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GLOBAL FINANCIAL GOVERNANCE AND DEVELOPMENT FINANCE IN THE WAKE OF THE 2008 FINANCIAL CRISIS

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ABSTRACT

This study examines three related questions. How is the global financial crisis of 2008-(?) affecting the influence that developing countries have within the International Monetary Fund (IMF); what new policy space is available to developing countries; and what alternative financial architectures will emerge as competitors or complements to the IMF? At present, 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, however, developing countries have secured only modest commitments for increases in their formal influence at the IMF as a consequence of the crisis. Looking ahead, the crisis may create 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 Codes: E65, F53, O23

RUNNING HEADER: Global Financial Governance and the Crisis

INTRODUCTION

Has the global financial crisis of 2008-(?) 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 we address here is whether these changes have yielded results. 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 supported by extensive research that demonstrates the differential impact of austerity measures on men and women and male and female children (and on the poor; see Lourdes Benería 2003); and equally important, the gendered (and class) impacts of economic instability and financial crises (Nahid Aslanbeigui and Gale Summerfield 2000; Maria Floro and Gary Dymski 2000; Joseph Y. Lim 2000; Diane Elson 2010; Stephanie Seguino 2010). By now it is well understood that women and girls constitute a disproportionate share of the casual (i.e., contingent) workforce and so are often the first victims of macroeconomic turmoil. Moreover, in some cases women may lose jobs before men during crises (United States Agency for International Development [USAID] 2000). This is not a universal result of the economic 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 (Diane Elson 1993; Jessica Espey, Caroline Harper, and Nicola Jones 2010; Seguino 2010). We know by now that women and men bear disruptions to households unequally, and are rarely captured by traditional measurement techniques; because of this, the harm to women and girls in the household may substantially exceed the reported losses in household income (Benería 2003). Finally for our present purposes, the neoliberal ideals that dominated policy discourse until the current crisis have contributed to the loss of countries' policy autonomy, and this 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 (Diane 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 contribution, it certainly bears mentioning that the matter of reform of financial governance relates to the issue of mainstreaming gender concerns into the global economic architecture (on trade architecture, see Nilüfer Cağatay [2001]; Irene Van Staveren, Diane Elson, Caren Grown, and Nilüfer Cağatay [2007]; on financial architecture, see Aslanbeigui and Summerfield [2000]; Seguino [2010]; on mainstreaming gender in finance, see Mayra Buvinic, Catherine Gwin, and Lisa M. Bates [1996]; Gita Sen [2000]; 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 defining efficiency, deciding how the opportunities created by financial flows are distributed, and identifying the political responsibilities of alternative financial governance regimes, 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 yet seen in the IMF or finance ministries 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, 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 (for instance, see Aslanbeigui and Summerfield [2000]; Benería [2003: ch.2]; Seguino [2010]; and others referenced here).

This contribution 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 IMF? 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, 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. 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.

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 1997–8. Many IMF observers have hoped that the current financial crisis would create space for governance reforms at the institution. Governance changes at the IMF 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' 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, pro-cyclical and politically intrusive conditionality (Allan H. Meltzer 2003; Joseph E. Stiglitz 2003).

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. In fiscal year 2005, just six countries had Stand-by Arrangements (hereafter, SBAs) with the IMF,[i] the lowest number since 1975 (Kapur and Webb 2006). From 2003 to 2007, the IMF's loan portfolio shrunk dramatically, from US$105 billion to less than US$10 billion. The IMF's list of customers came primarily to include only those countries that had no other options.

The current crisis has rescued the IMF from its growing irrelevance by reestablishing its central role as first responder to financial distress for many countries. This re-empowerment has transpired for a number of reasons. Even with reduced staffing, the IMF holds a monopoly position when it comes to experience in responding to financial distress in poorer countries.[ii] However, this may be starting to change. The regional, multilateral and bilateral financial arrangements that have evolved in the developing world in response to the Asian and the current crisis are beginning to substitute or complement the IMF in important ways. Moreover, IMF 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 juncture simply as a way of maintaining its market share relative to its actual and perceived competitors.

The G-20 has also contributed to the IMF's resurrection. The April 2009 meeting of the G-20 gave the IMF a preeminent 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. Representatives committed US$1.1 trillion in funds to combat the financial crisis, with the bulk of it, namely, US$750 billion to be delivered through the IMF. The IMF received a second tranche of new funding (US$456 billion) in the spring of 2012. 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 and the Inter-American Development Bank (IADB).[iii]

New pathways of informal influence at the IMF

Developing countries twice committed funds to the IMF during the current crisis. 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 US$50 billion while Brazil, Russia, South Korea, and India each committed to purchase $10 billion. Thus, US$90 billion in new resources for IMF lending came from countries that have traditionally not played an important role in IMF governance. In June 2012, Brazil, Russia, India, China and South Africa (the BRICS) committed US$75 billion to the IMF. BRICS governments explicitly conditioned the release of this second tranche of funds on the IMF's implementation of governance reforms that were agreed to in 2010, but which have since stalled (see below). The support for the IMF 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 IMF's resurrection, but they also reflect the global power and autonomy of these rapidly growing economies. 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.

The Chinese government's more visible behavior on the global stage exemplifies the potential that these new lenders have to influence informal decision-making at the IMF. This visibility is reflected in many ways – for example, in the strong position it has taken in the face of US government claims that the government is manipulating its currency and thereby contributing to global imbalances. The appointment in July 2011 of Min Zhu, former Deputy Governor of the Peoples Bank of China, as IMF Managing Director provides another channel by which China (and perhaps other developing countries) may be able to influence informal decision making at the IMF over time. The now regular (once to twice a month) meetings of the BRICS countries' Executive Directors at the IMF and World Bank may create an informal network of influence that facilitates broader changes at these institutions (Wade 2011: 365; on networks more broadly, see Ngaire Woods and Leonardo Martinez-Diaz, 2009).

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 IMF has been glacial. After nearly twelve years of pressure, the "Singapore reforms" of 2006 have resulted in inconsequential changes in the formal voice and vote of developing countries at the IMF. As a consequence of these reforms, the voting shares held by the US fell from 17 percent to 16.7 percent, and the voting shares held by 163 of the IMF's 185 member countries dropped from 37.1 percent to 36.6 percent (Mark Weisbrot and Jake 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 (Mark Landler 2009).[iv] The October 2010 meeting of G-20 finance ministers, not surprisingly, resulted in something far more modest: namely, they agreed to transfer 6 percent of the voting rights at the IMF to developing countries by October of 2012 and to double IMF quotas. According to these arrangements, the top ten shareholders at the IMF 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, and all Executive Directors were to be elected by late 2012. The IMF ratified the G-20 proposal in November of 2010. However, as of this writing (March 2013) these reforms have stalled, which in turn has led the BRICS countries to withhold disbursement of their second tranche of funding to the IMF.

Another aspect of governance reform developing countries 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 IMF's director is a European and the World Bank's director an American. The G-20 finance ministers reportedly agreed to end this practice at their March 2009 meeting in Sussex, England (Barry Eichengreen 2009b). This matter flared up anew in the wake of IMF Managing Director Dominique Strauss-Kahn's resignation in spring 2011. But the usual practice of appointing a European was affirmed with Christine Lagarde's appointment in July 2011.

Non-governmental organizations have voiced concerns about the state of formal governance reform at the IMF. For instance, they argue that even if the agreed-upon governance reforms are implemented, Africa would still be inadequately represented and the US would retain unilateral veto over key IMF decisions (Bretton Woods Project 2010).

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 substantial changes in IMF practice. Governance at institutions as complex as the IMF and World Bank depends largely on informal practices and networks, 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 they are associated with other changes (in personnel, ideologies, and informal practices) and continued competition from other institutions and arrangements.

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, policy makers across the developing world sought to insulate themselves from the hardships and humiliations suffered by Asian policy makers at the hands of the IMF. They did this by relying on a diverse array of strategies including self-insuring against future crises through the over-accumulation of reserves and the establishment of swap arrangements among central banks (Kapur and Webb 2006). The dramatic decline in the IMF's loan portfolio after the Asian crisis indicates the degree to which these insulation 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 IMF. But it did not apply for the credit line, presumably because of its prior experience with the IMF (Robert Wade 2010). Instead, it negotiated a reserve swap with the US Federal Reserve.

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 countercyclical macroeconomic policies and, lately, various types of capital controls (Ilene Grabel 2011, 2013).[v] Their ability to do so indicates the degree 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

The current crisis has achieved in a hurry something that heterodox economists have been unable to do for a quarter-century. It has provoked policy makers around the world to impose capital controls as a means to protect domestic economies from the ravaging effects of liberalized financial markets. (See Grabel [2011, 2013] for an in-depth examination of capital controls during the current crisis.) 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 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 Ethan Kaplan and Dani Rodrik 2001: 11). More recently, capital controls in

Thailand were reversed by its central bank within a few days after their implementation in December 2006 (following a coup) after they triggered massive capital flight (Shamim Adam and Dan Ten Kate 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. In the decades that followed WWII, capital controls were widely deployed in order to enhance macroeconomic policy autonomy, promote financial stability, protect domestic industries/sectors from foreign control or competition, and ensure the provision of credit to favored sectors and firms at the right price (Gerald Epstein, Ilene Grabel, and K.S. Jomo 2004).

Capital controls fell out of favor in the neoliberal era. Indeed, up until the Asian crisis the IMF was poised to modify its Articles of Agreement to make the liberalization of all international private capital flows a central purpose of the institution and to extend its jurisdiction to capital movements. But despite the neoliberal 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 IMF 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 (Eswar Prasad, Kenneth Rogoff, Shang-Jin Wei, and M. Ayhan Kose 2003).

The global financial crisis helped to accelerate greatly this change in sentiment on capital controls. Policy makers in many national contexts began to impose a variety of capital controls, often framing them simply as prudential policy tools (akin to what Epstein, Grabel, and Jomo term "capital management techniques" [2004]; on recent controls, see Grabel 2013). Some countries (such as Iceland, Ukraine, and Latvia) used capital controls during the current crisis to protect against currency collapse and/or severe financial turbulence. In these cases, the IMF tolerated controls on outflows, and in the case of Iceland encouraged expanding their coverage.

Policymakers in a far larger set of developing countries have deployed and adjusted capital controls to curb the fallout from their strong performance during the current crisis. Many well performing developing countries have implemented and dynamically adjusted controls on capital outflows and especially on inflows during the crisis. Some have strengthened existing controls, while others continue to introduce new measures. For some countries (such as Argentina, Ecuador, Venezuela, China, and Taiwan) these measures are part of broader state-led or heterodox approaches to economic policy. For most other countries (e.g., Brazil, South Korea, Indonesia, Costa Rica, Uruguay, the Philippines, Peru, and Thailand), capital controls are part of a multi-pronged effort to respond to the challenges of the currency appreciations (and in some cases, inflationary pressures) associated with attracting too much foreign investment.

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, views on capital controls among mainstream (i.e., neoclassical) academic economists and economists at the IMF have continued to evolve quite substantially during the crisis with the consequent effect of normalizing this policy instrument (see Grabel, 2011, 2013). By now, many reports by IMF research staff and statements by the institution's highest officials from 2010 through early 2013 have made clear that capital controls are a legitimate part of the policy toolkit and that they have had positive macroeconomic accomplishments in many countries (see Grabel 2013, and citations therein). Notably, capital controls are now referred innocuously in IMF reports as "capital flow management" techniques. Moreover, we see 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. (This is at least partly fueled by the low returns available in and the dismal economic prospects of the US, Europe, and Japan.) The credit rating agencies, too, have not responded to controls in ways that penalize policy makers from using this tool. In fact, the rating agencies have cited countries (such as Iceland) favorably for using capital controls to stabilize their economies, and have noted that they may be useful in regions (such as Southeast Asia) where economies are being buffeted by high capital inflows (see Grabel 2013). (It is beyond the scope of this paper to investigate why views on capital controls have evolved so significantly, but see Grabel [2013] for extensive discussion.)

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 IMF's conditionality programs during the current crisis evidence strong continuity with the pro-cyclical policy adjustments the institution promoted during previous financial crises (Grabel 2011, and citations therein).

NEW FINANCIAL ARCHITECTURES? THE G-20 AND REGIONAL, MULTILATERAL,

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 Leaders' Summits 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, which was dominated by the US, other wealthy countries, and the IMF. The G-20 Leaders' Summits gave countries such as Brazil, China, India, Saudi Arabia, and South Africa a seat at the proverbial table, along with the leaders of the usual G-8 countries. However, some observers, such as Anthony Payne (2010), José Antonio Ocampo (2010b) and Robert Wade (2011), were rightly disappointed early on with the organization's lack of inclusiveness. In Ocampo's view the G-20 reflects an "elite multilateralism," a critique that resonates with Benería's (2003: 167) critique of the UN's 2002 Financing for Development conference in Monterrey, Mexico.

Disappointment with the G-20 also stems (appropriately) from the group's ideational conservatism. In the early days of the financial crisis, the Leader's Summits seemed to be channeling the spirit of Keynes in calling for ambitious measures to counter the crisis and the power of the financial community. However, the G-20's Keynesian moment quickly passed and its leaders began to call for restoring fiscal balance in June 2010, a turn that validated the "old wine, new bottles" view of many G-20 critics (see discussion in Jean-Paul Fitoussi, Joseph E. Stiglitz, and the Paris Group 2011). To this point, the G-20's only lasting ideational departure from the G-8 is in the realm of capital controls, where it has distinguished itself from its predecessor by taking a firm stand on the right of national authorities to use this tool (G-20 2011).

Regional, bilateral and multilateral architectures

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 IMF via the accumulation of foreign exchange reserves. Second, it stimulated a great deal of interest in the creation of regional alternatives to the IMF that could provide support during financial distress absent the 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 UN's Monterrey Consensus of 2002 (United Nations 2002). Writing before the current crisis and based on experiences in Europe and the Andean region, Stephany Griffith-Jones, David Griffith-Jones, and Dagmar 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. In the early days of the current crisis, the Stiglitz Commission, in a report by Joseph E. Stiglitz, Amartya Sen, and Jean Paul Fitoussi (2009), called for a new global monetary system built from the "bottom up" through a series of agreements among regional arrangements (see also José Antonio Ocampo 2010a, 2006).

Some observers have taken heart in early signs that the crisis is stimulating decentralization of the financial architecture (Eric Helleiner 2010; Diana Tussie 2010; Ngaire Woods 2010; Grabel 2012), though others are somewhat more cautious (e.g., Gregory T. Chin 2010; Barry Eichengreen 2010). In what follows, we sketch some examples of the types of regional, bilateral and multilateral initiatives that have emerged in the context of the crisis (see Grabel 2012 and Chin 2010 for extensive discussion). Collectively these initiatives suggest that the financial crisis may serve as the midwife to a more multi-nodal financial architecture.

Regional and multilateral 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 bilateral swap agreements among the central banks of the Association of Southeast Asian Nations (ASEAN), plus China, Japan and South Korea. This arrangement, now known as the Chiang Mai Initiative Multilateralisation (CMIM), is a regional currency reserve pool from which member countries can borrow during crises. CMIM members have been prompted by the crisis to make some progress on long-standing governance issues involving the CMIM's relationship to the IMF. Indeed, decisions taken in May 2012 (to double the size of the CMIM reserve pool to US$ 240 billion and to loosen its link to the IMF) underscore the way in which the global crisis is stimulating a broadening and deepening of regional financial liquidity support arrangements despite political and historical obstacles to doing so.[vi]

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 reemergence 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). Like CMIM, FLAR is a regional reserve pooling arrangement. Its capitalization and the modalities by which it provides financial support to distressed countries has broadened considerably during the current crisis. FLAR was founded in 1978 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. It has a capitalization of just over US$2.3 billion, and it largely functions as a credit cooperative that lends to members' central banks in proportion to the capital contributions (Chin 2010). Prior to the crisis, FLAR lending to member countries was significant in comparison to IMF lending: indeed, from 1978 to 2003, FLAR loans of US$4.9 billion were almost 60 percent of the size of the loans from the IMF to the same countries (US$8.1 billion; Chin 2010). FLAR lending to member countries has also been significant during the current crisis. Between 2008 and 2011 FLAR lent US$480 million to member countries (José Antonio Ocampo and Daniel Titelman 2012). During the same period, the IMF made no loans to member countries, although it did provide Colombia with a large flexible credit line (in the amount of US$10.4 billion) in 2009 (ibid).

Another Latin American institution, the Andean Development Corporation (CAF), has taken on an increasingly active and important role in the region during the crisis. Founded in 1968, CAF is a multilateral, regional development bank that focuses on medium- and long-term lending (Ocampo and Titelman 2009-10). CAF has assets of $5.6 billion. A large number of Latin American countries and some countries in the Caribbean are now CAF members. Andean countries receive the majority of CAF's project finance loans (i.e., 69% of total loans in 2007) (Ocampo and Titelman 2009-10: 256). Since 2001, CAF has been the main source of multilateral project financing for Andean countries (providing over 55% of multilateral financing) (Griffith-Jones, Griffith-Jones, and Hertova 2008). In terms of lending volume CAF is among the most dynamic of all of the multilateral development banks. CAF loans have grown substantially since 2000, and notably have continued to grow through the global downturn. During 2010, CAF approved loans of $10.5 billion, a record figure that represents an increase of over 15% over 2009 approvals (CAF 2010).[vii]

Brazil and Argentina have sought to resurrect the Agreement on Reciprocal Payments and Credits (CPCR), an arrangement that involves bilateral lines of trade credit between the thirteen central banks that are members of the Latin American Integration Association (Chin 2010). The CPCR 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; in April 2009 guaranteed payment coverage under CPCR was increased from US$120 million to US$1.5 billion. However, as of 2010 CPCR still played a small role in intra-regional trade. In 2010 around 5% of intra-regional trade was covered by CPCR (which amounted to about US$5 billion in intra-regional transactions that were channeled through the mechanism) (Ocampo and Titelman 2012: Figure 1).

Latin America is also home to two new (and related) initiatives that bear mention--the Bank of the South (BDS) and the Bolivarian Alliance for the Peoples of Our Americas (ALBA). The BDS is an institution developed by (the late) Venezuelan President Hugo Chavez and headquartered in Venezuela. The BDS was founded in 2007 and was officially launched in 2009 when the four member countries of the Mercosur trade alliance (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 (Tony Phillips 2009). According to the agreement, Argentina, Brazil, and Venezuela will capitalize the bank with contributions of US$2 billion each, Uruguay and Ecuador with US$400 million each, and Bolivia and Paraguay with US$200 million each. 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 (Matias 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 (meaning, providing long-term lending for development projects in agriculture, healthcare, infrastructure, etc.; Chin 2010). Lender of last resort 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 organized around Latin American collaboration and social equity, and the creation of an integrated trade and monetary zone in which obligations will be settled both in local currencies and in the newly created sucre currency to be managed by the ALBA Bank (Martin Hart-Lansberg 2010). Sucre exist now as a unit of account only, and are being used in limited fashion for targeted trade of specific commodities (so far for Venezuelan rice exported to Cuba and Ecuador). As of 2011, sucre have been used to clear US$198.7 million in trade transactions (Ocampo and Titelman 2012). At the 11th ALBA Summit in February 2012, members committed to allocate 1% of their reserves to the ALBA Bank (established in January 2008) to create a reserve fund. As of this writing, it is unclear whether the March 2013 death of Venezuela's President Hugo Chavez will impair both the BDS and ALBA as the country's leader was the driving force behind both initiatives.

The Arab Monetary Fund (ArMF) was founded by central bankers from the Arab world and began operating in 1978. Today it has 22 members and a relatively small amount of paid-in capital, approximately US$2.8 billion. It takes deposits from member country central banks and monetary agencies. The ArMF has a broad developmental and financial stability remit. From its establishment through the end of 2009, the institution made 146 loans totaling US$5.6 billion to

14 countries, around ¾ of which were for balance of payments support (Julie McKay, Ulrich Volz, Regine Wölfinger 2010). In 2009 the ArMF introduced a new short-term loan facility for crisis stricken countries. Five loans were made under this facility in 2009 for a total of US$470 million (up from US$132 million in 2008; Arab Monetary Fund 2009).

In 2012 the BRICS countries began discussions about the creation of a new development bank, a credit rating agency and a reserve pooling arrangement. Preliminary proposals for operationalizing these institutions and arrangements are to be discussed at the BRICS Summit in South Africa in late March 2013.

Regional development banks

Prior to the current crisis, the Asian Development Bank (ADB) was already lending more than the World Bank inside the region, and the IADB and FLAR were already providing more crisis-related financing in South America than the IMF (Woods 2010). The crisis accelerated this trend. The ADB, IADB, and African Development Bank (AfDB) 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 countercyclical 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 (Chin 2010). Indonesia proposed in April 2009 that a portion of the IMF's new financing be devolved to the ADB (Chin 2010). With G-20 backing, the ADB introduced a new countercyclical instrument, a countercyclical support facility, to provide support of up to US$3 billion to economies affected by the crisis in Asia. In total, the ADB approved US$8.8 billion in crisis support through a range of programs to countries in the region (ADB 2009). Between 2008 and 2009, ADB's disbursements grew by 33% [José Antonio Ocampo, Stephany Griffith-Jones, Akbar Noman, Ariane Ortiz, Juliana Vallejo and Judith Tyson 2010]. Regional development banks in other parts of the developing world quickly followed the ADB's example, and they were granted a portion of the new funds committed to the IMF to establish new regional lending facilities to promote rapid countercyclical support within their regions. The IADB established a US$6 billion rapid disbursal emergency fund to support the countercyclical efforts of member governments. It also increased its commitments by 38% in 2009 (having already increased disbursements significantly in 2008), and disbursed 60% more in 2009 than in 2008 (Ocampo et al. 2010: 51). The African Development Bank (AfDB) established a US$1.5 billion emergency liquidity facility during the crisis. Between 2008 and 2009 the AfDB increased its lending commitments by 137% (Ocampo et al. 2010: 52).

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) notes the enduring reliance on bilateral and national measures over regional arrangements for emergency financing.

At the outset of the current crisis, Russia provided modest support to some regional neighbors (Henning 2009). Since December 2008, the US Federal Reserve 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. The EU contributed significant funds to the SBAs of many economies on the European periphery.

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 or widen access to strategic natural resources in the years to come. For example, between 2009 and 2010, the China Development Bank and the China Export-Import Bank lent at least US$110 billion to developing country governments and companies, a figure that exceeds total World Bank loans to the developing world by US$10 billion from mid-2008 to mid-2010 (Geoff Dyer, Jamil Anderlini, Henny Sender 2011). China has also negotiated three-year currency swap arrangements that allow some of its trading partners to maintain reliable access to the Chinese currency (so that they can continue to pay for imports from the country in renminbi [RMB] rather than in US dollars), while ensuring that Chinese firms can pay for goods from trading partners in their currencies. China has signed bilateral currency swap deals of over 1.3 trillion RMB with over 15 countries, and allowed importers and exporters to settle 2.7 trillion RMB in cross-border trade deals in RMB (Xinhuanet.com 2012). 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,[viii] or pay foreign banks or foreign bondholders because the currency remains inconvertible (Barry Eichengreen 2009a).

Brazil's National Bank of Economic and Social Development (BNDES) eclipses the IADB, the World Bank and all other national lending institutions in Latin America in terms of its assets – in 2011 its assets totaled US$341 billion. BNDES is a federal institution charged with providing long-term finance to Brazilian firms and also coordinates actions with private banks to support distressed firms (Torres Filho 2011). BNDES has been extremely active in lending to Brazilian firms during the global crisis. BNDES has also moved both outside the country and outside the region. Since the start of the crisis, BNDES has lent some US$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). BNDES loans to developing countries from 2008 through the first quarter of 2010 reached US$1.5 billion (though foreign aid from Brazil is channeled via other mechanisms as well), and BNDES's rate of new lending now far exceeds that of the World Bank disbursements (Ghosh 2011). BNDES has also begun to cooperate with multilateral and regional development banks. The World Bank has partnered with BNDES to arrange new financing packages, including a US$4 billion in new loans in Brazil, and a three-way loan for Brazil in partnership with the IADB and BNDES (Chin 2010). BNDES signed a Financial Cooperation Agreement with the presidents of the development banks of China, India, Russia and South Africa as part of its continuing engagement with the BRICS countries (BNDES 2011).

LOOKING AHEAD

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 is that 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 policy makers are muddling through the crisis (David Colander 2003) – experimenting, among other things, with diverse types of institutional arrangements and ad hoc initiatives. A widely diverse platform of new arrangements might emerge from these strategies that are tailored to the diverse contexts policy makers 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 thirty years. The financial architectures emerging 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 and the IMF (see related discussions in Eric Helleiner 2009; Nancy Birdsall and Francis Fukuyama 2011; James Mittleman 2013; though see Wade 2013 for a different view). It remains to be seen, of course, whether this rupture will result in lasting policy reform that points in a developmentalist direction or whether it will yield any institutionalization of gender awareness. Moreover, 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 an opportunity for positive change. The crisis has broken a consensus around financial governance that, among its many deficiencies, was largely 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 new capital controls – provides policy space that may be available for domestic political campaigns that seek to achieve a variety of progressive social and economic objectives. 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 already underway in Aslanbeigui and Summerfield [2000] and Seguino [2010]).

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NOTES

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

[ii] Events in and on the periphery of the European Union have contributed substantially to the IMF's resurrection because European institutions need the IMF's expertise, financial assistance, and authority (Susanne Lütz and Matthias Kranke 2013).

[iii] There is some evidence that the IMF is beginning to face competition from other institutions. For instance, Robert Wade (2010) 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 IMF in early March 2010 because of the severity of its conditions. A few weeks later the country negotiated a US$1.3 billion loan with the Bank.

[iv] See Ngaire Woods (2010) on the position articulated by Brazil's Finance Minister and Ilene Grabel (2011) on bargaining over this matter by China. The Russian government appears ambivalent on IMF governance reform. On many occasions it has aligned itself with critics of IMF governance, and it has been among the most outspoken critics of the US' privileged position at the institution. But Russian officials have occasionally stepped away from positions taken by fellow BRICS countries. Russia's ambivalent stance exemplifies what Wade (2013) and Mittleman (2013) rightly note is the fluid and complex nature of the relationships among the BRICS countries and between the BRICS and other developing countries.

[v] I focus in this study 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 should be noted that the current crisis has also witnessed the proliferation of countercyclical macropolicy in developed and developing countries, which is also of enormous significance (Ocampo et al. 2010). Finally, it should also 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. However, there are signs of greater humility and a greater commitment to pragmatism in macroeconomic policy that encompasses, for instance, a wider range of macroeconomic targets beyond inflation (Olivier Blanchard, David Romer, Michael Spence, and Joseph Stiglitz 2012).

[vi] CMIM skeptics note that the swaps available under the CMIM have yet to be activated. In addition, William Grimes (2011) and especially Wade (2013) are pessimistic on the prospects of breaking the CMIM-IMF link. See Grabel (2012) for an alternative view.

[vii] Thanks to implicit guarantees by the US and other rich countries, the World Bank and the IADB are better able to respond with a larger volume of loans in times of crisis. CAF loan approvals in 2008 were US$7.9 billion, in 2009 were US$9.1 billion, and in 2010 were US$10.5 billion. By contrast, the World Bank approved loans to Latin America of US$4.6 billion, US$14 billion, and US$13.9 billion, and the IADB approved loans of US$11.2 billion, US$15.5 billion, and US$12.4 billion in 2008, 2009, and 2010, respectively (Ocampo and Titelman 2012: 15).

[viii] 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 and Macao.