Citation for published version: Grabel, Ilene. "Post-Crisis Experiments in Development Finance Architectures: A Hirschmanian Perspective On 'Productive Incoherence'." *Review of Social Economy* 73, no. 4 (2015): 388-414.
DOI: http://dx.doi.org/10.1080/00346764.2015.1089111

POST-CRISIS EXPERIMENTS IN DEVELOPMENT FINANCE ARCHITECTURES: A HIRSCHMANIAN PERSPECTIVE ON 'PRODUCTIVE INCOHERENCE'

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Abstract
The Asian and especially the global crisis of 2008 have catalyzed decentralization of the developing world's financial governance architecture. I understand this state of affairs via the concept of "productive incoherence" which is apparent in a denser, multi-layered development financial architecture that is emerging as a consequence of heterogeneous practical adjustments to changing circumstances rather than as the embodiment of a coherent doctrine. Drawing on Albert Hirschman, I argue that the absence of an encompassing theoretical blueprint for a new economic system—i.e., a new "ism" to replace neo-liberalism—is in fact a vitally important virtue. If we cannot live without a new "ism,' I propose "Hirschmanian Possibilism" as a new doctrine—one that rejects an overarching theoretical framework from which to deduce the singly appropriate institutional structure of the economy. Hirschmanian Possibilism asserts instead the value of productive incoherence as a framework for pursuing democratic, ethically viable development institutions.

Keywords
Albert Hirschman; financial architecture; global financial governance; regional financial institutions and development; Bretton Woods institutions

JEL codes
F33, F55, F63, O19

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* I thank George DeMartino, two anonymous referees, Aurelie Charles, and participants at the Association for Social Economics session on "Ethics, Global Finance, and the Great Recession" at the Allied Social Sciences Association conference (January 2015) for their invaluable comments on this paper. I also thank Brooks Bourland and Alex Knopes for excellent research assistance.

1. INTRODUCTION

The East Asian crisis of the late 1990s and the global crisis focused attention on the limitations of the Bretton Woods institutions (BWIs), the International Monetary Fund (IMF) and World Bank (WB) (e.g., Feldstein 1998, Stiglitz 2002, UN 2009). The aftermath of these crises was marked by ambitious calls for a "new global financial architecture" (e.g., UN 2009, especially chs. 4-5, Best 2003, Eichengreen 1999). The crises also catalyzed support for the view that new or revitalized Southern and Eastern trans-regional and regional arrangements should complement and, in some instances, substitute for the BWIs (Grabel 2013, Riggirozzi and Tussie 2012, Ocampo 2011, Volz and Caliari 2010).

Unsurprisingly, the grandest calls for architectural reform were deflected by political and economic realities. A similar story could be told about the failure of the new international economic order (NIEO) movement of the 1970s (Golub 2013). Then as now, hopes for radical transformation were roundly defeated.

But the Asian crisis left an important legacy. It laid some of the groundwork for substantial change in the governance of development finance. The years leading up to the global crisis and the crisis itself precipitated significant and sustained change across several dimensions. Most important among these are the uneven, contested changes within the IMF itself (Grabel 2011); the re-branding of capital controls as a legitimate policy tool in the developing world (Grabel 2011, 2015); and the recent proliferation of institutional experiments in the financial governance landscape of the developing world (Grabel 2013). This paper focuses on the latter dimension of change.[1]

What do we make of ongoing developments in the landscape of Southern and Eastern financial architectures? Some observers argue that the global crisis has generated far more continuities than discontinuities (Akyüz 2013, Helleiner 2014, Wade 2013).[2] In the "continuity view," neoliberal ideologies and practices remain the order of the day (Mirowski 2013).

The continuity view has much to offer, to be sure. But in my view it dismisses too readily substantial evidence of meaningful institutional innovation in the current conjuncture. In comparison to the clarity and scale of the Bretton Woods (BW)-era transformations and the heroic NIEO vision, contemporary changes seem disconnected, piecemeal, paltry, and even contradictory. But, and as I will argue, it is a serious analytical mistake to impose the expectation of a grand, comprehensive plan as the standard to assess their significance. Change can and does happen in many ways. The romanticized view on the left and the right holds that institutional Armageddon followed by wall-to-wall, coordinated transformation is the only way to effect meaningful change. I argue not only that this view fails to capture the

[1] These arguments are extended in a book manuscript currently under preparation.
[2] Helleiner (2014) does not address architectural innovations in the developing world, but nevertheless exemplifies the continuity view.

diverse ways in which change occurs, but also that it glorifies a form of change that is decidedly not ideal. Decentralized institutional innovation and experimentation—disjointed, uneven, minimal, inconsistent, and chaotic as it may be—represents a better alternative. From this perspective, the present period is one of extraordinary evolution that holds tremendous promise that is dismissed out of hand by those holding to grand narratives.

This paper takes a second look at recent and ongoing developments in the development financial architecture. It argues that when approached from an appropriate perspective, one inspired by the work of Albert O. Hirschman, the developments emerge as promising experiments in alternative institutional arrangements that just might open up new avenues for more sustainable and just forms of economic and social development. The perspective on offer follows Hirschman in refusing to discount small, disconnected, unscripted innovations the pedigree for which cannot be traced back to a grand, simplifying theory but that take root instead in the concrete demands facing policymakers who adjust pragmatically to the changing circumstances and challenges they face.

The perspective I advocate here, which identifies promising discontinuities and evolution in the global financial architecture, emphasizes the fracturing not just of neoliberalism, but of something equally fundamental. What has disintegrated, and not a moment too soon, is the institutional coherence that marked the neoliberal era—or more accurately, the theoretical and ideological coherence that drove the era, even if the degree of coherence of actual institutions was far less than advocates or critics recognized. Today's "post-neoliberal era" features neither an alternative coherent doctrine, nor a coherent set of institutional and policy arrangements. It bears emphasis that its central feature is *incoherence* in the theory and practice of financial governance. But I will argue—and this is the key point—that this incoherence is *productive* for development insofar as it expands dramatically the possibilities for policy and institutional experimentation among developing countries. I have elsewhere characterized this current state of affairs as one of "productive incoherence," unaware when doing so of the direct connections between that idea and central insights in Hirschman's oeuvre (Grabel 2011, 2013, 2015). This paper rectifies that oversight. I use the term productive incoherence to capture the proliferation of institutional innovations and policy responses that have been given impetus by the crisis, and the ways in which the global crisis has started to erode the stifling neo-liberal consensus that has prevented innovation across the developing world over the past several decades.

The productive incoherence of the current crisis is apparent in the emergence of a far more heterogeneous Southern and Eastern financial governance architecture. Drawing on the seminal work Hirschman, I argue that the present era features principles that are far better suited for development than institutional fidelity to a comprehensive doctrine that appears to provide the uniquely correct blueprint for a new economic system. In this perspective, the absence of a new "ism" to replace neo-liberalism is in fact a vitally important virtue that expands the terrain of policy and institutional experimentation.

In what follows I will present and attempt to defend the claim that new willingness to undertake innovation in financial governance, even in the absence of a new theoretical and political consensus around a new paradigm, may turn out to be one of the most important legacies associated with the global crisis, especially when compared to prior crises. Notably, the new arrangements do not coalesce around a singular new global architecture that might displace the BWIs. Instead, we find an expansion of the size and scope of the disparate institutions that pre-dated the global crisis, as well as the creation of entirely new institutional initiatives. Taken together, these developments are increasing the heterogeneity of the developing world's financial landscape and introducing the possibility for a transition to a more complex, decentralized, and multi-tiered global financial and monetary system (Grabel 2013, Helleiner 2010, Huotari and Hanemann 2014, Mittelman 2013, Riggirozzi and Tussie 2012). The expansion of these initiatives may widen policy space for development and complicate the terrain in which the BWIs operate.

I proceed as follows. In the next section, I review briefly the state of the debate over the significance of recent changes in the global financial governance architecture. Section 3 represents the main theoretical contribution of the paper. It argues for the virtues of incoherence, and traces this argument back to Hirschman's seminal work. Section 4 presents the secondary contribution, which is to provide an overview of the disparate institutional innovations that mark the crisis and post-crisis era. Section 5 concludes the essay by defending the claim that the Hirschmanian approach on offer here represents an appropriate and even necessary perspectival adjustment as we look to create new openings to press for genuine, just and sustainable development.

2. CONTINUITY OR DISCONTINUITY?

The early moments of the global crisis generated ambitious demands regarding the need for architectural reform. These emanated from a UN commission chaired by Joseph Stiglitz (the "Stiglitz Commission") (UN 2009); Chinese officials, who called for an end to the dollar's monopoly role in global finance, and the introduction of a supra-national currency modeled on the IMF's SDR (Chin 2014b); and G-20 leaders, who early on signaled the need for a "New Bretton Woods" (Parker, Barber, and Dombey 2008). These proposals faded quickly in the face of opposition from strong political and economic interests.

Less sweeping calls for architectural transformation centered on increasing the role and capacity of regional financial institutions in the developing world. The Stiglitz and another UN-appointed commission called for strengthening regional arrangements (UN 2009, ch. 5, 2014). Scholars such as Ocampo (2010) argued that improving economic and social governance required a dense, multi-layered network in which regional and sub-regional institutions mediate between global and national financial arrangements.

Arguments for expanding the scope of regional finance came from less likely quarters as well. In contrast to the hostility with which the Asian Monetary Fund proposal was greeted during the Asian financial crisis, then IMF Managing Director Strauss-Kahn (2010) argued that the Fund should "look at ways to collaborate with regional reserve pools. We…do not see such funds as 'competitors'…collaboration could…include Fund resources…as a backstop to regional pools." From 2009 onward the G-20 also provided support for regional institutions.

Many observers, however, dismiss the view that meaningful aperture and discontinuity is emerging. Advocates of the continuity thesis offer substantial evidence to support their case. Some emphasize the prevalence of unilateral and bilateral over regional responses to the global crisis, the "institutionally light" nature of regional crisis response frameworks in the developing world (Cohen 2012), and the prevalence of US-centered responses to the crisis (Helleiner 2014). The ability of the US Congress to block implementation of the modest IMF governance reforms agreed to in 2010 is seen as case in point (Vestergaard and Wade 2014). Others are skeptical of claims about "financial multipolarity" (Akyüz 2013, Wade 2013). Relatedly, some argue that the USA and other key countries within the G-8 continue to play an outsized role in discussions of policy, particularly since the Leaders' G-20 and the Financial Stability Board have proven toothless and unimaginative (Helleiner 2014). Furthermore, many highlight the financial sector's continued power. In the continuity view, then, neoliberalism remains unchallenged and firmly entrenched (Mirowski 2013).

These dismissals come too easily, however. They speak to a prevalent expectation that meaningful change must be dramatic, systemic, and internally consistent. Instead of comprehensive change, the global crisis has induced ambiguous, uneven, modest, and cross-cutting initiatives that reflect continuities and discontinuities. The Asian crisis proved to be pivotal in this regard. The crisis yielded the Chiang Mai Initiative (CMI) that involves the governments of the Association of Southeast Nations, plus Japan, China, and South Korea (ASEAN+3) (see below). More broadly, the Asian crisis stimulated wide interest in the developing world in regional mechanisms that could deliver liquidity support and long-term development finance through institutions that were, to some degree or other, independent of the BWIs. For example, Mistry (1999) argued for expansion of regional crisis management capacities that would complement national and global institutions. The UN also took up the case for a denser, multi-layered financial architecture in the 2002 Monterrey Consensus (UN 2002, par45) .

The long shadow of the Asian crisis is also reflected in the successful implementation of reserve accumulation strategies by many developing countries. Expanding reserves have played an important role in the growing assertiveness of larger developing countries and their ability to navigate the global crisis relatively well. In many cases reserves were used to support counter-cyclical programs, a response that was not available during previous crises (Grabel 2015, Ocampo et al.

2012, Wise, Armijo, and Katada 2015). Moreover, developing countries with high reserves were able to remain independent of IMF authority during the global crisis. Indeed, resource rich developing countries twice took on the unprecedented role of funding the IMF during the crisis (in 2009 and 2012) rather than borrowing from it. At the same time, they deepened and expanded institutions that could complement the BWIs.

None of this, or the other institutional reforms examined in detail below, persuade those analysts who are committed to grand narratives of systemic change. That is unfortunate. From my perspective, recent crises might be best understood as crucial turning points in a contested, uneven, and long-term process of evolution in the global financial architecture. To understand this point, we would do well to consider the work of Albert Hirschman, a development scholar and practitioner who, as much as anyone else, recognized the radical import of mundane, fragmented initiatives. And his insights underpin the notion of productive incoherence that I advance here.

3. FRAGMENTING, NOT REPLACING NEOLIBERALISM: A HIRSCHMANIAN PERSPECTIVE ON THE CURRENT CONJUNCTURE

Hirschman's central critique of the established development project of his time, and the alternative principles he embodied in his own professional work and scholarship, bear directly on the matter of how to make sense of the current conjuncture. His work on exit, voice, and loyalty is perhaps best known (Hirschman 1970). Gerald Helleiner (2010) invokes this framework to explain why the Asian and especially the global crisis renewed interest among developing country policymakers in ways to free their economies from IMF control and to experiment with alternative institutional forms. The IMF has been unable to implement even the terribly modest governance reforms agreed to in 2010 that were demanded by developing countries and that would have marginally enhanced their influence in IMF decision-making. The failure has amplified long-held frustrations by developing countries about their limited voice at the IMF, and has eroded what little loyalty to the institution remained at the outset of the crisis. Exit now appears to developing countries to be the only option. This helps explain the renewed interest in creating institutions that are financed and governed by developing countries. We might add to this analysis the idea that the creation of new institutions also serves as a strategy to enhance developing country bargaining power within the IMF. Hence, the threat of exit may also promote greater voice within the institution.

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

Hirschman's focus on the diminutive, the experimental, and the possible reflected his epistemic, normative, and ethical commitments, and these commitments continue to distinguish his work from most other contributions to development economics. In what follows I corral these commitments under the categories of epistemic presumptions, the dangers of grand theoretical narratives, the centrality of the diminutive, and the associated theoretical and ethical failures of development experts.

Epistemic issues
A central theme in Hirschman's work is the idea that knowledge is incomplete, tacit, partial, and dispersed. Like Keynes, Hirschman took knowledge of the future to be fundamentally uncertain (Adelman 2013b, 13,397, Alacevich 2014, 150-1,159, 2015, Hirschman 2013[1970]). He likened the preference for predictability, a growing "scientistic" trend, and the search for general laws and parsimonious theories to diseases afflicting the social sciences (Adelman 2013b, introduction,433, 2013a, introduction,137, Hirschman 2013[1970], 138, 2013[1971]). Hirschman's distinct vision of social change followed. In the words of his biographer, his work is marked by the view that "the study of social change, if it is to be helpful, should rethink the typical reliance on ex ante predictions according to laws of change, and should consider instead the analysis of possibilities and alternatives for social change" (Adelman 2013a, 137).[3]

The failure of grand theoretical narratives
Hirschman's epistemic commitments underlay his critique of what he saw as "compulsive and mindless" grand theorizing in the service of reductionist causal explanations, quick fixes, and simple-minded solutions to complex challenges (Adelman 2013a, 137, Hirschman 2013[1970], 138). Ignoring the import of uncertainty led economists to articulate paradigms that not only over-simplified, but also sought to domesticate the real world of messy, complex social environments in pursuit of predictability and order.

In this connection, Hirschman shared Hayek's and Adam Smith's ("man of system") disdain for misguided and hubristic programs of social engineering (Hayek 2014[1944], Smith 1976[1759], 233-4, Adelman 2013b, 238,339). In its place, Hirschman advocated liberating practice from naïve narratives that often led development economists to presume, search for and claim that they had discovered previously unnoticed though essential obstacles to development (Hirschman 1965,

[3] See Alacevich (2014, 2015) for a nuanced treatment of Hirschman's epistemic commitments and the way in which they placed him at odds with the World Bank and more broadly with the norms of social science (especially development economics) in the 1960s.

2013[1970]). Such narratives provided justification for grand, uniform programs.[4] This approach "hindered rather than helped" since it precluded consideration of alternative or diverse paths to development (Adelman 2013b, 340). Hirschman's approach was one of experimentation and improvisation in pursuit of multiple development paths, not the implementation of a theoretically-deduced policy blueprint. In this connection and reflecting on his own work, Hirschman said "[w]ith this conclusion I can lay claim to at least one element of continuity in my thought: the refusal to define 'one best way'" (Hirschman 1995, 76).

Hirschman's impatience with grand narratives and grand utopian experiments applied to plans from all ideological camps—neoliberals of the 1980s, Communists of the 1930s, and advocates of "big push" models of the 1960s (Adelman 2013a, viii, Alacevich 2014, 141-2). His rejection of economy-wide social engineering resonates with the work of other critics, including Smith (1976[1759]), Popper (1971), Ellerman (2005), DeMartino (2011), Easterly (2014), McCloskey (1990) and Rodrik (2007).[5] Rodrik in particular has written extensively of the need for gradualism over grand plans, for the importance of the particular and the national over global rules and norms, and for the importance of innovation and experimentation over the presumption of certainty (e.g., Hausmann, Rodrik, and Velasco 2008, Rodrik 2007, 2009, 2011).[6]

The centrality of the diminutive

Hirschman's epistemic and normative views also informed his understanding of social change in profound ways. He rejected the common tendency to determine ex-ante the significance of particular changes, and the tendency of economists to parse change as either "fundamental" or "superficial." He wrote of the tendency to dismiss most changes as superficial, a tendency that reflected both the futilism and the epistemic certainty that dominated social science in his time, and indeed continues to infuse much work today. In this connection he noted the following:

> A distinction is often made between 'real' and 'apparent' or between 'fundamental' and 'superficial' changes: This device permits one to categorize as superficial a great number of changes that have, in effect, taken place and to assert in consequence that there has not yet been any real change (Hirschman 2013[1968], 37).

Hirschman's commitments led him to embrace the diminutive, which he argued could lead to widespread change (Adelman 2013a, vii-viii). The pursuit of organic

[4] In contrast to social engineering, Hirschman emphasized the importance of "immersion in the particular" (Hirschman 1967, 2, Alacevich 2014, 142).

[5] In *The Poverty of Historicism* (1957), Popper also takes aim at the related epistemic conceit that the future can be rendered intelligible or predictable by scientific or any other means. (I thank a referee for bringing this to my attention.) Like Popper, Hirschman understood the connection between the epistemic conceit and the planning conceit.

[6] On the occasion of being awarded the Albert O. Hirschman prize Rodrik reflected on the continuing significance of Hirschman's ideas (see Rodrik (2007-08)).

change implied the need to be open to and welcome surprise, contingency, and the unexpected (Hirschman 2013[1970]); and the related need for what Lindbloom (1959) termed "muddling through." Taking a page directly from Hirschman, Ellerman (2005) asserts the importance of adaptive, pragmatic, parallel experimentation; South-South peer group monitoring; and a process of "social or open learning" in development.[7] This involves fostering parallel experiments, pooling the experience of actual projects, comparing results, and promoting cross learning between experiments to ratchet up performance of the whole group (ibid). A similar embrace of parallel and small-scale experimentation can be found in Rodrik (2007, 2009).

Hirschman was deeply suspicious of "coherence," which is predicated on the notion of the social world as a simple social system, where everything fits, and which dictates ex-ante what can and cannot work. His view was that it is imperative to learn from multiple examples rather than to seek truth in blackboard economics.

The development expert: Ethical failures and duties

Hirschman's epistemic and normative views bear directly on his conception of the ethical responsibilities of the researcher and development practitioner. He had an ethical commitment to the view that the developing world should be the architect of its own unscripted futures. Hirschman saw "possibilism" as an ethical compass that called for a "little less straitjacketing of the future, a little more allowance for the unexpected—and a little less wishful thinking" (Adelman 2013a, xii, Hirschman 2013[1970], 147). The Hirschmanian possibilist was an advocate of the notion of freedom defined as "the right to a non-projected future," the freedom of communities to "explore fates that were not predicted by iron laws of social science" (Adelman 2013a, xii, Hirschman 2013[1970], 147, 2013[1971], 30). Of possibilism Hirschman famously said: "social scientists often consider it beneath their scientific dignity to deal with possibility until *after* it has become actual and can then at least be refined as a probability" (Hirschman 1980[1945], xii, emphasis in original). Reflecting on his own work Hirschman said: "the fundamental bent of my writings has been to widen the limits of what is or is perceived to be possible, be it at the cost of lowering our ability, real or imaginary, to discern the probable" (Hirschman 2013[1971], 22). "Aren't we interested in what is (barely) possible, rather than what is probable?" (Hirschman's diary, cited in Adelman 2013a, xii)

Lamentable evaluative criteria

This brief and selective Hirschmanian tour provides guidance regarding principles to avoid when considering the significance of recent changes in financial architectures. With Hirschman, we should reject evaluative criteria that determine ex ante whether particular innovations are coherent, viable, sufficient, scalable, and significant.

[7] Ellerman (2005) acknowledges Hirschman's profound influence on his own thinking.

Coherence We should not be concerned as to whether the observed institutional innovations within and across countries are coherent. We should not be concerned with whether they fit neatly into a tightly coordinated system; whether they are all internally consistent with one another; or whether they are consistent with a generalized, universal theory and plan. Nor should we be generating lists of necessary and sufficient steps to achieve development, as we found in the Washington Consensus and many prior development paradigms.

Viability We should not give up on observed innovations on grounds that they cannot survive over the long term, that some or all of them are unviable in the context of the global economy or the power of global financial actors. We should instead presume that they may adjust over time in response to the challenges they confront.

Sufficiency We should not be concerned with whether the observed innovations can speak to the full range of development finance needs. We should not let the perfect be the enemy of the good.

Scalability We should not judge the innovations considered against the standard of whether they are scalable and even universalizable, or speculate as to whether they are doomed to remain small, and can only survive in the specific environments where they have arisen.

Significance We should not attempt to discern whether the innovations considered represent fundamental or minor changes, and accordingly we should not impose a "test" of fundamental change, such as whether any particular institution can displace the structural power of the IMF or the US government.

With Hirschman, we might recognize that each of these criteria reflect the hubris of social scientists who repress uncertainty and their related inability to control the world they study (DeMartino 2013). Each constrains our appreciation of the possible, and blinds us to the significance and potential of piecemeal, small-scale experiments that are now proliferating in the developing world. Far better, for Hirschman, to intervene in ways that acknowledge their import and to appreciate the possibility that each might evolve with the effect of solving pressing development problems.[8]

4. NEW ARCHITECTURES OF DEVELOPMENT FINANCE: A SELECTIVE SURVEY

The following discussion highlights some of the innovations that are emerging at the regional and trans-regional levels in the developing world. Existing institutions have evolved and continue to evolve in significant ways during and since the global crisis, while new arrangements have arisen to rectify perceived failings in the global financial architecture. There are far too many innovations to examine here, and I make no claim for comprehensiveness or even exploratory depth. Instead, I provide a view from 30,000 feet of a sample of institutions, the evolution of which is emblematic of developments and aspirations elsewhere. (See Grabel (2013) for a deeper examination of these and other initiatives.) Suffice to say that provided we follow Hirschman's directives, we can recognize the present as an extraordinary period of institutional and ideational innovation that reflects and is establishing a degree of autonomy in financial governance in the developing world that was suppressed during the neoliberal era.

The Chiang Mai Initiative Multilateralisation

[8] I am sensitive to the criticism that giving up these evaluative criteria creates a host of difficult problems—both positive and normative. For instance, abandoning these criteria seems to leave us without a reasoned basis for partisanship to particular institutional structures or practices. Yet, Hirschman himself demonstrated how one could break with established normative criteria (and epistemic claims) and yet still be able to take positions on economic policy matters. For the purposes of my argument, I suggest that we read Hirschman as a corrective to normative and epistemic tendencies that too often lead social scientists to judge too readily, and too harshly, when open-mindedness is the better posture to adopt.

In 2000, the CMI built on the failed Asian Monetary Fund proposal and a 1977 currency swap agreement among five ASEAN central banks.[9] The CMI doubled the number of central banks agreeing to bilateral swaps. The initial value of the swaps was US$30 billion; the value of these commitments has increased several times, and rose to US$120 billion in 2009.

The global crisis has twice been an impetus for deepening and expanding the CMI. The first expansion was in 2009 when ASEAN+3 finance ministers "multilateralized" the arrangement, which was accordingly renamed the Chiang Mai Initiative Multilateralisation (CMIM). Multilateralization entailed several things.[10] Decisions on disbursing funds to members would be made collectively. China, Japan and Korea provide 80% of the CMIM's resources, and ASEAN countries the remaining 20%. Poorer countries have greater borrowing access. Multilateralization also involved an agreement on voting weights. Despite China and Japan's significant block of votes, neither alone can veto disbursals. Multilateralization was also reflected in the decision to establish an independent secretariat, which is expected over time to perform regional surveillance (Eichengreen 2012b).

Initially, and at the behest of creditor countries, disbursals in excess of 10% of the credits available to a country required that a borrowing country submit to an IMF surveillance program. Notably, the link to the IMF has been reduced over time. The threshold was raised to 20% in 2005 and 30% in 2012.[11] Smaller disbursals from CMIM do not require IMF involvement. China and Japan's representatives have long argued that the IMF link was essential to CMIM's credibility at its early stages, though this position was likely cover for concerns about repayment and reflected the challenging politics of regional surveillance (Eichengreen 2012b). Early on some member countries, most notably Malaysia, opposed the IMF link (Sohn 2012). As the global crisis worsened, CMIM members wrestled with and deepened the arrangement. The ASEAN+3 Macroeconomic Research Office (AMRO) was established in Singapore in January 2012 after much political wrangling. The AMRO is charged with conducting IMF Article IV-type monitoring of members. In May 2012, CMIM members expanded the arrangement's size and scope. The size of the swap pool was doubled to US$240 billion; the maturity of the IMF-linked and the de-linked swaps were lengthened; and a "Precautionary Credit Line" was introduced.

Despite the evolution of CMIM, some observers dismiss its significance. For some, the IMF link reveals that the CMIM supports the status quo of a US/IMF-dominated

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[9] A currency swap is an arrangement in which a central bank is able to sell its national currency to another central bank with a promise to buy that currency back with interest at the same exchange rate at a specified future date (Helleiner 2014, 38). Central banks may enter into swaps for a number of reasons—to stabilize its currency, improve liquidity conditions, or maintain stable trade patterns with key trading partners.
[10] Description of CMI/CMIM drawn from Eichengreen (2010, 2012b), Grimes (2009, 2011), and Sussangkarn (2011).
[11] The governments of China and Japan reportedly support raising the link to 40% once CMIM's screening, surveillance, and conditionality become regularized (Katada and Sohn 2014).

global system (Parisot 2013). Others remain skeptical as to whether AMRO will evolve into a true regional surveillance body (Grimes 2011). Skeptics also note that the swaps have never been activated. Indeed, during the global crisis members negotiated bilateral swaps between their central banks and the Federal Reserve, and also with China and Japan (Helleiner 2014). This is taken as evidence that CMIM failed its first real test, and is broadly seen to reflect the shallowness of East Asian regionalism (Grimes 2011, Ravenhill 2010). Moreover, skeptics dismiss the CMIM's significance since larger members continue to stockpile reserves, so as to be able to provide for their own protection, while the swap pool remains small relative to the needs of larger countries during a crisis (Cohen 2012). This has led some to call for expanding the swap pool through broader membership.

There is reason to take these concerns seriously. But if the global crisis reveals anything, it is that unexpected developments happen when the need arises. The 2012 expansion of CMIM's scope and size and the loosening of the CMIM-IMF link underscores the dynamism of the arrangement and policymakers' commitment to push its institutional boundaries. In addition, CMIM and AMRO are new, and as recent developments make clear, there is no reason to believe that their scope is fixed. It is therefore premature to conclude that CMIM will fail to adapt as new demands are placed on it. That CMIM's swaps have yet to be activated and that central banks of the region's larger economies continue to accumulate reserves ought not be taken as indicators of failure. The evident costs of the EU's failures with regional surveillance may give CMIM members the motivation to enhance the capacity and authority of AMRO (or, may simply underscore the enduring challenge of regional surveillance, as Eichengreen (2012a) argues). Notably, CMIM has been watched closely by policymakers in Latin America (ADB/IADB 2012), and was an inspiration for the 2014 decision to launch a similar initiative by the BRICS (see below).

Latin American Reserve Fund

Latin America has the longest history of regional integration efforts in the developing world. It is therefore unsurprising that the global crisis deepened interest in such initiatives. In addition, populist governments in some South American nations, the success of large commodity exporters, and long-standing frustrations with the BWIs have fueled interest in institutional expansion and experimentation among the region's governments.

The Andean Reserve Fund was founded in 1978 to serve the Andean region. In 1988, the organization changed its name to the Latin American Reserve Fund (Spanish acronym, FLAR) to reflect the decision to admit non-Andean nations. Like CMIM, FLAR is a regional reserve pooling arrangement that lends to member central banks (Chin 2010). The majority of its loans are for liquidity support and guarantees in the event of balance of payments or foreign exchange pressures; it also maintains a precautionary facility (Rosero 2014, 63-6).

FLAR is based in Colombia, and has seven members. Its capital comes primarily from subscriptions by member central banks.[12] As of April 2014, FLAR had subscribed capital of US$3.6 billion, of which almost US$2.4 billion is paid-in. Its three largest members (Colombia, Peru, Venezuela) account for 20% of its capital, the smaller countries for 10% each (Ocampo and Titelman 2012, Rosero 2014). Members can borrow up to 250% of their paid-in contributions; poorer members, Bolivia and Ecuador, can borrow more. Each member of FLAR is assigned one vote. A supermajority of 75% of those present is required for the institution's key decisions, such as the disbursal of funds. This straightforward process is seen as an important factor in the institution's ability to respond rapidly to support requests.

Lending by FLAR is not linked to the IMF, and this is widely held to contribute to its perceived legitimacy among members. Rosero (2014) notes that FLAR's lending decisions appear markedly even-handed despite stark differences in country size and political ideologies across members. Central banks seeking support for balance of payments problems are required to present to FLAR's Board of Directors information on how it intends to mitigate the problem that motivates the support request. To this point, FLAR has not denied support to a member on the basis of such plans.[13] Hence, there is no conditionality in the traditional sense.[14] Since 2011, FLAR has had a macroeconomic monitoring unit, the Division of Economic Studies, which reviews the performance and outlook of members. When a country receives support, the division's staff evaluate its balance of payments situation and repayment capacity, and may make technical visits to the country's institutions and require reports to FLAR's Executive President and Board (Titelman et al. 2014, fn28).

There has never been a default on a loan made by FLAR, even as some members have been in arrears to the IMF or defaulted on commercial loans. This is thought to reflect the effectiveness of peer pressure among members and their "ownership" of the institution (Rosero 2014, fn9). Members appear to treat FLAR as a preferred creditor, and the absence of defaults has resulted in a sterling credit rating.

Over its lifetime, FLAR has disbursed US$10.8 billion. FLAR has lent to all of its members except Uruguay. In some cases FLAR contributed stabilizing resources when the IMF did not or when members declined to engage the Fund (Ocampo and Titelman 2012). Despite FLAR's modest size it has provided balance of payments loans to members during crises (e.g., in the 1980s, 1998-9) in amounts that are equivalent to or larger than those provided by the IMF (Ocampo and Titelman 2009-10, 261). In some instances, FLAR's resources have been leveraged as part of broader support programs. FLAR has provided important savings to members by making funds available to them at better terms than available from international

[12] Details on FLAR drawn from Eichengreen (2012b), McKay and Volz (2010), Ocampo and Titelman (2012), and Rosero (2014).

[13] A lending operation to Peru was delayed in the late 1980s while the country negotiated its arrears with other international institutions (Ocampo and Titelman 2012, 26).

[14] The only exception involved a 2006 loan to Ecuador (Rosero 2014).

markets (Rosero 2014). Though the resources of FLAR are relatively small, for some members its resources are significant, and its lending has been redistributive sub-regionally (Ocampo and Titelman 2009-10, 262). Moreover, mitigating balance of payments-induced crises in smaller members stabilizes all the region's economies and benefits larger economies by protecting trade (Kawai and Lombardi 2012). In addition, FLAR's presence reduces the pressure to and hence the costs of accumulating reserves by smaller countries (Eichengreen 2010).

FLAR has maintained rather than expanded its role during the global crisis. Compared to the period 1978-1991, there has been a sharp falloff in the number of loan requests and hence loans that FLAR has granted (Rosero 2014). But we might see this not as a failure of FLAR, but as a reflection of Latin America's vitality during the global crisis.[15] FLAR received and acted on requests for assistance from only one member (Ecuador, three times) during the global crisis.

FLAR's potential to expand its capacity is limited by the absence of some of the region's large economies, particularly Brazil, Mexico, Chile, and Argentina. Many observers have consequently argued for broadening its membership (Titelman et al. 2014), instituting larger paid-in quotas for members (Eichengreen 2010), and establishing contingent credit lines with member central banks, private banks, or even by intermediating funding from the IMF (Rosero 2014). This latter approach is consistent with the view that institutions like FLAR should be part of a multi-layered global financial architecture.

The Arab Monetary Fund

The Arab Monetary Fund (ArMF) was founded by central bankers from the Arab world and began operating in 1977.[16] Today it has 22 members and a small amount of paid-in capital, approximately US$3.4 billion (as of the end of 2013). It takes deposits from members' central banks; can borrow from members, Arab and foreign institutions and markets; and can issue securities. The ArMF has several lending facilities and, since 2009, has provided support to countries facing short-term liquidity problems caused by the global crisis.

The loans offered by the ArMF are disbursed with varying degrees of speed and oversight. Some types of loans are disbursed very rapidly and carry no requirement of a country mission or conditionality. Other loans take longer to approve since they require a mission, adjustment program, conditionality and monitoring, and recipients are expected to receive complementary support from other regional and multilateral institutions, such as the IMF (Corm 2006). Corm (2006, 309) notes that conditions on ArMF loans are less stringent than those associated with the IMF.

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[15] During the global crisis, the IMF made no traditional loans to FLAR members, and indeed made relatively few traditional loans to Latin America. The IMF did approve new precautionary support to some countries in the region during the crisis (namely, Colombia, Costa Rica, and Mexico).
[16] Details on the ArMF drawn from Corm (2006), Eichengreen (2010), Miyoshi (2013), and Rhee, Sumulong, and Vallée (2013).

The ArMF's governance structure is not unlike that of the IMF and other multilateral development banks. This underscores the point that there is nothing inherently egalitarian about regional institutions. Country votes on the Executive Board are in proportion to the size of contribution, and three countries hold over one-third of the votes.

Since its establishment through the end of 2013, the ArMF has made 168 loans to 14 member nations totaling US$7.8 billion. The ArMF was faced with demands on its resources stemming from the triple challenge of the global crisis, the Arab Spring, and rising food prices. Between 2009 and 2013 it approved 27 loans to 8 countries totaling US$2.7 billion.

The ArMF has no formal relationship with the IMF. The institution's Articles of Agreement charge it with providing "complementary" lender of last resort finance for loans that support balance of payments difficulties. This explicitly complementary role is necessitated by the ArMF's small capitalization, and this role is consistent with the idea of a layered financial architecture. The ArMF's resources could obviously be increased significantly to provide more support to its poorer members, given the vast foreign exchange and sovereign wealth fund assets possessed by some of its members.

Eurasian Fund for Stabilization and Development (EFSD)

The member countries of the Eurasian Economic Community created the Eurasian Fund for Stabilization and Development (EFSD, previously known as the Anti-Crisis Fund) in June 2009.[17] The EFSD was designed as a regional safety net that extends loans to governments to offset the effects of the global crisis. Toward this end, the EFSD provides financial credits to finance budget deficits and support balance of payments and national currencies. The EFSD also functions as a development bank by providing loans to governments or firms for large interstate investment projects that support regional integration or national investment. It was established with authorized contributions of US$8.5 billion by six countries. The EFSD has paid-in contributions of US$2.6 billion (most of which come from Russia, its largest member).

The Eurasian Development Bank manages the EFSD's resources and conducts surveillance of its borrowers. To date, the EFSD has made only a few loans, but this is not surprising given its recent founding. Its largest loan to date was to Belarus—this loan was equal to almost 6% of the country's GDP; a loan to Tajikistan was equal to about 1% of its GDP.

Votes at the EFSD are weighted by capital contributions. Russia holds 85% of the votes. All disbursements are tied to a program of adjustment; however, recipients

[17] Details on the EFSD drawn from Rhee, Sumulong, and Vallée (2013), Miyoshi (2013), and the institution's annual reports.

are not required to work with the IMF. Indeed, in the case of Belarus the EFSD lent to the country when the IMF would not.[18]

The Contingent Reserve Arrangement and New Development Bank

Since 2006, officials representing Brazil, Russia, India, and China (BRICs) have deepened, broadened, and formalized discussions over financial governance (Mielniczuk 2013). This is not to say that the group represents a happy marriage among like-minded actors. The group's ability to cooperate stems from its potential to serve as a counterweight to traditional powers. As a consequence, its members have overcome differences to reach consensus on some important matters of global financial governance.[19] The first BRICs Leaders' meeting was held in Japan on the eve of the 2008 G-8 Summit, and the first stand-alone BRICs Leaders' Summit took place in Russia in 2009. Since then leaders have been meeting informally on the sidelines of international meetings, and heads of ministries have also met regularly. BRICs Executive Directors at the BWIs also meet informally (Wade 2011, 365) . South Africa was invited to join the group at the third Leaders' Summit in China, and the group has since been known as the BRICS.

Intra-BRICS cooperation took a significant step forward at the July 2014 Leaders' Summit in Fortaleza, Brazil. The group announced that it had reached agreement on two initiatives—the founding of the New Development Bank (NDB), and a reserve pooling arrangement called the Contingent Reserve Arrangement (CRA).

The group had been discussing the formation of a development bank that would supplement existing institutions since 2012 (Chin 2014a) . Long-standing frustration with the governance of the BWIs played an important role in the creation of the NDB and CRA. These frustrations were heightened by the failure to implement the 2010 IMF reforms, and by the resilience of the "gentlemen's agreement" on leadership selection at the BWIs in 2011-12. These frustrations were made clear in the official statements from the 2014 BRICS Summit (Desai and Vreeland 2014). The new BRICS initiatives can also be understood as reactions to the deficiencies of the global financial architecture, particularly in terms of the provision of infrastructure finance (Chin 2014a).[20]

The NDB is designed to finance investment in infrastructure and more sustainable development in the BRICS, with an eye toward allowing other low- and middle-income developing countries to buy in and apply for funding in the future. It is scheduled to begin lending in 2016. The bank is to have authorized capital of US$100 billion, and initial subscribed capital of US$50 billion (with each of the five

[18] A disbursement of a tranche of Belarus' loan in November 2013 was suspended when the country missed stabilization targets.
[19] See Armijo and Roberts (2014) on the progress and significance of the BRICS.
[20] Chin (2014a) suggests that the WB may be returning to infrastructure finance in response to the perceived threat posed by the NDB. China's Silk Road Fund and the Asian Infrastructure Investment Bank may place additional pressure on the WB and the Asian Development Bank.

founding signatory countries contributing US$10 billion equally).[21] The initial size of the NDB's resources is notable. By comparison the International Bank for Reconstruction and Development (the core lending arm of the WB) has authorized capital of only US$190 billion, of which only US$36.7 billion is available as actual equity (Chandrasekhar 2014). The five members of the NDB will hold equal votes in the institution, and its presidency will rotate among the five members. The location of the NDB's headquarters in China was reportedly a matter of controversy. But the location decision was made reportedly after China agreed to contribute a large share of the CRA's initial funds (Chin 2014a).

The CRA is a reserve pooling arrangement that is meant to provide liquidity protection through currency swaps to members during balance of payments crises. China has pledged US$41 billion to the CRA's US$100 billion pool; Brazil, India, and Russia are each to contribute US$18 billion; and South Africa US$5 billion. China's contribution of US$41 billion is almost 3 times its IMF quota, while Russia's IMF quota is equal to roughly half of what it will provide to the CRA (Bershidsky 2014). No single member will have effective veto power over fundamental changes in the CRA. The most controversial aspect of the arrangement is the decision to replicate the CMIM-IMF link.

The announcement of the decision to launch the NDB and CRA triggered a firestorm of commentary, very much breaking down along the lines of Hirschman's "possibilists" and "futilists." Many analysts took the former view, seeing the new players (warts and all) as part of an evolving, fragmenting global financial landscape, as complements to existing institutions, and as reflective of a growing disbursal of economic power (Desai and Vreeland 2014, Ugarteche 2014, Weisbrot 2014). Others were skeptical. Some argued that the NDB represented the "old development as infrastructure view" (Rodrik 2013); others argued that it was neither inherently progressive nor supportive of sustainability, and was reflective of the BRICS' sub-imperialist ambitions (Chandrasekhar 2014). Some dismissed the "empty symbolism" of the CRA, the decision to replicate the CMIM-IMF link, and the dollar-based funding commitments that reinforce the currency's global role (Chandrasekhar 2014, Eichengreen 2014, Steil 2014).

Other initiatives

Many other changes in institutional structures and practices have emerged during the global crisis. These include the main regional development banks, such as the Asian Development Bank and the African Development Bank. They became more active and introduced new counter-cyclical programs (Ocampo et al. 2012). The same was true of the regional and national development banks in the developing world, such as the Latin American Development Bank, the China Development Bank, and Brazil's National Bank of Economic and Social Development. These banks expanded their operations (in some cases, outside their traditional geography), introduced new instruments, pursued counter-cyclical macroeconomic policies, and

[21] Details on the NDB and CRA drawn from BRICS (2014b, 2014a).

provided loans when global markets and private banks froze (Bräutigam and Gallagher 2014, Hochstetler 2014, Ocampo et al. 2012). Other notable developments include the Venezuelan-led Bolivarian Alliance of the Americas and the stalled Bank of the South (Grabel 2013, Riggirozzi and Tussie 2012). The China-driven Silk Road Fund (SRF) and the Asian Infrastructure Investment Bank (AIIB) represent the most recent additions to the financial landscape. The SRF has been launched with US$40 billion, while the AIIB has initial capitalization of US$50 billion and a membership of 50 countries, including some of the key European allies of the USA (to its apparent dismay) (Parker, Chassany, and Dyer 2015).

Governance and conditionalities
It is important to note that many of the institutions and arrangements discussed here are characterized by governance structures that differentiate them from the BWIs (for extensive discussion and citations to the literature, see Grabel UNDP, manuscript in progress). The BWIs institutions have rightly been criticized for giving undue weight--indeed veto power--to wealthy nations, particularly the USA. For this reason, many of the institutions and arrangements across the global South and East are organized to promote greater inclusiveness, though there is considerable divergence in the degree to which this is achieved. In addition, many are distinguished from the BWIs by their approach to conditionality. In some cases, there is an explicit commitment to avoid all forms of conditionality while in others the matter is being actively debated, and in others conditionality is minimalist and highly country specific. Finally, for the most part the Southern and Eastern institutions and arrangements considered here are more agile than the BWIs insofar as they respond quickly to economic challenges in their field of operations.

Dissatisfaction with the governance and conditionality of the BWIs has played an important catalyzing role in the Southern and Eastern initiatives considered here. It should therefore not be surprising that some of the institutions and arrangements surveyed have diverse and even complicated decision-making structures. This reflects the necessary and real tension between the demands of the larger countries that provide the bulk of financial support to these initiatives, versus acknowledgement of the need for a greater degree of inclusiveness when it comes to smaller, poorer countries. Similarly, the matter of "getting conditionality right" continues to be a key challenge. Some institutions have renounced conditionality altogether (as in the nascent albeit stalled Bank of the South), some impose conditionality under certain circumstances (as in, e.g., the ArMF, the CMIM), some employ a "light touch" surveillance apparatus that works with borrowing governments in ways that are distinct from the IMF's top-down approach (as in FLAR), and still others are actively wrestling with the issue (as with CMIM and the CRA of the BRICS).

5. CONCLUSIONS
We can now broach the question, how best to make sense of these developments from a Hirschmanian perspective? A central point to make in passing is that the developments are not to be taken as uniformly good or bad; progressive or

regressive. Instead, we are encouraged by Hirschman to suspend judgment as best we can, taking them on their own terms. This requires avoiding the kinds of evaluative criteria that predominate in social science work. In this sense we might usefully think of Hirschman's intervention as in the first instance negative—to reject approaches to social science work in general and the study of change in particular that presume to know in advance what developments are and are not possible, viable, and beneficial. We must avoid narrating the history of institutions and society in advance. If we learn just that much from Hirschman, we will be much better able to contribute to projects of reform in pursuit of just economic and social arrangements.

We might also make sense of the institutions I have surveyed in terms of Hirschman's conceptions of exit, voice, and loyalty. While these institutions do not displace the BWIs, they nevertheless increase the choices available to smaller countries. As a consequence, they may increase their resilience, bargaining power, and voice vis-à-vis the BWIs. Moreover, to the extent that "institution shopping" becomes more of an option, the BWIs may face pressure to respond to long-held concerns by developing countries. The leverage of larger developing countries in global and regional financial governance is likely to increase as their national development banks and new institutions come to play a more prominent role.[22]

It would be foolish, of course, to presume that the new opportunities afforded by exit and voice will necessarily generate a more just economic landscape. And of course, the increased aperture in financial governance may not survive as new emerging powers attempt to assert financial hegemony. Would a financial development architecture dominated by China, say, necessarily provide greater breathing room in the long run for smaller, lower income countries? Doubtful. But at least for now, we should be attentive to the potential for progressive reform that has emerged as a consequence of the increased policy space that exit and voice provide. Certainly in contrast to the neoliberal era, when financial governance structures, practices, and ideology represented a suffocating obstacle to reform, today's leaders look out on a more heterogeneous landscape that may very well prove to be much more congenial to unscripted, locally-appropriate initiatives.

Many of the details on existing and emerging institutions that I have provided here might come across as prosaic and even trivial. But that's the Hirschmanian point that must be kept in view—that the small, the disparate, the seemingly trivial, the experimental—these must not be discounted in advance because they don't amount to much, because they are not the embodiment of some grand, over-arching plan, because they are not scalable, or because they are paltry when compared with the magnitude of the problems confronting developing countries as they try to finance and sustain development. The potential for change—meaningful, lasting change that

[22] Along these lines, Katada and Sohn (2014) argue that the CMIM allows Japan and China to increase their bargaining power in global and regional financial governance without directly confronting Western powers.

can provide a basis for a more robust, participatory, sustainable development—is located here, in the disparate, unplanned, and the experimental, rather than in a new "ism" to replace the now eroding neoliberalism. If we can't live without a new "ism," then let me propose "Hirschmanian Possibilism" as the new organizing system of thought—one that rejects a comprehensive, coherent theoretical framework from which to deduce the singly appropriate institutional structure of the economy. Hirschmanian Possibilism asserts instead the value of "productive incoherence" as a framework that presents the opportunity, at least, to restore democratic, ethically viable development institutions and policies.

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