actual and perceived competitors (see below and fn4).

The G-20 has also contributed to the IMF's resurrection. The April 2009 meeting of the G-20 gave the IMF pride of place in global efforts to respond to the crisis. The meeting not only restored the IMF's mandate but also yielded massive new funding commitments to the institution to support its efforts (even if upon close examination these commitments are less than advertised, as Chowla [2009] demonstrates). Representatives committed $1.1 trillion in funds to combat the financial crisis, with the bulk of it, namely, $750 billion to be delivered through the IMF. The Fund continues to seek additional resources: indeed, since July 2010 the institution's management has sought to raise an additional $250 billion in funding from its members. It also bears noting that the global crisis has reinvigorated not only the IMF, but also other multilateral financial institutions, such as the World Bank, the Inter-American Development Bank and the European Bank for Reconstruction and Development, EBRD.[4]

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[4] For an interesting anecdote along these lines, see McElhiny [2009] for a description of how the Inter-American Development Bank's holiday party in 2008 celebrated the increased demand for infrastructure stimulus packages through a musical number performed by some Bank staff. See Kulish [2009] on the reinvigoration of the EBRD.

There is some evidence that the Fund is beginning to face competition from other institutions. For instance, Wade [2010:fn10] points out that the IMF is losing new business to the World Bank outside of the European rescues. And he notes that even in Europe, Turkey broke off negotiations with the Fund in early March 2010 because of the severity of its conditions. A few weeks later the country negotiated a $1.3 billion loan with the Bank.

New pathways of informal influence at the Fund

At the April 2009 G-20 meeting several developing countries committed to purchase the IMF's first issuance of its own bonds: China committed to purchase $50 billion while Brazil, Russia, South Korea and India each committed to purchase $10 billion. Thus, $90 billion of the $500 billion in new resources for IMF lending will come from countries that have traditionally not played an important role in Fund governance. The support for the Fund coming from developing countries is surely a landmark event at the institution. For our purposes what is most important about these new commitments is that they not only contribute to the Fund's resurrection, but they also reflect the global power and autonomy of these rapidly growing economies (see section 3 below). These changes in financial flows between member nations and the IMF may ultimately bear on the ability of these and other developing countries to exert influence at the institution in ways that change its informal and even its formal practices.

Adding to the potential that these new lenders may influence informal decision making at the Fund over time is the fact that the Chinese government is now behaving in a more "muscular" fashion on the global stage. This muscularity is reflected in many ways—for example, in the strong position it has taken in the face of US government claims that it is manipulating its currency, and thereby contributing to global imbalances. The appointment in February 2010 of Zhu Min, Deputy Governor of the Peoples Bank of China, as Special Advisor to the IMF's Managing Director provides another channel by which China (and perhaps other developing countries) may be able to influence informal decision making at the IMF in time.

Formal governance reform

Formal IMF governance has long been a point of contention among developing countries and civil society organizations. To date, progress on even modest governance reform at the Fund has been glacial. After nearly 12 years of pressure, the "Singapore reforms" of 2006 have resulted in inconsequential changes in the formal voice and vote of developing countries at the Fund. As a consequence of these reforms, the voting shares held by the US fell from 17% to 16.7%, by high-income countries from 52.7% to 52.3%, the voting shares of the BRIC countries plus Mexico increased from 10.1% to 11.1%, those held by China increased from 2.9% to 3.6%, and the voting shares held by the "rest of the world" (that is, 163 of 185 countries) dropped 0.5 percentage points from 37.1% to 36.6% [Weisbrot and Johnson, 2009].

The funding commitments made by developing countries to the IMF in April 2009 were not conditioned on specific governance reforms, though the matter was raised quite clearly by the institution's new funders, particularly Brazil and China. Indeed, senior Chinese officials said at the time that Beijing would be willing to contribute more money if China's quota were adjusted to reflect its economic weight, namely, by basing its quota on output per person [Landler, 3/30/09]. [5]

[5] See Woods [2010] for discussion of the position articulated by Brazil's Finance Minister. The Russian government appears a bit ambivalent on this matter. On many different occasions it has aligned itself with critics of IMF governance and it has certainly been among the most outspoken critics of the US' "exhorbitant priviledge" [on the latter, see Johnson, 2008]. But officials have occasionally stepped away from positions taken by fellow BRIC countries. E.g., during the fall 2009 meeting of the IMF-World Bank in Istanbul, a Russian central bank official stated that the country's purchase of IMF bonds would not be conditioned on IMF governance reforms [Reuters.com, 10/5/09]. Russia's ambivalent stance exemplifies what Jones [2011]

The BRIC countries and the G-24 in fall 2009 proposed a 7% increase in quotas in favor of developing countries [Reuters.com, 9/15/09]. China proposed a far more ambitious goal for governance reform: in September 2009, central bank officials called for the establishment of a timeline to transfer 50% of the voting rights at the IMF and World Bank to developing countries.

The September 2009 G-20 meeting resulted, not surprisingly, in something far more modest: namely, representatives agreed to increase the quota share held by under-represented and developing countries by at least 5% at the IMF and by at least 3% at the World Bank. However, negotiations on this modest change stalled for a year owing to conflicts between the US and Europe and among European countries (as the IMF acknowledged, see IMF 2010). In October 2010 the G-20 Finance Ministers appeared to regain some momentum on this issue when they agreed to transfer 6% of the voting rights at the Fund to developing countries by October of 2012 and to double IMF quotas. Under these arrangements, the top ten shareholders at the Fund will represent the ten largest economies in the world, which now include China, Brazil, India and the Russian Federation. European representatives also agreed to cede two seats on the Executive Board. Under the proposal, all Executive Directors will be elected by late 2012. The IMF ratified the G-20 proposal in November of 2010.

Another aspect of governance reform that was raised in the early days of the current crisis centered on long-held concerns about the process by which leaders of the IMF and World Bank have been selected. Developing countries have long chafed at the "gentlemen's agreement" that has meant that the Fund's director is a European and the World Bank's director an American. The G-20 finance

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rightly notes is the fluid and complex nature of the relationships among the BRIC countries and between the BRIC and other developing countries (such as South Africa).

ministers reportedly agreed to end this practice at their March 2009 meeting in Sussex, England [Eichengreen, 2009a]. But discussion of this matter seems to have been sidelined at present.

Pro-development non-governmental organizations have voiced various concerns about the limits of these reforms. For instance, they argue rightly that Africa is still inadequately represented in IMF decision-making; and that the new agreement on voting shares "leaves in place the US unilateral veto over some IMF decisions" (Bretton Woods Project, Nov.-Dec. 2010). Moreover, many have criticized the slow pace of governance reform.

These concerns are well-founded, but they should not prevent us from noting that change is in fact underway. Institutional change in complex organizations often happens slowly and informally. It may be that the new loans by developing countries and the new assertiveness of some developing countries will ultimately be seen as part of a gradual process that results in significant changes in Fund practice. Governance at institutions as complex as the IMF and World Bank depends largely on informal practices, power and know-how (such as expertise in using back-channels to exert influence). Admittedly, this realm of informal governance is not likely to change overnight. This suggests that the effects of any reform in voting shares will be long-term rather than immediate, and successful only to the degree that it is associated with other changes (in personnel, ideologies, and informal practices, continued competition from other institutions and arrangements).

3. POLICY SPACE IN RELATIVELY AUTONOMOUS STATES

As we have seen, the current financial crisis has resurrected the IMF and ushered in a substantial change in the sources of IMF funding. But we are also seeing an equally dramatic change in the geography of IMF activity. In fact, even if the crisis has served to restore the IMF's influence in

certain domains, this has occurred against the backdrop of a substantial diminution in the geography of the institution's influence.

As discussed above, policymakers across the developing world sought to insulate themselves from the hardships and humiliations suffered by Asian policymakers at the hands of the IMF. The explicit goal was to escape the IMF's orbit. They did this by relying on a diverse array of strategies: self-insuring against future crises through the over-accumulation of reserves; the attraction of international private capital inflows, including new sources of finance such as securitized remittances, and the establishment of swap arrangements among central banks; and a new reliance on trade finance, private investment and official development assistance from fast-growing developing countries such as China and Brazil [Kapur and Webb, 2006; Ketkar and Ratha, 2008; Economist, 15 July 2010]. The dramatic decline in the IMF's loan portfolio after the Asian crisis indicates the degree to which these escapist strategies proved to be successful. Even in the context of the current crisis, countries did their best to stay clear of IMF oversight. Indeed, during the current crisis, South Korea would have been a good candidate for a (precautionary) Flexible Credit Line with the Fund. But it did not apply for the credit line, presumably because of its prior experience with the Fund and to avoid the stigma of being one of its clients [Wade, 2010:fn10]. Instead, it negotiated a reserve swap with the US Federal Reserve (see section 4 below).

Those developing countries that have been able to maintain their autonomy during the crisis have used the resulting policy space to pursue a variety of counter-cyclical macroeconomic policies and, lately, various types of capital controls [see Grabel, 2011].[6] Their ability to do so indicates the degree

[6] I focus in what follows on capital controls because the policy reversal in this area is particularly stark, and because it facilitates the expansion of policy space in other areas. But it

to which the IMF's geographic reach has been compromised in the years following the Asian crisis. Equally important for the matter at hand, the behavior of these autonomous states has served as an example for less powerful states which, in turn, have reacted to the crisis in ways that were taken to be unimaginable in previous crises.

The expansion of policy space: The case of capital controls[7]

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should be noted that the current crisis has also witnessed the proliferation of counter-cyclical macropolicy in developed and developing countries, which is also of enormous significance. See International Labor Organization (ILO, 2009) for a comprehensive survey of the variety of counter-cyclical policies that emerged during the crisis and through September 2009. The report evaluates these policies by reference to a range of social criteria such as expanding employment and social protection, promoting environmental goals, and increasing access to credit for small and medium sized enterprises. That said, some observers have advocated for a more aggressive shift toward countercyclical policy (see Ffrench Davis 2010). Finally, it should be noted that IMF and other leading economists are wrestling with the issue of macroeconomic policy. To date, this re-thinking has not generated a radical reorientation away from established doctrines, except in the case of capital controls. The 2010 contribution by Blanchard et al. on the matter of inflation targeting is representative of the limits of reform. In the end, a paper with the title "Rethinking Macroeconomics" simply advocates a loosening of inflation targeting for developing countries from 2 to 4 percent! However, while a March, 2011 IMF conference on macroeconomics yielded no substantive change in policy, except on the matter of capital controls, it did signal greater humility and a greater commitment to pragmatism in macroeconomic policy that encompasses, for instance, a wider range of macroeconomic targets beyond inflation [see Blanchard, 2011].

[7] See Grabel [2011] for an in-depth examination of capital controls during the current crisis.

The current crisis has achieved in a hurry something that heterodox economists have been unable to do for a quarter-century. It has provoked policymakers around the world to impose capital controls as a means to protect domestic economies from the ravaging effects of liberalized financial markets. What is perhaps more surprising and hopeful is that the new controls have been met variously with silence on the part of the IMF and the international business community and tacit acceptance of their necessity and prudence.

This reception contrasts sharply with the IMF and investor condemnation that was provoked when Malaysia imposed stringent capital controls during the Asian financial crisis. At the time the IMF called these controls on capital outflows a "step back" (Bloomberg, 6 May 2010], and a representative article in the international business press stated that "foreign investors in Malaysia have been expropriated, and the Malaysians will bear the cost of their distrust for years" [cited in Kaplan and Rodrik, 2001:11]. More recently, capital 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 (Bloomberg, 6 May 2010].

In my view, the normalization of capital controls is the single most important way in which policy space for development has widened in several decades. Capital controls were the norm in developing and wealthy countries in the decades that followed WWII [Helleiner, 1996]. At that time, they were widely understood by academic economists, policymakers and officials at multilateral institutions to be an essential tool of economic management. Policymakers deployed capital controls in order to enhance macroeconomic policy autonomy, promote financial and currency stability, protect domestic industries/sectors from foreign control or competition, and ensure the provision of adequate credit to favored sectors and firms at the right price [Epstein, Grabel, Jomo KS, 2004].

Capital controls fell out of favor in the neo-liberal era. Indeed, up until the Asian crisis the Fund was poised to modify its Articles of Agreement to make the liberalization of all international private capital flows a central purpose of the Fund and to extend its jurisdiction to capital movements. But despite the neo-liberal tenor of the times, some developing countries nevertheless maintained capital controls—most famously, Chile and Malaysia, but also China, India, Colombia, Thailand, and a few others.

Then a notable development occurred. In the wake of the Asian crisis, IMF research staff started to change their views of capital controls—modestly and cautiously to be sure. In the post-Asian crisis context, the center of gravity at the Fund and in the academic wing of the economics profession shifted away from an unequivocal, fundamentalist opposition to any interference with the free flow of capital to a tentative, conditional acceptance of the macroeconomic utility of some types of capital controls. Permissible controls were those that were temporary, market-friendly, focused on capital inflows, and were introduced only when the economy's fundamentals were mostly sound and the rest of the economy was liberalized [Prasad et al., 2003]. Academic literature on capital controls in the decade that followed the Asian crisis reflected this view: as Gallagher [2010] points out, cross-country empirical studies (many of which are reviewed in Magud and Reinhart, 2006] offered strong support for the macroeconomic achievements of controls on inflows. Evidence supporting the achievements of outflow controls remains far more scant [though see Epstein et al. 2004, and on the success of outflow controls in Malaysia, see Kaplan and Rodrik, 2001 and Magud and Reinhart, 2006].

In the midst of the current global financial crisis, this change in sentiment accelerated. Policymakers in many country contexts quietly began to impose a variety of capital controls, often framing them simply as prudential policy tools (akin to what Epstein et al. 2004 termed "capital management techniques"). For example, in April 2011 South Korea began to levy a tax of up to .2% on holdings of short-term foreign debt by domestic banks (with a lower tax levied against longer term debts). This measure built on others put in place in October and June 2010, both of which sought to discourage domestic banks working with foreign currency derivatives. The goal is to reduce the financial instability and the recent currency appreciation caused by the capital inflows associated with foreign borrowing and derivatives. In March 2011 Brazil restricted foreign purchases of domestic farmland. Also in October 2010, Brazil strengthened twice the capital controls it first put in place in October 2009. The new Brazilian controls triple (from 2 to 6%) the tax it charges foreign investors on investments in fixed-income bonds. Thailand also deployed capital controls in October 2010: authorities introduced a 15% withholding tax on capital gains and interest payments on foreign holdings of government and state-owned company bonds.

These controls follow on the heels of others. For example, Iceland implemented stringent controls just after its economy imploded in 2008, and the October 2008 SBA with the IMF made a very strong case for their necessity. In December 2009, Taiwan also imposed new restrictions on foreigners' access to some kinds of bank deposits (and China also put some new controls in place). In June 2010 Indonesia announced what its officials term a "quasi capital control" that governs short-term investment in the country. In the same month, Argentina and Venezuela announced controls on capital outflows. Argentina announced stricter controls on US dollar purchases, and Venezuela imposed new controls on access to foreign currency. Indonesia, the Russian Federation and Ukraine also put capital controls on outflows in place to "stop the bleeding" caused by the crisis

[IMF, 2009b]. Peru has been deploying a variety of inflow controls since early 2008. The country's reserve requirement tax (which is a type of control on capital inflows) has been raised three times between June and August 2010.

In contrast to the situation that faced Malaysia and Thailand in the past, we see neither condemnation nor penalties associated with the recent capital controls. Indeed, the ideas of economists at the Fund on capital controls have continued to evolve quite significantly during the crisis with the consequent effect of normalizing this policy instrument. By now, many reports by IMF research staff and statements by the institution's highest officials has made clear that capital controls are a legitimate part of the policy toolkit, and that they have had positive macroeconomic accomplishments in many countries. This view has been reiterated on countless occasions. Indeed, IMF Managing Director Dominique Strauss-Kahn emphasized as much in a speech in Shanghai in October 2010, while in the same month the director of the Fund's Western Hemispheric department made a case (unsuccessfully) for the use of controls in Colombia owing to the rapid appreciation of its currency. In the spring of 2011, the IMF issued two reports that further cement the legitimacy of capital controls [one is a staff discussion note and the other an official paper issued under the imprint of the Fund—Ostry et al., 2011and IMF, 2011, respectively]. Notably, capital controls are referred to innocuously in these reports as "capital flow management" techniques.[8] Moreover, we

[8] Note that these two reports are not without problems. They have generated controversy, most notably from some developing countries. This is because the new reports discuss capital controls as a last resort, they have raised suspicions as to whether the IMF will ultimately try to determine when controls are or are not legitimate, and they fail to take seriously the contribution of loose monetary policy in wealthy countries to the high levels of capital inflows to the developing world [Gallagher and Ocampo, 2011; Bloomberg.com, 6 April 2011].

have seen no evidence that the capital controls deployed across the developing world of late have had ill effects on investor sentiment. Indeed, foreign investors have continued to flood these markets even after new controls are announced.[9] The credit rating agencies, too, have not responded to controls in ways that discourage or penalize policymakers from using this tool.

It is beyond the scope of this paper to investigate just why the views of IMF staff on capital controls have evolved so significantly. But it is likely that some combination of these factors is responsible: (1) a pragmatic recognition by IMF leadership and staff that the institution has no effective choice but to amend its policy prescriptions, owing to its diminished influence in the developing world (per the above); (2) relatedly, concern at the IMF about existing and future competition with other national, multilateral and regional financial architectures that are coming to play a greater role in the area of crisis management (see discussion in section 4 below); (3) the influence of leading academic economists, who themselves have come to question and in some respects reject the traditional neo-liberal prescription for development; and (4) the current global financial crisis, coming just a decade after the Asian crisis, may be having the effect of encouraging those economists at the IMF (and the World Bank) who have long had reservations about the neo-liberal model to give voice to their concerns and to assert themselves more effectively. It is important to keep in mind in this connection that like any complex organization, the IMF comprises diverse constituencies that may very well disagree among themselves about some fundamental matters pertaining to the institution's strategies.

[9] Certainly investor enthusiasm for some developing country markets stems from the attractive returns available, especially in comparison to the dismal opportunities and prospects of the US, Europe and Japan at the present time [see Economist, 2009].

The current crisis has had a powerful effect on policy space for developing countries. It has dramatically furthered and normalized the use of capital controls, a process that began (unevenly) after the Asian crisis. At the same time, policymakers in a growing number of developing countries are exploiting the policy space that the IMF's diminished geography of influence is offering them.

One important caveat is in order here. The argument that I advance regarding the normalization of capital controls at the IMF should not be read to suggest that the institution has conducted itself in an exemplary and entirely new fashion during the current crisis. Elsewhere I argue that in several important respects the Fund's conditionality programs during the current crisis evidence strong continuity with the policy adjustments that the institution put in place during the Asian and the Mexican financial crises of the 1990s. Today, the IMF continues to apply pressure to secure compliance with stringent, pro-cyclical fiscal and monetary policy targets.[10] Moreover, despite rhetoric by Fund staff to the contrary, expansive forms of conditionality (that involve e.g., privatization, market liberalization, labor market and pension system reform) have also returned as a key feature of recent Fund programs. Finally, the greater degree of fiscal flexibility granted by the Fund in some country contexts (particularly on the Eastern side of the European periphery) has little

[10] A large number of recent studies of the SBAs (and other assistance programs) negotiated during the current crisis have established that the IMF has promoted pro-cyclical macroeconomic policy adjustments or targets [UNICEF, 2010; Van Waeyenberge, Bargawi and McKinley, 2010; Muchhala, 2009; Eurodad, 2009; Solidar, 2009; Weisbrot et al., 2009]. Indeed, only two studies conclude otherwise, and both are self-congratulatory reports by the Fund [IMF 2009a, 2009c].

to no practical significance.[11]

4. NEW FINANCIAL ARCHITECTURES? THE G-20 AND REGIONAL AND BILATERAL INITIATIVES

As with the Asian crisis, the current crisis has promoted interest in alternative modes of financial governance. Indeed, the crisis has stimulated the expansion of existing institutions and arrangements and the emergence of new ones. Collectively these innovations suggest that the global financial architecture is becoming multi-nodal and heterogeneous, even if some of these arrangements ultimately prove untenable in the long run. It may be that innovations in IMF practice on capital controls and ultimately in its formal governance stem (partly) from attempts to protect the institution's franchise from perceived or actual competition.

The G-20

The formation of the G-20 in the early moments of the financial crisis initially seemed to signal the emergence of a new global financial architecture that was more pluralistic and inclusive than the old one, dominated as it was by the US, other wealthy countries, and the IMF.[12] This new grouping gave

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[11] See Grabel [2011] for discussion of both the continuities and the discontinuities in Fund practice during the current crisis.

[12] Some observers were disappointed from the start with the organization's lack of inclusiveness, e.g., Payne [2010] and its timidity, e.g., Woods [2010]. Others remained cautious, e.g., Helleiner and Pagliari [2009] and Helleiner and Porter [2009]. Helleiner and Pagliari [2009] argue that the first G-20 Leaders Summit in Washington DC in November 2008 might ultimately be remembered for giving G-20, rather than G-7, leaders "a seat at the

countries such as Brazil, China, India, Saudi Arabia, and South Africa a seat at the proverbial table, along with the usual G-8 countries.

Optimism on the significance of the G-20 was particularly high in its early days when its chief spokespeople seemed to be channeling the spirit of Keynes in calling for ambitious measures to counter the crisis and the power of the financial community.[13] Declarations about the death of the Washington consensus and the need to increase the voice and vote of developing countries at the Bretton Woods institutions also contributed to the early promise of the G-20.

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table." However, the authors are careful to note that this legacy will only matter if the seats turn out to be real rather than symbolic. In a related vein, Helleiner and Porter [2009] describe the increased representation of developing countries on many bodies that constitute the global financial regulatory architecture (namely, the Financial Stability Board, the IASB, the Technical Committee of the IOSCO and the BCBS) that came about as a consequence of the November 2008 G-20 Leaders' Summit. However, they are also careful to note that membership in these key bodies, though expanded, still privilege larger over smaller developing countries. Helleiner [2011] has also noted cautiously that the November 2010 Seoul meeting of the G-20 took a step toward somewhat greater inclusiveness by creating a mechanism for inviting non-member participation at future fora. This involves granting the summit host the opportunity to invite up to five non-member guests, at least two of whom must be from Africa. Ocampo [2010c] is less sanguine. The G-20, in his view, still reflects an "elite multilateralism," a critique that also resonates with Benería's [2003:167] critique of the UN's 2002 Financing for Development conference in Monetarrey, Mexico.

[13] E.g., the positive response to the ILO's Jobs Pact at the 2009 G-20 summit in Pittsburgh bolstered the perception that the G-20's pro-growth orientation differed starkly from that of the G-7 [ILO, 2009].

However, optimism on the G-20 quickly shifted to disappointment as its Keynesian moment passed, and its leaders began to call for restoring fiscal balance in June 2010 [see e.g., Fitoussi, Stiglitz and the Paris Group, 2011:Part I]. However, we must recognize that it is premature to declare the G-20 a dead end. It is, after all, an entirely new grouping, and it may take time for new member countries to find ways to operate within it effectively.

Significant architectural changes

The experience of East Asian countries with the IMF during the Asian crisis was the catalyst for two developments. First, as discussed above, it led many countries (in Asia, but also elsewhere) to self-insure against future involvement with the Fund via the accumulation of foreign exchange reserves. Second, it stimulated a great deal of interest in the creation of regional alternatives to the Fund that could provide support during financial distress absent the painful and politically-difficult conditionality imposed upon Asian borrowers. In what follows we will see that the current crisis has been far more productive than the Asian crisis in terms of propelling financial innovations that may ultimately lead to a more decentralized, pluralistic, and heterogeneous financial architecture.

Many observers have viewed both the Asian and the current crisis as an opportunity to rethink the global financial architecture so that regional, sub-regional and multilateral arrangements play a greater, complementary role in promoting financial stability and financial inclusion. For example, this view was articulated forcefully in the Monterrey Consensus of 2002. Writing after the Asian crisis, Mistry [1999] argues that regional crisis management capacity could usefully complement national and global measures. Writing before the current crisis and based on experiences in Europe and the Andean region, Griffith-Jones, Griffith-Jones and Hertova [2008] conclude that there is a

need for new or expanded regional and sub-regional development banks to fill gaps in the international financial architecture.[14] In the early days of the current crisis, the Stiglitz Commission [UN, 2009, ch.V] called for a new global monetary system built from the "bottom up" through a series of agreements among regional arrangements. In a related vein, Ocampo [2010a] argues that improving economic and social governance necessitates the creation of a dense network of world, regional and national institutions in which regional and sub-regional institutions play a role between global and national financial arrangements [see also Ocampo 2010b, 2006; Paez, 2011; numerous contributions to Volz and Caliari, 2010].

Some observers have taken heart in early signs that the crisis is stimulating decentralization of the financial architecture (e.g., Helleiner, 2010; Woods, 2010; Tussie, 2010]. Chin [2010] and Eichengreen [2010], by contrast, are less sanguine about the signs of emergent regionalism. They conclude that regional responses have emerged only modestly, especially in connection with lender of last resort assurances, financing for balance of payments crises, or currency stabilization. They note as well that when the crisis emerged, East Asia and South America turned quickly to unilateral and bilateral rather than to existing regional mechanisms. That said, Tussie [2010] argues that we are in the middle of a period of transition to a more diverse and multi-tiered global financial and monetary system.

[14] Their preliminary calculations show that regional development banks could provide additional annual lending of approximately $77 billion if developing countries allocated just 1% of their reserves (which at the time they wrote equaled $32 billion in reserves) to paid-in capital for expansion of existing or the creation of regional development banks.

In what follows we sketch the types of regional and bilateral initiatives that have emerged in the context of the crisis. Collectively these initiatives suggest that the financial crisis may serve as the mid-wife to a more multi-nodal financial architecture.

Regional initiatives

The East Asian crisis awakened interest in regional financial architectures in the developing world. That crisis gave voice to an aborted proposal for an Asian Monetary Fund that eventually formed the basis in 2000 for the bilateral swap agreements that are at the heart of the Chiang Mai Initiative (CMI). The CMI is a potentially important regional architecture involving ASEAN nations, China, Japan and South Korea (the so-called ASEAN+3). The current financial crisis has been a powerful impetus for expanding the scope of the CMI. In early 2009 the CMI was "multilateralized," such that it is now known as the Chiang Mai Initiative Multilateralisation, CMIM. The CMIM is a $120 billion regional currency reserve pool from which member countries can borrow during crises. China, Japan and Korea provide 80% of the CMIM's resources (with China and Japan each contributing 32% to the pool or $38.4 billion). Decisions regarding disbursals from the fund are to be made by simple majority, and voting shares are to be allocated roughly in proportion to a country's contributions. Importantly, this means that unlike the IMF's Executive Board (which makes decisions by consensus), no single country can block action.[15]

The transformation of the CMI to the CMIM is significant because it increases the scope of central bank currency swaps and reserve pooling arrangements in the region. This introduces the possibility that countries that are members of the CMIM will not need to turn to the IMF when they face

[15] Description drawn from Henning [2009]. .

liquidity crises in the future. It may also (partly) eliminate the perceived need by individual member nations to over-accumulate official reserves for purposes of self insurance.

There is one critical and difficult matter that must be resolved before the CMIM can ever challenge the IMF in the region. That is the matter of regional surveillance and conditionality: at the behest of creditor countries, disbursals from the CMIM in excess of 20% of the credits available to a country require that a borrowing country must be under an IMF surveillance program (i.e., the IMF must review and sign-off on release of CMIM funds beyond this 20% threshold). The swaps available under both the CMI and the CMIM have yet to be activated. Indeed, during the current crisis South Korea negotiated a one-year swap arrangement with the US Federal Reserve in October 2008 for $30 billion rather than avail itself of the resources available to it under the (then) CMI.[16]

Recent experience of the EU demonstrates that devising and implementing regional surveillance and conditionality is a daunting task since it involves criticizing the policies of neighbors and demanding substantive changes in behavior. Since political sensitivities (and rivalries) among Asian neighbors run even higher than in the EU, the emergence of a regional surveillance mechanism will likely require protracted negotiations (especially among China, Japan and South Korea), thereby possibly limiting the extent to which the CMIM will fully displace IMF governance in the region in the near future. But perhaps the evident costs of the EU's failure to resolve the surveillance matter in Europe will give CMIM members the motivation to accelerate progress toward this end. Indeed, a modest

[16] Korea could have accessed $3.7 billion under the CMI. To have accessed the full amount available to it, namely $18.5 billion, the country would have had to be under an IMF agreement [Sussang Karn, 2010.]. Experience with the Fund during the Asian crisis made that politically infeasible.

step in this direction among CMIM members is the planned inauguration in spring 2011 of the ASEAN+3 Macroeconomic Research Office (AMRO). AMRO is based in Singapore and will conduct research on regional economies. At this time, key positions have yet to be filled, and the politics of selecting a director are proving challenging. Observers of the region are, at the very least, concerned that it will difficult for the research institution to evolve into a true regional surveillance body [Eichengreen, 2011; Kawai, 2011; Financial Times, 11 January 2011].

Among regions in the developing world, Latin America has long had the greatest number of regional and sub-regional institutions in its financial architecture. It is therefore unsurprising that the crisis has moved the region further in this direction. In addition, the re-emergence of more populist governments and the success of large commodity exporters in the region have also stimulated the growth of regional, sub-regional and bilateral initiatives.

One such initiative is the Latin American Reserve Fund (FLAR), an institution that was founded in 1978 as the Andean Reserve Fund to serve countries in the Andean region. It is based in Colombia, and its members include Bolivia, Colombia, Costa Rica, Ecuador, Perú, Uruguay and Venezuela. FLAR acts largely as a credit cooperative that lends to members' central banks in proportion to the capital contributions [Chin, 2010:fn40]. FLAR has a capitalization of just over $2.3 billion. Prior to the crisis, FLAR lending to member countries was significant in comparison to IMF lending: indeed, from 1978 to 2003, FLAR loans of $4.9 billion were almost 60% of the size of the loans from the IMF to the same countries ($8.1 billion) [Chin, 2010:fn41]. During the current crisis, FLAR made liquidity credit lines totaling US $1.8 billion available to member country central banks that confronted the effects of the current financial crisis [McElhiny, 2009]. For example, Ecuador's central bank drew on FLAR resources in April 2009 by drawing on a three-year loan of $482 million.

However, FLAR's potential may be limited at this point by the fact that it involves a small number of countries, and the region's largest economy, Brazil is not a member and has kept itself at a distance from this institution (as well as from the Bank of the South) [Chin, 2010]. Eichengreen [2010] illustrates FLAR's limited reach at this time by noting that even Colombia, where the institution is based, declined to engage or enlarge its resources during the current crisis. Instead, the government negotiated a Flexible Credit Line with the IMF.

Another initiative that bears mention is the Andean Development Corporation (CAF). Most Latin American countries and some countries in the Caribbean are members of CAF. It is owned exclusively by developing countries (with the exception of Spain, which is also an owner). CAF has assets of $4.12 billion. CAF loans have grown exponentially since 2000. Since 2001, CAF has been the main source of multilateral project financing for Andean countries (providing over 55% of multilateral financing), and since 2006, over 50% of its lending went to infrastructure. [Griffith-Jones, Griffith-Jones and Hertova, 2008]. CAF made a record number of approvals in 2009 [Tussie, 2010].

Brazil and Argentina have also sought to resurrect the Agreement on Reciprocal Payments and Credits (CCR), an arrangement that involves bilateral lines of trade credit between the 13 central banks that are members of the Latin American Integration Association.[17] The CCR has functioned since 1966, though it was not terribly significant in regional trade finance during the 1980s and 1990s. The agreement was given new life during the current crisis when in April 2009 its guaranteed

[17] Details on CCR drawn from Chin [2010].

coverage was increased from $120 million to $1.5 billion.

Two new Latin American initiatives that bear mention are the Bank of the South (BDS) and the Bolivarian Alliance for the Americas (ALBA). The future of these new initiatives is unknown at this point insofar as each is in its infancy. The BDS is an institution developed by Venezuelan President Hugo Chavez and headquartered in the country. BDS has received a great deal of attention because it has been situated rhetorically as a rival to the IMF. At this point, however, the rivalry remains aspirational rather than practical.

The BDS was founded in 2007, and was officially launched in 2009 when the 4 member countries of MERCOSUR (namely, Argentina, Brazil, Paraguay, and Uruguay) and the Union of South American Nations (Bolivia, Ecuador, and Venezuela) agreed on the details necessary to get the Bank off the ground.[18] According to the agreement, Argentina, Brazil and Venezuela will capitalize the Bank with contributions of $2 billion each, Uruguay and Ecuador with $400 million each, and Bolivia and Paraguay with $200 million each. The Bank will grant all of its member countries the same level of voting power, though loans of more than $70 million will require approval of countries that represent at least 2/3 of the bank's total capital (something that Brazil apparently insisted upon) [Philips, 2010]. BDS enters into force in 2012 when the parliaments of member countries ratify the institution's founding agreement.

Some observers view the BDS as the main component of a new regional financial architecture with several components, including greater cooperation in the region and increased use of its currencies

[18] Details on membership, funding and voting rights at the Bank of the South from Phillips [2009] and the International Center for Trade and Sustainable Development [2009].

[Vernengo 2010, citing Pedro Paez-head of the Ecuadorian Presidential Commission for the New Financial Architecture]. Notwithstanding visions of its future, it bears noting that by the time of its launch in 2009, the mandate of the BDS had been narrowed to providing "project-finance" in the region (i.e., providing longer-term lending for development projects in agriculture, energy, health care, infrastructure, and trade promotion) [Chin, 2010]. Lender of last resort emergency finance is not included in its existing mandate.

ALBA involves eight Latin American countries. It is led by Venezuela, Cuba and Bolivia, though Nicaragua, Dominica, Honduras, Ecuador, St. Vincent and the Grenadines, Antigua and Barbados are members as well. This is a regional initiative designed to promote new, non-market structures, the creation of an integrated trade and monetary zone, and a regionally created currency, the sucre [see Hart-Lansberg, 2010]. Several ALBA countries have already deposited agreed upon amounts of their currencies into a special sucre fund. Sucre exist now as a unit of account only, and are being used for targeted trade of specific commodities. The first sucre-denominated transaction involved Venezuelan rice exported to Cuba in Jan 2010; in July 2010, Ecuador and Venezuela conducted their first trade (for rice from Venezuela to Ecaudor) using the virtual currency [Dow Jones, 2010].

Regional development banks

Prior the current crisis, the Asian Development Bank was already lending more than the World Bank inside the region, and the Inter-American Development Bank and FLAR were already providing more crisis-related financing in South America than the IMF [Woods, 2010]. The crisis accelerated this trend. The Asian, Inter-American and African Development Banks have responded to the crisis in their regions in some cases more quickly and with larger loans than we have seen from the IMF and the World Bank, and they have also introduced new types of temporary rapid

financing programs and counter-cyclical lending facilities to support developing and low-income countries [Chin, 2010; Woods, 2010].

The activism of the multilateral institutions was facilitated by the G-20's decision in April 2009 to devolve a portion of the new financial commitments made to the IMF to regional (multilateral) institutions.[19] Indonesia proposed in April 2009 that a portion of the IMF's new financing be devolved to the Asian Development Bank. With G-20 backing, the Asian Development Bank introduced a new countercyclical instrument, the Counter-cyclical Support Facility, to provide support of up to $3 billion to economies affected by the crisis in Asia. In total, the Asian Development Bank approved $8.8 billion in crisis support through a range of programs to countries in the region [ADB, 2009]. Regional development banks in other parts of the developing world quickly followed the Asian Development Bank's example, and were granted a portion of the new funds committed to the IMF to establish new regional lending facilities to promote rapid counter-cyclical support within their regions. The African Development Bank established a $1.5 billion emergency liquidity facility, and the Inter-American Development Bank established a $6 billion program to support the countercyclical efforts of member governments. A privately financed entity, the Arab Monetary Fund, introduced a new short-term loan facility for crisis stricken countries. Five loans were made under this facility in 2009 for a total of $470M (up from $132M in 2008) [Arab Monetary Fund, 2009].

Bilateral responses

The current crisis has galvanized numerous bilateral mechanisms that provide diverse types of financial support to countries in distress outside the framework of the IMF. Indeed, Chin [2010]

[19] Details in this paragraph from Chin [2010], except where noted.

notes the enduring reliance on bilateral and national measures over regional arrangements for emergency financing, while Eichengreen [2011] highlights the continued centrality of responses engineered by the US and the IMF.

At the outset of the current crisis, Russia provided modest support to some regional neighbors [Henning, 2009]. The US Federal Reserve since December 2008 has opened temporary swap agreements with fourteen central banks (building on long-standing swap agreements with the Bank of Canada and the Bank of Mexico), including several in East Asia and Latin America. For example, Mexico now has a $30 billion currency swap arrangement with the Federal Reserve [Banco de México, 2009]. The EU contributed significant funds to the SBAs of many neighboring economies (e.g., Iceland, Hungary, Latvia).

China has entered into numerous bilateral financial initiatives during the current crisis, though these are largely aimed not at lender of last resort functions, but rather to support the country's trade relations during the economic downturn and to ensure access to strategic natural resources in the years to come. For example, the China Development Bank and the China Export-Import Bank lent at least $100 billion to developing country governments and firms in 2009 and 2010, a figure that exceeds World Bank loans to the developing world from mid-2008 to mid-2010 [Financial Times, 17 January 2011]. During spring 2009, China doubled a development fund in Venezuela to $12 billion, lent Ecuador at least $1 billion to build a hydroelectric plant (via a credit line with the China Development Bank), and lent Brazil's national oil company $10 billion.[20] Other Chinese deals have involved three-year currency swap arrangements that allow some of its trading partners to maintain

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[20] Details on these Chinese investments and currency swaps are drawn from Romero and Barrionuevo [4/16/09] and Chin [2010]. On the credit line with Ecuador, see FLAR [2010].

reliable access to the Chinese currency (so that they can continue to pay for imports from the country in RMB rather than in US dollars), while ensuring that Chinese firms can pay for goods from trading partners in their currencies. For example, China has made arrangements to ensure that Argentina has access to $10 billion of RMB, and it has made the same kinds of arrangements with South Korea ($26.3 billion)[21], Indonesia ($14.6 billion), Belarus ($2.9 billion), Hong Kong ($29 billion) and Malaysia ($11.7 billion).[22] Note that these bilateral swap arrangements do not challenge the role of the IMF (or the dollar for that matter) directly since the central banks of these countries cannot use the RMB to intervene in foreign exchange markets, import merchandise from third countries,[23] or pay foreign banks or foreign bondholders because the currency remains inconvertible [Eichengreen, 2009b].

Like China, Brazil and Argentina have moved to settle their trade transactions with one another in their own currencies (rather than using the US dollar as an intermediary). In October 2008 they signed a bilateral 'Payments System on Local Currency", which allows exporters and importers from both countries to settle their transactions in Brazilian real and Argentine pesos [Gnos and Ponsot,

[21] South Korea also negotiated a two year $20 billion swap with Japan [Chin, 2010].

[22] In July 2009, China also started to allow selected firms in five Chinese cities to use RMB to settle transactions with businesses in Hong Kong, Macau and ASEAN countries. Foreign banks will be allowed to buy or borrow Chinese currency from mainland lenders to finance such trade. During the crisis, Brazil and China also signed an agreement to settle trade using the RMB and the real.

[23] The only exception is that the RMB can be used in cross-border trade with China's immediate neighbors or the special administrative regions of Hong Kong or Macao.

2009]. Under this settlement mechanism, exporters can set prices in their home currency, and thus be insulated from foreign exchange risk. The system now covers 20% of trade [Tussie, 2010]

Brazil's National Bank of Economic and Social Development (Portuguese acronym, BNDES) eclipses all other national lending institutions in Latin America in terms of its assets—in 2007 its assets totaled $14.07 billion. This places the institution's assets behind those of the region's major multilateral bank, the Inter-American Development Bank, which had assets of $20.35 billion in 2007 [Chin, 2010]. BNDES has been extremely active during the crisis. Between mid-2009 and mid-2011, its lending to the country's producers grew by 70%, and the total volume of its lending was equal to 3.3% of Brazil's GDP [Ghosh, 2011].

BNDES has also moved both outside the country and outside the region. Since the start of the crisis, BNDES has lent some $15 billion to countries in the region [Woods, 2010]. It has provided a growing amount of finance to countries in the Caribbean and Africa (as has China's Development Bank) [Chin 2010:697]. In August 2009, BNDES opened its first branch office in South America, in Montevideo, Uruguay [Chin 2010:710]. The World Bank has also partnered with BNDES to arrange new financing packages: the World Bank arranged for a $4 billion in new loans in Brazil, including a three-way loan for Brazil in partnership with the Inter-American Development Bank and BNDES (Chin 2010:710]. BNDES loans to developing countries from 2008 through the first quarter of 2010 reached $1.5 billion (though foreign aid from Brazil is channeled via other mechanisms as well), and BNDES' rate of new lending now far exceeds that of the World Bank disbursements.[24]

[24] See Ghosh [2011] and Economist [July 15, 2010] on BNDES and Brazilian aid more generally.

5. LOOKING AHEAD

In light of all of these details it might be useful to recap here. The global financial crisis has given the IMF new vitality as a first-responder to economic distress. But the newly resurrected institution faces a changed landscape. It no longer enjoys wall-to-wall influence across the developing world. At present, IMF influence is significantly curtailed as a consequence of the rise of relatively autonomous states in the developing world and the emergence of new financial architectures. Equally important, even within its orbit of influence its economists are responding to the current crisis in some ways that diverge from their recent past practice—most notably regarding capital controls.

IMF and national policymakers are muddling through the crisis (Colander, 2003)—experimenting, among other things, with diverse types of institutional arrangements and ad hoc initiatives. From these strategies just might emerge a widely diverse platform of new arrangements that are tailored to the diverse contexts that policymakers face across the developing world. As of this writing it remains unclear just how significant the architectural changes surveyed here will prove to be as competitors to the IMF.

One relatively secure inference from this study is that maintaining the status quo ex ante no longer seems possible—and it is this fact that provides hope for the first substantive reform in the past 30 years. The financial architectures that emerge out of the crisis will almost certainly be heterogeneous and multi-nodal and will provide for substantially greater policy space for developing countries than we have seen in recent decades. This rupturing of the old financial order is consistent with broader changes that suggest that the global economy is gradually (and unevenly) evolving in ways that make it less organized around the US [see Jones, 2011; Birdsall and Fukuyama, 2011; Helleiner, 2009].

That said, barring any substantial change in the global political economy only some developing countries will be positioned so as to take advantage of the new policy autonomy, or to affect global financial governance. The most difficult policy challenge will be to address the most pressing needs of those states that lack the resources, geopolitical power and or inclination to pursue an equitable developmentalist path.

From a feminist or class perspective, the turmoil in global financial governance is all to the good. The crisis has broken a consensus around financial governance that, among its many deficiencies, was entirely inattentive to structures and practices of gender and income inequality. Moreover, the policy space that has emerged during the crisis—reflected in and sustained by the new capital controls—should provide new opportunities for domestic political campaigns that seek to achieve a variety of progressive social and economic objectives, not least of which is gender equality. Finally, the fracturing of global financial governance implies new opportunities for feminists to insert themselves more fully into debates about what a just and inclusive financial regime would entail (an effort that is obviously already underway, e.g., Seguino, 2010; Asblanbeigui and Summerfield, 2000].

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