



**Neo-Liberal Finance and  
Third World (Mal)Development**

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## NEO-LIBERAL FINANCE AND THIRD WORLD (MAL)DEVELOPMENT

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## 1. INTRODUCTION<sup>1</sup>

The Mexican crisis of 1994-95 was the first in a series of currency and financial crises that have become a recurrent feature of life in the developing world over the last thirteen years. Former International Monetary Fund (IMF) Managing Director Michel Camdessus had it right when he dubbed the Mexican debacle the “first financial crisis of the twenty-first century” [cited in Boughton, 2001]. Shortly thereafter, financial crises emerged in numerous developing countries in rather close succession to one another. The most serious and perhaps surprising of these took place in the East Asian “miracle economies,” economies that were hailed as such right up until they imploded.

In many important respects, the Asian crisis was a repeat of events in Mexico. The Asian crisis was followed by severe financial instability in Turkey, Brazil, Poland, Russia, and Argentina. Though each of these crises obviously had a slightly different etiology, it is nonetheless true that they all occurred in the fragile environments fueled by speculative booms made possible by misguided programs of internal and external financial liberalization. What Michel Camdessus did not understand was that the neo-liberal financial regime that his institution promotes to this day induces the very turbulence that he lamented at the time of the Mexican crisis. Indeed, as I will argue below, policymakers in the developing world now face even greater pressures to conform to the neo-liberal model because the Fund’s traditional advocacy for it has been reinforced by the new commitment to policy coherence and by interlocking commitments to liberalize that are embodied in bi- and multi-lateral trade and investment agreements.

I have three chief objectives in this paper. First, I argue that neo-liberal financial reform remains fundamentally inappropriate for developing countries. I argue that the neo-liberal financial model introduces several types of risks to developing countries, encourages a pattern of what I have earlier termed “speculation-led economic development” [Gabel, 1995], promotes economic stagnation and aggravates problems of income and wealth inequality, and shifts power and resources to domestic and foreign financiers. Second, I argue that advocacy for the neo-liberal financial model continues unabated despite signs that some mainstream economists (even those conducting research for the IMF) have acknowledged its shortcomings since the Asian crisis. Third, I argue that the IMF’s traditional advocacy has been amplified by the “cross conditionality” that stems from a particular understanding of policy coherence and from provisions in recent trade and investment agreements.

The arguments advanced in this paper are deeply influenced by the pioneering, rebellious and impeccable scholarship and teaching of my mentor and friend, Jim Crotty. In particular, this paper draws directly on several strands of Crotty’s path-breaking oeuvre. These include his post-Asian crisis research that identifies the structural contradictions, underlying political economy, and hypocrisy involved in the neo-liberal reconstruction of East Asia, especially South Korea, a country that he (and Pam Crotty)

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<sup>1</sup> This paper draws on several of my previous papers, especially [Gabel, 2007a, 2007b, 2005, 2003].

have come to know and love in the last many years [Crotty and Lee, 2006, 2005a, 2005b, 2002, 2001]. Relatedly, his efforts to articulate concrete alternatives to the failed neo-liberal model have been immensely influential to my work on policy alternatives [Crotty and Epstein, 1995, 1999]. Another strand of Crotty's work that has influenced my own (and others') work is his contribution to heterodox macroeconomic theory, particularly his effort to integrate and extend the insights of Keynes, Marx and Schumpeter. In this connection, I refer in particular to his innovative treatment of destructive competition [Crotty, 2000], his analyses of the contradictions of neo-liberalism on a global scale [Crotty, 2003, 2002, 2000], and his careful and original extensions of Keynes' insights on capital controls, endogenous expectations, corporatism, and financial instability [Crotty 1983, 1999]. His work on Keynes' informs everything about which I've come to write and teach.

## **2. RISK, POWER, AND STAGNATION IN A CASINO ECONOMY**

Over the last quarter century, neo-liberal economists have pressed for radical reform of all sectors of developing economies. A centerpiece of neo-liberal reform over this period is financial reform. Neo-liberal financial reform entails promoting market over state mediation of internal and external financial flows.

Neo-liberal financial reform introduces five distinct, interrelated risks to developing economies. The realization of these risks (and the interaction thereof) is at the root of the currency and financial crises that have occurred in the developing world over the last thirteen years. I term these risks currency, flight, fragility, contagion, and sovereignty risk. It is also the case that neo-liberal financial reform induces stagnation, aggravates problems of income and wealth inequality, and promotes the creation of a speculation-led rather than a production-led economy.

### ***Currency risk***

Currency risk refers to the possibility that a country's currency may experience a precipitous decline in value following investors' decisions to sell their holdings. This risk is an attribute of any type of exchange rate regime, provided the government maintains full currency convertibility. That floating exchange rates introduce currency risk is rather obvious. But as Friedman emphasized in 1953, and as events in Asia and Argentina have underscored, pegging a currency does not eliminate currency risk.

Developing economies confront much more severe currency risk than do wealthier economies for two reasons. First, governments in developing economies are unlikely to hold sufficient reserves to protect the value of their currency should they confront a generalized investor exit. An initial exit from the currency is therefore likely to trigger a panic that deepens investors' concerns about reserve adequacy. An exception would be those cases where a developing economy maintains a currency board [see Grabel, 2000]. However, the collapse of the Argentine currency board demonstrates that fixing the exchange rate through a currency board—absent controls on international capital flows--does not insulate the economy from the risks discussed here. Second, developing economy governments are rarely able to orchestrate multilateral currency

rescues or pool official reserves as wealthier countries are frequently able to do (though some policymakers in Asia are moving toward pooling arrangements, see section 5 below).

### ***Flight risk***

Flight risk refers to the likelihood that holders of liquid financial assets will seek to sell their holdings en masse, thereby causing significant declines in asset values and increasing ambient risk in the macroeconomy. By acting on fears of capital losses, investors create a self-fulfilling prophecy. To the extent that declining asset values have spillover effects to other sectors, the realization of flight risk can aggravate currency risk and render the economy vulnerable to a financial crisis. If, for instance, stock portfolios serve as loan collateral, an investor flight from the equity market can induce bank distress, as was the case in East Asia

Flight risk is severe in developing economies because investors in this context are less confident about the integrity of the information they receive, and they perceive there to be greater political and economic risks. Moreover, since investors tend to see developing economies in an undifferentiated fashion, these countries are more vulnerable to generalized investor exits.

Flight risk is most severe when governments fail to restrict capital inflows that are subject to rapid reversal. The elimination of capital controls in many developing economies in the neo-liberal era has meant that policymakers have no means to reduce the risks associated with capital flight.

### ***Fragility risk***

Fragility risk refers to the vulnerability of an economy's private and public borrowers to internal or external shocks that jeopardize their ability to meet current obligations. Fragility risk arises in a number of ways. First, borrowers might finance long-term obligations with short-term credit, causing "maturity mismatch." The prevalence of maturity mismatch increases the ambient risk level (by rendering borrowers vulnerable to changes in interest rates and in the supply of credit), and hence increases the likelihood of financial crisis.

Second, borrowers might contract debts that are repayable in foreign currency, causing "locational mismatch." This leaves borrowers vulnerable to currency depreciation that may frustrate debt repayment because it raises the costs of servicing external debts. Or, as in Argentina prior to the collapse of its currency board, the severe locational mismatch of its external debt left the country essentially unable to devalue its currency despite the severe costs borne by the tradeable goods sector.

Third, if much of the economy's private investment is financed with capital that is highly reversible, then the economy is vulnerable to fragility risk. This is because the viability of investment projects becomes directly dependent on the continued availability and price of unstable capital. In addition, this dependence renders collateral values, upon which the supply of domestic and foreign lending depends, more volatile. Hence,

capital flight reduces the creditworthiness of borrowers just when they are most in need of funds.

Fourth and finally, fragility risk is introduced whenever actors finance their projects with risky, off-balance sheet instruments, such as derivatives. For example, in the case of derivatives the sudden necessity to meet collateral requirements often requires the selling of some other securities (often not in an area yet hit by turmoil).<sup>2</sup> This forced selling spreads turmoil to other sectors of the financial system, and ultimately can inaugurate difficulties in the economy as a whole.

Fragility risk is, to some extent, unavoidable. But the degree to which the decisions of actors induces fragility risk depends very much on whether the institutional and regulatory climate allows or even encourages the adoption of risky strategies, as so much of Crotty's research informs us. If regulatory bodies do not coordinate the volume, allocation, and/or prudence of lending and investing decisions, then there will exist no mechanisms to dampen maturity or locational mismatches, or the impulse to overborrow, overlend or overinvest. Financial integration magnifies the possibilities for over-exuberance (and introduces currency-induced fragility) by providing domestic agents with access to external finance.

### ***Contagion risk***

Contagion risk refers to the threat that a country will fall victim to financial and macroeconomic instability that originates elsewhere. While financial integration is the carrier of contagion risk, its severity depends on the extent of currency, flight and fragility risk in the economy. Countries can reduce their contagion risk by managing their degree of financial integration and by reducing their vulnerability to currency, flight and fragility risks.

### ***Sovereignty risk***

Sovereignty risk refers to the danger that a government will face constraints on its ability to pursue independent economic and social policies once it confronts a financial crisis. The constraint on policy autonomy can be introduced for numerous reasons.

First, governments may be forced to pursue contractionary macroeconomic policies during financial crises in order to slow investor flight. This is because many central banks and governments try to stem investor flight by raising interest rates and cutting social spending. Moreover, following a crisis, a particularly contractionary policy regime may seem necessary to induce investors to return to the country. This is because it is thought that the renewal of their investment may depend on the availability of a risk premium following an episode of financial instability. While speculators are not dictating policy per se, governments may find their ability to pursue expansionary policy severely constrained when they seek to reverse investor flight.

Second and more directly, developing economies face constraints on their sovereignty

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<sup>2</sup> I thank Randall Dodd for raising this point.

when they receive external assistance from powerful actors (as the experience of Korea demonstrates so clearly, per Crotty and Lee, see citations above). Assistance comes at the price of having critical domestic policy decisions vetted by external actors. Speaking practically, bailouts have been widely conditioned on the acceleration of neo-liberal reform.

Although sovereignty risk stems from the structural position of developing economies in the world economy, this does not imply that this risk is unmanageable. Measures that constrain currency, flight, fragility, and contagion risk render financial crisis less likely (or reduce its severity should it occur), and thereby buttress policy sovereignty vis-à-vis speculators and external actors.

### ***Risk interactions***

These distinct risks are deeply interrelated. The realization of currency risk can induce investor flight, and inaugurate a vicious cycle of further currency decline, flight and increased fragility. Should these circumstances develop into a full-fledged crisis, policy sovereignty is compromised. In this context, other countries may face contagion. The severity of the contagion risk depends in turn on the degree of financial integration, the degree to which investors can and do herd out of developing economies, and the extent to which countries constrain currency, flight, and contagion risks.

These risk interactions capture well the dynamics of currency and financial crises in the neo-liberal era [on Korea, see citations to Crotty and Lee above; Grabel, 1996, 1999]. I am not, however, proposing a strict temporal model of risk interaction. Analytically, the key point is that the construction of neo-liberal financial systems in developing countries introduces the constellation of risks presented here. The weight of each risk varies from country to country. The precise triggering mechanism is ultimately unimportant and usually unpredictable. Similarly, the particular characteristics of an individual country (e.g., the level of corruption) do not themselves induce a vulnerability to crisis. Vulnerability to currency and financial crisis is created instead by the specific and interacting risks of the neo-liberal financial model.

### ***The creation of a speculation-led economy***

Neo-liberal financial reform increases the opportunities for investors to secure project financing (more easily and/or more cheaply) and to trade assets. In nearly all cases, neo-liberal financial reform has induced a speculative bubble in commercial real estate and land development and stock prices, and an environment wherein over-lending, over-borrowing, and over-investing is the norm. In this type of environment, “productive” activities (like manufacturing or infrastructure projects) simply cannot compete because they rarely offer the opportunity for massive capital gain associated with speculation. To the extent that productive activities are nevertheless undertaken, they often take on the characteristics of speculative activities. For example, instead of producing energy, a utility company might become involved in trading energy futures. Even productive activities become risky and volatile in a neo-liberal environment because these activities are financed by short-term loans or highly reversible capital

flows. These financing strategies exacerbate the susceptibility of businesses to changes in interest rates or investor whims.

### ***Stagnation and inequality***

Neo-liberal financial reform heightens the stagnationist tendencies and inequalities in wealth, income and power that are an inherent feature of developing and, indeed, all capitalist economies. [See citations above to Crotty and Crotty and Lee in relation to Korea.] This is the case for several reasons. First, by increasing ambient risk in the economy, neo-liberal finance discourages productive activities that are central to employment and long-term income and economic growth in developing countries. Second, by creating a miniscule class of rich financiers, neo-liberal financial reform widens existing disparities in income, wealth and political power. Third, neo-liberal finance increases the mobility and hence the power of capital vis-à-vis labor. The bargaining power of labor is weakened in an environment where capital can relocate easily in search of an ever cheaper and more compliant workforce and a less regulated business environment. Fourth and finally, the majority of the population bears the devastating human costs of the recession, curtailment of government spending, and deterioration in living standards that follow the collapse of speculative bubbles and attendant financial crises. One can look at the situation of just about any developing country following neo-liberal financial reform to find evidence of stagnation in the productive sector and a widening of political and economic inequality.

### **3. HAS THE ECONOMICS PROFESSION LEARNED ANYTHING FROM THE FAILURES OF NEO-LIBERAL FINANCE?**

It is interesting that, faced with cumulative evidence of policy failure and the human misery associated with these crises, economists in the academic and policy community ultimately seem to have learned something, particularly from the events in Asia. Granted, some were slow learners. The slow learners did quite well for a while in the various cottage industries that sprung up after each crisis. They shared with wide audiences the serious problems that they came to see as deeply rooted and pervasive, albeit somehow also undetected by international investors and policymakers who extolled the virtues of the model economies. Here I refer to those that gave crisis post-mortems that focused on the role of corruption, cronyism and malfeasance, on misguided programs of government intervention, on nostalgic attachments to pegged exchange rates, and on inadequate information about the true conditions of firms and governments in crisis-afflicted countries.

The informational inadequacy crowd had perhaps the biggest reach in the policy world. Their views dominated the agenda at the Group of Seven's Halifax Summit of 1995 and the Rey Committee that was later formed. The informational inadequacy constituency was influential in other practical ways as well. They promoted a variety of early warning systems, such as the widely known one developed by Goldstein, Kaminsky and Reinhart [2000]; they were prime movers behind the IMF's creation of a Special Data Dissemination Standard, the Reports on the Observance of Standards and Codes, and the Financial Sector Assessment Program; and they drove Basel II efforts to incorporate

assessments by private bond rating agencies in the global financial architecture.<sup>3</sup>

But ultimately, even the slow learners came to acknowledge—at least to an extent—that there was something to be learned from countries like India, China, Chile, Colombia and Malaysia, all of which were able to weather this period of turbulence successfully [e.g., Ariyoshi, et al., 2000]. Among these experiences, the most important drivers of a change in conventional wisdom were Malaysia’s deployment of temporary, stringent capital controls, Chile’s use of market-friendly capital controls that were adjusted in response to changing market conditions and identified channels of evasion, and China and India’s gradualist approach to financial integration and liberalization [Crotty and Epstein, 1995; Grabel, 2003a; Epstein, Grabel and Jomo KS, 2004]. With a few exceptions (notably, prominent academics Edwards [1999] and McKinnon with Huw Pill [1998]<sup>4</sup>), the new conventional wisdom can be inelegantly stated in the following way.

Unrestrained financial liberalization, especially concerning international private capital flows, can aggravate or induce macroeconomic vulnerabilities that often culminate in crisis. Therefore, subject to “numerous and customary caveats,” temporary, market-friendly controls over international capital movements can play an important role in mitigating the risk of financial crises in developing countries.

Notably, a widely cited report by an IMF team issued in 2003 [Prasad et al., 2003] received a great deal of attention for reaching these startling findings. There have been other studies by neoclassical or otherwise high profile economists that have reached complementary conclusions. For example, Bhagwati’s [1998] work is notable in this connection, as is that by Eichengreen [1999], Rodrik [1999] and Krugman [1998].

Thus, perhaps the most lasting and important effect of this decade of crises is that the center of gravity has largely shifted away from an unequivocal, fundamentalist opposition to any interfere with the free flow of capital to a kind of tepid, conditional support for some types of capital controls. This shift certainly moves policy discussions in the right direction, but the new, weak consensus is not adequate to the task of preventing an Asian crisis redux.

#### **4. WHY WE SHOULD NOT GET TOO EXCITED**

There are a couple of reasons why, I think, the new conventional wisdom should not be cause for too much celebration by heterodox economists that are looking for signs that

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<sup>3</sup> See Grabel [2003b] for a review and a critical assessment of early warning models and other efforts to prevent crisis through the provision of information (aimed at inducing self-correcting market behaviors); Wade [2007] for a critical discussion of programs that focus on standards, surveillance and compliance to promote financial stability; and Sinclair [2005] for a discussion of bond rating agencies and the privatization of authority in global financial governance.

<sup>4</sup> Forbes [2007] discusses the unintended negative consequences of Chile’s capital controls for smaller firms during the 1990s.

the neo-liberal financial model has finally been exposed and invalidated by recent events.

The first reason has to do with an inconsistency between the policy lessons of these crises and the content of recent bi- and multi-lateral trade and investment agreements. These agreements codify what is referred to these days with the new buzzword of “policy coherence”— a term that on the face of it seems innocuous and sensible since incoherent policy regimes hardly have much to recommend them. The intuition behind the concept of policy coherence is simple: any individual economic policy—such as free trade—will only yield beneficial outcomes if it is nested in a broader policy environment that is conducive (that is, consistent or coherent) with its objectives. From this perspective, the justification for expanding the scope of trade reform and agreements to new areas over the last decade is that previous efforts to liberalize trade have failed to promote growth because of inconsistencies between trade and other economic and social policies.<sup>5</sup>

But there is a problem here: recent trade and investment agreements have become a new Trojan horse for bringing developing countries in line with fundamentalist and outdated ideals about internal and external financial liberalization [see Grabel, 2007]. Indeed, the bi- and multi-lateral trade and investment agreements go much further in instantiating neo-liberal financial reform and an expansive notion of investor rights than has even the IMF in the recent past or at present. These agreements (such as the US-Chile and US-Singapore Free Trade Agreements, the North American Free Trade Agreement, the Central American-Dominican Free Trade Agreement and all of the bilateral investment treaties that the US has signed of late) establish mechanisms that punish developing countries for taking entirely reasonable actions to prevent or respond to financial crises.<sup>6</sup> Punishment takes the form of legal actions by foreign investors in international dispute settlement bodies against signatories that deploy temporary capital controls of any sort. Examples of prohibited measures would include steps to make foreign capital sticky during times of crisis, temporary suspension of currency convertibility, adjustment in the exchange rate, and a variety of commonplace macroeconomic and social policies that can now be interpreted as being tantamount to expropriation of foreign investment.

These same trade and investment agreements preclude many important types of developmental financial policies; they limit the opportunity for institutional and policy heterogeneity; and they frustrate the right of countries to engage in policy experimentation. All of these are critical components of successful development experiences (as much recent work has shown, e.g., Crotty and Epstein [1995], Rodrik [2003], Chang and Grabel [2004], Epstein et al. [2004], Epstein and Grabel [2006]).

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<sup>5</sup> This intuition is reminiscent of neoclassical theories of policy credibility and of Polanyi’s discussion of the rhetorical strategies employed by defenders of neo-liberalism [on both, see Grabel 2003c].

<sup>6</sup> As of this writing, the US-South Korea Free Trade agreement has not been ratified. But the information available on this agreement at this time suggests that it will carry forward many of controversial provisions embodied in the other agreements listed above, particularly the NAFTA-style protections (embodied in Chapter 11 of the agreement) afforded to foreign investors. I thank Keith Gehring for this point.

For these reasons, these agreements introduce a new kind of dangerous policy incoherence. Financial crises are increasingly likely as a consequence of the outdated ideologies and financial interests that are driving trade and investment agreements. These two steps back come just when IMF researchers and some prominent academic economists seem to have absorbed some key lessons about prevention and defensive policies from thirteen years of financial crises.

A second dimension of incoherence is the strange disconnect between IMF research since the East Asian crisis and its own practice when it comes to Article IV negotiations with countries. The latter seem to be moving on a track that is orthogonal to the institution's own research.

The final reason why we should not be satisfied with the new post-crisis policy consensus is that—even were it to be operationalized on the level of policy—it does not go far enough. The new consensus does not endorse the case for increasing substantially the policy space of developing countries when it comes to promoting financial stability. Moreover, it does not place policies that promote financial stability squarely at the center of a policy agenda that harnesses the resources of domestic and international capital markets in the service of economic and human development. Policies that reduce the likelihood of financial crisis or enable countries to respond to crises are necessary co-requisites to other developmental financial policies because they protect the policy space and the achievements of developmental policies. Here I will just note that many heterodox economists have described elsewhere many types of developmental financial policies, such as, programs of credit allocation, tax incentives or quotas aimed at promoting lending to priority projects or groups, development banks, credit guarantee schemes or subsidies that reduce risk premia on medium- and long-term lending, partnerships between informal and formal financial institutions, new institutions to channel credit to underserved populations and regions, asset-based reserve requirements, and employment targeting for central banks [e.g., Chang and Grabel, 2004; Epstein and Grabel, 2006].

## **5. WHERE DO WE GO FROM HERE?**

Where does all of this leave heterodox economists who are interested in preventing a repeat of recent history, and who hope to secure reforms that will protect developing country policy autonomy while insulating their economic and social achievements from new financial crises?

Developing countries need to rethink their participation in trade and investment agreements that constrain their ability to protect themselves from and respond to financial crisis. The costs of these agreements are clear, and the benefits are, at best, negligible insofar as there is no empirical evidence that they actually enhance trade or investment flows to the developing world.<sup>7</sup>

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<sup>7</sup> E.g., Hallward-Driemeier [2003], Tobin and Rose-Ackerman [2005] and Gallagher and Birch [2006], find that bilateral investment treaties do not stimulate FDI.

There are good reasons for heterodox economists to celebrate the identity crisis and financial difficulties facing the Bretton Woods Institutions. The IMF and the World Bank are struggling to find a new identity under new leadership charged with restoring the institutions' credibility after numerous scandals (notably, favoritism in the Bank's hiring practices and mishandling of the Asian crisis by the Fund). At this juncture, the institutions seem rather inactive, and this may be a propitious moment to push for more fundamental changes in governance, in the content of its policy advocacy, and for alternative notions of policy coherence that involve integrating research with policy reform and redefining policy coherence as the ability of policies to promote development or ameliorate social ills.

Heterodox economists might also want to capitalize on signs that policymakers in some parts of Asia and South America are discussing alternative mechanisms and new institutional frameworks for protecting policy space and for promoting regional financial stability, cooperation, and policy dialogue. For instance, the Chiang Mai Initiative agreed to by the Association of Southeast Asian Nations + 3 (ASEAN and China, South Korea, and Japan) created a mechanism for swap lines and credits. Other innovations within the region include a reserve pooling arrangement and the Asian Bond Market Initiative [Manupipatpong, 2007]. It is an open question as to whether the Asian Monetary Fund initiative that was first proposed as the regional crisis unfolded will resurface in some modified form in the near future.

Within the Americas, it is clear that some countries have begun to turn away from the IMF (e.g., Bolivia, Ecuador, Nicaragua, Argentina, and Venezuela). (For details, see Hearn [2006], MSNBC.com [5/1/07]). Argentina, for instance, repaid the last of its \$9.6 billion in debt to the IMF ahead of schedule (following Venezuela's purchase of about \$1.5 billion in Argentine bonds); in the spring of 2007, Venezuela withdrew from the World Bank and the IMF (though it should be noted that the country had no outstanding debts to either institution); Ecuador's President Rafael Correa recently asked the World Bank's representative there to leave; and Nicaraguan President Daniel Ortega announced that he, too, is pursuing the possibility of exiting the Fund. At least some countries may well bolt the Fund in favor of the Bank of the South that has recently been proposed by the Venezuelan President.

However we might debate the real or hypothetical costs and benefits of the Asian or the Venezuelan initiatives (or even how we might handicap the likelihood that these initiatives will bear fruit), we must recognize that their currency stems quite directly from the serious inadequacies of the Bretton Woods Institutions.

What else can we say specifically about the prospects for greater influence by heterodox economists, like Jim Crotty, in discussions of alternatives to neo-liberal finance? It is clear that this is an important moment to press the case that financial policies in developing countries must focus on generating, mobilizing and allocating capital to the projects that have the largest developmental payoff and that ameliorate important social ills [e.g., Epstein and Gabel, 2006; Chang and Gabel, 2004].

Moreover, the time is ripe to take seriously the fact that international capital controls are a critical support in this broader financial landscape. Controls also reduce the risk of investor flight, financial crises and consequent involvement with the IMF and, in so doing, create space for policy experimentation and policy and institutional diversity [Crotty, 1983; Grabel, 2003a]. These are issues that have long been pressed in Jim Crotty's rebellious research, even in environments that were far more hostile to heterodox ideas than is the case right now.

## **REFERENCES** (forthcoming)