Responding to Financial Crisis With or Without IMF : A Comparative Analysis of State – Capital Relations

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> *"Dependent development occurs through frictions, agreements, and alliances between the state and business enterprises. But this type of development also occurs because both state and business pursue policies that create markets based on concentration of income and social exclusion of most of the population . . . The conflicts between the state and big business are not as antagonistic as the contradictions between the dominant classes and the people."* (Cardoso & Faletto 1979)

A cursory review of the debates - which have dominated the academic as well as the political agenda since the 1980s - about the role of the state in a capitalist economy, would highlight two particular deficiencies. Firstly, the dominance of a dualistic conception of state/market and/or state/society relationships in so far as these spheres are perceived as being externally related, if not as ontologically distinctive domains, with their own logics and principles; secondly, the tendency to approach the relations between states and markets in terms of alternative 'paradigms', thus reproducing varieties of relativism, if only to reiterate the validity of a theoretical edifice with universalistic aspirations.

While there is a considerable range of conflict of opinion over the extent and nature of 'state intervention' in a capitalist economy, the diverging opinions usually converge on the notion of 'separation' between the political and the socio-economic spheres of social life - the underlying notion without which the very term 'intervention' does not make much sense (cf.Offe 1985, p.224). However, it is worth underlining that the state and the economy do not 'exist' as externally related entities one of which is determining and/or dominating the other. Therefore, theoretical controversies which have the mutually acknowledged premise of an 'external' relation between the economic and the political as two ontologically distinct realities would be

debilitating rather than enhancing our understanding of the actual processes of policymaking, and the struggles and conflicts of interests underlying these processes. It is also important to realise that ‘intervention’ itself is not an explanan, but an explanandum which is in need of explanation (Thomsen 1991, p.153). This, in turn, necessitates conceptual categories to come to terms with ‘collective action’ in ways in which theories premised on individualistic foundations and/or limited by empiricist epistemologies could not provide. That is why a better understanding of the relations between states and markets can be realised if they are conceived in terms of alternative strategies of capitalist development, as it would provide us with insights into the conceptions held by the ‘actors’ concerned.

By the same token, the modalities of these relations that could be observed over the last two decades in many of the so-called emerging markets as they have experienced economic and political crises while going through different phases of financial liberalization could be contemplated as alternative strategies of adjustment to the vagaries of international financial markets rather than manifestations of a single project of restructuring attributed, *inter alia*, to globalization (cf.Cerny 1997; Robinson 2002). Yet, at the same time, it is also crucial to come to terms with these strategies as hegemonic projects to the extent that they fulfill certain functions in the reproduction of particular forms of social relations in historically specific contexts, as it will be briefly illustrated below in the particular example of the post-crisis Thailand. For the prevalent discourses would be hegemonic to the extent that its conceptual categories, as Max Weber put it, would have a meaning in the minds of individual persons, partly as something actually existing, partly as something with normative authority so that they have a powerful, often a decisive, causal influence on the course of their actions (Weber 1947, p.93). This, in turn, underlines the importance of the point that the nature of explananda is not merely a philosophical, nor even a purely academic concern, it is equally significant for the ‘actors’ involved in actual policy-making processes in particular and the ordinary people in general.

In Quest of a Theory : Predicaments of the Hegemonic Discourses on the State and the Market

As the dissatisfaction with the hard core of the neoclassical welfare economics mounted, the need for a ‘theory of government’ which would assign to the state a central role as a vital, integral element in the construction of an ‘efficient’ market economy has increasingly been underlined (cf.Bates 1989, p.5; Stiglitz 1989, p.39; Chang 1994). Similarly, as the rent-seeking literature has

been criticised for failing to account for the 'success stories', particularly of state-led industrialisation, there has been an increasing interest in exploring the possible ways in which the so-called predatory state could be transformed into a developmental one (cf.Bardhan 1990; Evans 1989, 1995; Öniş 1991, 1992). These attempts have generally taken the form of attempting to construct a functionalist 'theory of the state' which would explore the ways in which the structure of property rights can be (re)adjusted so as to achieve economic stability and prosperity, thus ensuring that the state plays a 'positive' role as the protector and enforcer of property rights instead of being degraded as the main source of insecurity and uncertainty (cf.Eggertsson 1990; Dornbusch 1993, p.4; Chang 1994, p.132).

More recently, it has become fashionable to argue for yet another version of such a functionalist theory in quest of attempts to facilitate the adjustment of the capitalist states in general, those of the periphery in particular, to the political economy of globalization, mainly understood in terms of the processes of financial liberalization. Thereby, as there would be an increased focus upon the ways in which the "capacities of the state" could be enhanced so as to deliver "collective goods efficiently", the World Bank and the IMF – not to omit the EU - would be seen in pursuit of "changing institutional structures established for different purposes to fit the rules of the game" (World Bank 1997, p.13). This would not only entail an acknowledgment of the need for state intervention as a positive attribute of a functioning market economy, but it would also highlight the identification of the state as a key agent of change. More precisely, there will be a shift of emphasis in the characterisation of the state as the basic determinant of the structure of property rights (cf. Campbell & Lindberg 1990; Radice 1999, p.14). For, it will not simply be degraded anymore as the cause of insecurity and uncertainty which debilitates the functioning of a market economy. Hence, the proliferation of notions such as the "regulatory state" and/or "competition state" with the celebrated function of fostering the newly discovered "collective goods" of the era of globalization such as commodification of public services and competitiveness of the firms as well as the economies (cf. Cerny 2000; Chin 2000; Jayasuriya & Rosser 2001; Phillips 2002). While others would argue that the globalization of finance functions as an objective constraint on the state's capacity to intervene (Patnaik 1999), i.e., curtailing its capacity to act in a way that will prioritize competitiveness especially in the periphery of the capitalist world.

Either way, the state turns out to be the key actor for the realisation of the 'market reforms', since social classes and/or interest-based organisations are portrayed, at best, as ineffectual advocates, or more likely, as obstacles both for the necessary policy changes and for the coherence of the

policies once they are set on the agenda (cf.Bates & Krueger 1993; Biersteker 1992; Richards & Waterbury 1990, p.225). In other words, the (relative) autonomy of the state functions as a principle of explanation, as 'interest-based' explanations are found wanting to account for the initiation, or lack of initiation, of these reforms. If taken for granted, this also implies either a lack of ability on the part of the individuals, groups, firms, etc. which comprise these interests, to translate their calculations of economic benefits into public policy (cf.Gourevitch 1977), or conversely, the existence of groups of interest which are unable to go beyond, in Gramsci's terms, their 'economic-corporate moment' (Gramsci 1971, p.181). Either way, from the point of view of neoliberal political economy, this serves to underline the 'public good' nature of the policy reforms (Bates & Krueger 1993; Schamis 1999). But this presents a series of inconsistencies for the perspective(s) in question. For, in as much as the creation of competitive markets and integration into the world economy are envisaged as the goals of these policy reforms (Williamson 1993), the states and/or governments are expected to contribute to the provision of these internationally acclaimed public goods by overcoming the resistance of different sections of the society which are said to have a vested interest in opposing the policy changes (Roemer & Radelet 1991; World Bank 1985). In a sense, the market reforms are expected to be carried out for the good of the market agents but in spite of the very same agents.

Thereby, the initiation of 'policy reforms' could only be accounted for by means of exogenous factors such as the emergence of 'enlightened technocrats' or the international financial institutions acting as the 'third party' (cf.Bates & Krueger 1993, p.464; Waterbury 1992). Ironically, the protagonists of the rent-seeking analysis who, initially, set out to challenge the *autonomy* of politics by constructing a social theory on the basic individualistic postulate of microeconomics (Barry 1987, p.25), end up in search of a theory which would justify the *necessity* of an autonomous state to check the 'disruptive influence of distributional coalitions' (cf.Barkey 1990, p.29; Bates 1989, p.153; 1990, p.51; Chowdhury & Islam 1993, p.252; Haggard 1990, p.44). For others combining the jargon of the World Bank with that of the statist-institutionalists, "embedded autonomy" turns out to be a key to understand what the conditions of good governance are (Jomo 2001a; Teichman 2002).

While the ultimate objective, for one perspective, is an economy based on a more market-oriented allocation of resources, and structurally adjusted to the emerging forces of globalisation; by contrast, for the other, it might as well entail a desire to preserve a 'developmental state', setting the national priorities on 'behalf of' the capitalist class, and 'guiding' the markets for the

realisation of these objectives. Yet, there is clearly a common theme in so far as the state autonomy is perceived as a necessary, if not sufficient, condition for the formulation and implementation of ‘coherent’ and ‘rational’ policies (cf.Deyo 1987, p.230; Jenkins 1991; Krueger 1993, p.118; Wade 1990, p.375; Waterbury 1993, p.176; World Bank 1993, p.167). In particular, ‘its capacity to act as an agency of reform’ is seen by both perspectives as a function of the degree of the insulation of the policymakers from their surrounding social relationships (cf.Evans 1989; Miliband 1977, p.87; Wade 1990, p.375; World Bank 1993, p.167). Implicit in both is a predilection to approach the state as an ‘ideal collective capitalist’, functioning to improve the conditions of capital accumulation, albeit subject to a variety of constraints (cf.Jessop 1990, p.35; Offe 1984, p.120).

In fact, it has been a long established practice of a particular style of theorising about the state to postulate the state autonomy from the dominant classes as being indispensable for the pursuit of policies deemed essential for the systemic interests of capitalism and/or long term interests of the bourgeoisie and/or the interests of the society in general. This has, of course, been expressed in a variety of different contexts. But formulated in terms of the restructuring requirements of the economy and/or capital, the autonomy of the state is said to have been necessitated so as to overcome the possible sources of resistance by those fractions of capital and/or sections of the business elite whose interests could be prejudiced (cf.Barkey 1989; Fitzgerald 1979, p.5). Developed mainly within the problematic of ‘late-industrialisation’, this emphasis on the autonomy of the state emerges as a positive attribute to the extent that the state is expected to remove the bottlenecks in order to hasten the pace of economic development. Viewed as such, autonomy becomes an attribute of a ‘rational state’ (cf.Mommsen 1989, p.39; Silberman 1993, p.3).

It was typical of the so-called neo-Marxist theories of development to envisage a state independent of those interests opposed to industrialisation, both domestic and foreign, in order to accomplish the objective of ‘independent industrialisation’ (cf. Colman & Nixson 1986, p.313). In a similar fashion, to the extent that the structural adjustment policies are presented as necessary and beneficial in the long-term, then, they would appear as a strategy for ‘capital in general’ which could only be carried out by a state, autonomous from the particularistic demands of ‘many capitals’. Reproduced in the wake of the Asian financial crisis of the late 1990s in the form of what one could refer as ‘crony’-bashing, it simply reveals an inability to contemplate the possibility that processes of financial liberalization, too, generate incentives for rent-seeking behaviour irrespective of the institutional peculiarities of the states in question (cf.Schamis 1999).

Even in those accounts which would not identify 'cronyism' among the factors contributing to the Asian crisis, the loss of embedded autonomy would be regretted. More worryingly, the transition to democratic regimes in countries such as Thailand or South Korea would be seen as falsifying 'the proposition that more competitive politics yield better policies' (Wade 1998; see also Chang et al.1998; Haggard 2000). Thereby, the Olsonian denunciation of interest-group based politics would be reiterated, as the relationship between the political parties and businessmen would be characterized by the pursuit of distributive objectives, seeking unproductive rents rather than the common or public interest. More curiously, embedded autonomy emerges as a characteristic of authoritarian regimes rather than a specific feature of East Asian style 'private interest governments'. However, this was in line with the emphasis put on the centralisation and concentration of executive authority 'outside of normal institutional channels' by the statist-institutionalist approach for breaking 'anti-reform networks', and *ipso facto*, to realise the insulation of central decision makers from distributive claims (cf. Haggard & Kaufman 1992, p.23). The upshot of all is that the advocates of such theories do not seem to heed the warning made long ago by one of the most important state theorists of the last century, namely, that the relative autonomy of the capitalist state cannot be taken in the sense of the state being the locus of a coherent and rational policy 'external' to capital (Poulantzas 1975, p.158).

This is also implicit in the anti-state, albeit state-centred, approaches which portray the state in exactly the opposite terms, basically as an impediment to capital accumulation, as the state in question is vehemently criticised for failing to enforce the discipline of the market by not confining itself to its 'regulatory' functions. In as much as they share the basic objectives of structural adjustment, however, a rather different perspective of the role of the state, inevitably, comes to the fore, one that would require the state to give priority to the internationalisation of the national economy. Hence, a new round of attempts to develop a "theory of state" that will counterbalance not only those which prematurely hail the end of the nation-state paradigm, but also those that allegedly deny it the capacity to constitute structures; thereby aiming to pave the ground for a more balanced analysis apposite for the 'new global era' (cf. Hobson & Ramesh 2002).

On the other hand, for those who concur that the market is not self-regulating and autonomous and that it needed the 'guiding hand' of the state so as to bring about what cannot be produced spontaneously, this meant that the state should, if and when necessary, go beyond merely setting the broad rules of the game and interfere with the market process to affect, and if necessary, to

correct the outcomes (Giersch et al.1992, p.31). However, for the state to be able to do so, the market system needed to be understood as determinate phenomena so that the state and/or the outside observer could objectively perceive its functioning, and subsequently make the necessary 'interventions' (cf.Dobb 1937, p.34; Ioannides 1992, p.8). Still, there is no indication of any attempt to take into account of the relations of power involved in the market, a field of inquiry totally left out by the 'closed' system of general equilibrium economics.

Last but not least, it is important to underline that there is a built-in contradiction implicit in the analysis proposed by the choice-theoretic approach. For their assumption of coalition management as the most effective way of overcoming political opposition to economic adjustment entails the perpetuation of the state as the primary instrument of private accumulation (cf. Haggard & Kaufman 1992, p.8; Nelson 1989, p.10; Waterbury 1989, p.40). In other words, the discretionary use of public resources to direct flows to targeted groups could not be considered as simply furthering the aims of the state, as presumed by the predatory theory of the state, but turns out to be mandatory for initiating a transition to market economy and/or an export-oriented strategy and/or financial liberalization. For the state would have to continue to function as before in order to guarantee the success of the structural adjustment as a political project, despite the ideological assault of the New Right on 'vested interests'. Hence, the impasse of the choice-theoretic approach, for as long as the discretion over the allocation of resources would be perceived as essential for coalition-building and maintenance, then, it would never be possible to curtail 'vested interests' because that would weaken the chances to sustain 'winners' coalitions (cf. Kingstone 1999, p.139; Schamis 1999). Moreoever, the policy-makers concerned with building 'winners coalitions' would be justified in disregarding other key objectives of the structural adjustment such as macroeconomic stability and competitiveness.

As for the futility of such attempts to invent theories or paradigms as 'middle-range generalisations' to deal with the 'logic of particularity', suffice it to say that the proponents of these new 'paradigms' do not seem to be aware that the replacement of one theory/paradigm by another often means the introduction of new ontological classes, and the rejection of the entities described by the previous theory as non-existent (cf. Devitt 1984, p.17; Keat & Urry 1982, p.62). It is important to realise that to establish the state as an object of analysis does not necessitate the implicit assumption of envisaging the state as a *sui generis* reality. Nor a nominalist strategy of glossing over the ontological issues so as to present it merely as a methodological inquiry of (hypothetical) cause and effect relationship would do any better. Certainly, it would not justify

the use of the state as an 'independent variable' in providing explanations of either crises or policy change (or lack of it) within a comparative framework.

A 'theory of state', in a sense, is a misnomer since at a certain level of abstraction, it is not possible to refer to 'the state' as an entity with a separable existence (cf. Corrigan et al.1980, Sayer 1985; Poulantzas 1978, p.19). Such a theory would only be plausible to the extent that it enhances our understanding of the relationships between the economic and the political, conceived as 'forms' of social relations, or in Gramsci's terms, two 'moments' of reality, rather than distinct entities existing separately from each other. It is equally necessary to avoid contemplating them as mere forms of manifestation of one essential level (cf. Geras 1973, p.299). Nor are they already constituted essences, inherently autonomous or otherwise, which then enter into external relations with each other (cf.Poulantzas 1973, p.17; Anderson 1980, p.69). Similarly, it is important to deny the existence of the state as an ontologically distinct entity from the society and/or classes, either as an object or as a subject. The state is a reality as it is constitutive of the social relations, and yet not ontologically distinct from them, just as other 'forms of appearance' are 'real' (cf.Poulantzas 1978; Vincent 1992). This is, we believe, an important principle in conceptualising the relations between the state and the economy as 'internal relations'. And this is what is entailed by the conception of the state as a form of social relations. A non-essentialist realism based on internal relations would allow for an understanding of 'essential relations', in Marx's terminology, not as a specific substance, or a hidden level of reality, but as those relations whose existence explains why phenomena should take such forms. For 'essence' is not an ontological category in Marx, but a category of *method* (Crook 1982).[1] Put differently, essential relations do not exist independently of their phenomenal forms, but they constitute the explanans for them. A realist epistemology is, therefore, necessary since essential relations, unlike phenomenal forms, need not be transparent to direct experience and observation (cf.Keat & Urry 1983, p.237; Sayer 1987, p.54).

Conversely, phenomenal forms to the extent they are reified into timeless generalisations, and treated as 'transhistorical categories', obscure the relations of which they are the forms of manifestation (cf.Sayer 1983, p.9; Bromley 1991). This, in turn, leads to modes of explanation of

[1] This is important to avoid any misleading conception of the state as 'a phenomenal form of the capital relation' (cf.Holloway & Picciotto 1977). For Marx, such an absolute division of reality into appearance and essence did not exist, since his main unit analysis, i.e., social relations, include both appearance and essence (Ollman 1993, p.45).

the ‘origins’ of phenomena in factors external to them, that is, to rather futile efforts to construct models so as to set out their necessary and sufficient ‘conditions of existence’ in terms of combinations of other factors. Therefore, if one is to avoid this oft repeated theoretical cul-de sac, it is essential to approach the determination of social forms as an historical process whose dynamic is internal to it.

For, in the present era as ever, state power is integral for the constitution *and* the reproduction of the market economy as a ‘form’ of the capitalist relations of production. Such a perspective will also be deemed necessary to challenge the so-called cultural turn in the social sciences which purports to develop an understanding of systems of signification and subjectivity as constitutive of social reality, and insists for the cultural and social construction of boundaries between the economic and political as imaginatively narrated systems. Concomitantly, there is the need to come to terms with the constitution of the social classes in general, and the bourgeoisie in particular, ‘within and through the state’, if one is to avoid the relationship between the state and social classes being viewed as one of externality.

This, in turn, underlines the need to treat concepts like ‘the State’ as ‘empirically open-ended’ so as to come to terms with the relational and the historical character of social reality (cf.Corrigan et al. 1979, p.9; Dyson 1980, p.253; Elson 1979; Sayer 1987, p.23). Put differently, an understanding of the historically specific processes of class and state formation in different ‘national’ contexts, albeit conditioned by the changes in the capitalist world economy, could only be enhanced by employing such an empirically open methodology within a common explanatory framework. Such a methodological reminder is deemed necessary in the light of the several debates which have engulfed us at the turn of the century, which purport to provide explanations for the propensity of the capitalist societies at the periphery of the capitalist world economy to experience crises rather intermittently.

Financial Crises in the Age of Globalisation and the Role of the IMF

> “There are phases in the economic life of modern nations when everybody is seized with a sort of craze for making profit without producing. This speculation craze, which recurs periodically, lays bare the true character of competition, which seeks to escape the need for industrial emulation.” (Marx 1847, p.191)

The age of globalisation, if one is to go by the promises made for at least a decade, was supposed to bring economic growth, prosperity and stability for the participants of the post-Cold War international economic order. But ironically, it has been so far plagued with a series of financial crises especially in the 1990s - another "lost decade" for many especially in Latin America - which not only posed a threat to the stability of the financial system, but more significantly, wreaked havoc with the contention that the policies of financial liberalization in general, of capital account liberalization in particular, would constitute the lynchpin of political and economic stability. Moreover, the processes in question cast serious doubt about both the functions and objectives of the IMF as it appeared to define its *raison d'etre* increasingly in terms of the promotion of capital mobility, no doubt prompted by the contention that the trend toward capital account convertibility is 'irreversible' - thereby overlooking the fact that it requires in the final analysis a 'political' decision to put it into effect.[2] Consequently, the primary objective of the IMF supported programmes is perceived to be improving the access of indebted countries to international capital markets, notwithstanding the lack of empirical evidence that involvement by the multilateral organisations will guarantee an inflow of capital from other sources (cf. Bird et al.2000). Yet, as that would be the case in the recent examples of Argentina and Turkey, the IMF financial assistance would function effectively – more successfully in the latter than in the former - to take the crisis ridden economies out of the international financial market so as to insulate them from its vagaries, at least temporarily.[3] For, apparently, 'there is a broad acceptance of the proposition that debt can become unpayable', even by the IMF nowadays.[4]

On the other hand, it is noteworthy that the IMF itself would be engaged in a process of soul-searching in the wake of criticisms that it failed to anticipate and/or prevent 'the capital account crises', or worse actually contributing to these crises with its recommended policies. However, this would seem to be a rather limited exercise in seeking ways in which the benefits from free access to capital markets could be enhanced, whilst the costs and risks would be minimized.[5] There has apparently been a shift in the IMF stance from the days when capital account liberalization would be seen as a signifier of modernization in the age of globalization, to the

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[2] See for example *IMF Annual Report 1998* for the reiteration of this in the wake of the Asian crisis.

[3] See B.Eichengreen's background paper for the World Bank's *Global Development Finance 2002*, entitled "Crisis Prevention and Management : Any New Lessons from Argentina and Turkey", October 2001.

[4] Jack Boorman, Special Advisor to the Managing Director of the IMF, 30.4.2003, www.imf.org.

[5] As part of this exercise, 'an independent evaluation office' has been established in the IMF since 2000 to operate 'independently of IMF management and at arm's length from the IMF's Executive Board'.

present when the institution would *not* seek it as 'an obligation of membership'.[6] No less significantly, recent IMF studies would start to acknowledge that 'the empirical evidence has not established a definitive proof that financial integration has enhanced growth for developing countries.'[7] Coupled with the perplexing reproach that capital account liberalization has mistakenly been considered an integral part of the so-called Washington consensus,[8] it seems to amount to a recognition that alternative strategies of capitalist development and/or adjustment is a realistic possibility, albeit within the context of financial globalization. For the same study will note that while there are countries though relatively financially integrated which would still fail to achieve relatively high growth rates, there are also those which have managed to achieve very high growth rates, without having really opened capital accounts in all dimensions. Hence, the conclusion that 'there may be value for developing countries to experiment with different paces and strategies in pursuing financial integration'; which no doubt goes beyond the confines of the so-called sequencing debate.

What is even more striking is the extent to which another recent IMF study would go in concurring with the critiques, however belatedly, that the IMF's 'conventional approach' - i.e., its adherence to 'the monetary approach to the balance of payments' - is not 'well-suited' to deal with the capital account crises.[9] In particular, the inadequacy of this approach in situations of 'twin crises,' in which a balance of payments crisis triggered by capital outflows takes place simultaneously with a banking crisis, would be underlined. Furthermore, this admission of the inadequacy of the IMF's traditional tool box is significant in laying bare the futility of using

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[6] It is noteworthy that "the proposed amendment of the IMF's Articles to make the liberalization of capital movements one of the purposes of the IMF and extend, as needed, the IMF's jurisdiction through the establishment of carefully defined and uniformly applied obligations regarding the liberalization of such movements" would be quietly shelved. The background to this strategic reorientation is yet to be explored. The following remarks by Stanley Fischer (27.6.2001) are revealing: "Initially [the Clinton Administration] supported amending the IMF's Articles of Agreement to make promotion of capital account liberalization a goal of the Fund, but in the face of Congressional opposition, it later withdrew its support. That was a pity …"; see also Letters to the Editor of *New Straits Times* (Malaysia), by Jack Boorman, Special Advisor to the Managing Director of the IMF, February 3, 2003 and February 25, 2003. www.imf.org.

[7] "Effects of Financial Globalisation on Developing Countries: Some Empirical Evidence", 17 March 2003; see also the Transcript of an IMF Economic Forum, "Is Financial Globalisation Harmful for Developing Countries ?", 27 May 2003, www.imf.org.

[8] John Williamson, "Did the Washington Consensus Fail?", November 6, 2002, Institute for International Economics.

[9] Independent Evaluation Office, "Evaluation Report : IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil", July 28, 2003, www.imf.org.

either the money supply or the exchange rate as anchors of anti-inflationary policies.[10] However, it does not necessarily indicate any inclination to hold the underlying theory responsible for the perceived mishaps. Nor any willingness to concede that there were lessons to be learned from the previous experiences in Latin America and elsewhere that the use of such anchors would undermine the viability of export-oriented industrialization by driving a wedge between the ultimate objectives of structural adjustment strategy, namely, creditworthiness and competitiveness. Rather, in as much as it would limit itself with the predicament of how to reconcile the two conflicting objectives of monetary policy,[11] it would still be reproducing an explanation of the crisis in terms of 'policy-induced distortions',[12] even though this particular version would apportion the blame between the governments concerned and the IMF. To that extent one of its implications might as well be to illustrate the futility of portraying IMF-supported policies as a strategy for 'capital in general' which could only be carried out by a state, autonomous from the particularistic demands. Nor does it allow for the contemplation of the IMF stabilization programmes as being the locus of a coherent and rational policy 'external' to capital. This, in turn, necessitates a different approach to the nature of the crises experienced in the context of financial globalization from the one adopted by the IMF in particular, those of the liberal-individualist and statist-institutionalist perspectives in general. More fundamentally, it still begs the question of why such crises management polices proposed by the IMF which have more often than not led to disastrous outcomes themselves, have come into effect in the first place.

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[10] One significant example is provided by the adoption of the Turkish government in December 1999 of an IMF programme which aimed to use the exchange rate as an anchor, but in less than a year caused a situation of 'twin crises' itself.

[11] Independent Evaluation Office, "Evaluation Report : IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil", July 28, 2003 : "To confront a balance of payments crisis, the appropriate policy responses entail an exchange rate change, tightening of monetary policy, and tightened fiscal policy. To stem a financial crisis, by contrast, entails loosening of monetary policy, maintenance (or even appreciation) of the nominal exchange rate, and financial restructuring. ... To a significant degree, in the presence of twin crises, whatever is done to address one will, in the short run, make the other worse. In the light of these considerations, it is difficult to pronounce definitively on the appropriateness of monetary conditionality in the three crisis countries. The IMF was aware that tight monetary policy designed to stabilize exchange rates could have an adverse impact on the corporate and banking sectors, if they were highly leveraged. However, it was also concerned about the adverse impact on the economy of excessive exchange rate depreciation if the corporate sector had a large unhedged debt position in foreign currency. In a twin crisis, it remains an unresolved issue how to reconcile the two conflicting objectives of monetary policy."

[12] "The dislocation and disorder that occurs in such cases is often the result of a reluctance on the part of the country's authorities, first, to confront the underlying policy problems or, subsequently, to approach the country's creditors for relief when its debt has become unsustainable." Jack Boorman, Special Advisor to the Managing Director of the IMF, 30.4.2003, www.imf.org.

At first glance, two closely linked developments that preceded the financial crises may be easily identified. One was the dramatic acceleration in the expansion and the circulation of financial (interest bearing or/and speculative) capital in the world economy during the 1980s and 1990s, which, in turn, led to what was described as the 'policy competition' between countries in need of external sources of finance to attract this ancient form of capital (cf. Ocampo 1999). It would also instigate latter-day converts of neoliberalism such as the former President of Brazil to boast that

> *"We have something that neither Marx nor Weber nor anyone else imagined — they couldn't have done: capital has internationalized rapidly and is available in abundance. Some countries can take advantage of this excess of capital, and Brazil is one of them"* (F.H. Cardoso as quoted by Rocha 2002).

Yet, as this policy competition led many countries to receive capital inflows 'far in excess of what they could absorb', as it turned out be the case in Latin America, it would not be too difficult to come to the conclusion that since 'international financial crises are spawned during periods of excessive capital inflows which gradually undermine the recipient countries' macroeconomic fundamentals. These crises are, then, an inevitable consequence of the booms in capital inflows that precede them' (ECLAC 2002a). The main problem facing heavily indebted countries then turns out to be debt refinancing and the funding of current-account deficits created by capital service payments (interest and profits). The balance-of-trade deficit becomes less important by comparison with the permanent, growing deficits seen in the financial and factor services accounts (Frenkel 2001). Hence, the proliferation of episodes where increasing financial inflows and current account deterioration were matched with an ongoing real appreciation of the currency; thereby undermining the contemplation of competitiveness as a viable policy objective (Rodrik 2001; Palma 2000b). Neoliberal response would be rather inconsequential as it would tend to put the blame once again on the recipient governments for neglecting the fact that capital flows are 'pro-cyclical'. In other words, they ought not to have used these short-term funds for financing budget and/or current account deficits. It would also provide an excuse for the IMF against the criticisms of incompetence by contending that 'the IMF's influence was particularly limited by the general strength of capital flows to emerging markets in the period preceding the crisis'[13], thereby reiterating the IMF's age-old objection to the availability of external sources of finance as a means of avoiding adjustment.

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[13] Independent Evaluation Office, "Evaluation Report : IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil", July 28, 2003.

While the host country governments involved in the 'policy competition' would be keen 'to adopt the policy package they believe the market considers to represent best practice', so as to 'emerge' as a rather privileged destination for the capital flows, this would be seen, on the one hand, as weakening the historical mechanisms of concerted action (such as the Group of 77) among them (Ocampo 1999), and eroding the remaining policy autonomy they might have maintained, on the other. As for the contents of these policy packages, it has increasingly been a characteristic feature of IMF-supported programmes to include 'structural reforms' as an integral part of their conditionality whose relevance for the immediate issues at hand, i.e., the problems of illiquidity and/or insolvency on the part of the indebted parties have been considered, at best, dubious. This, in turn, would provide support for the instrumentalist critiques of the IMF of different persuasions, ranging from 'moral hazard' arguments on the right, to the depictions of the IMF on the left as the loyal servant of the international finance capital in general, and of the US multinationals in particular. What was missing in this type of analysis, however, was 'politics', i.e. the historically specific ways in which policy decisions have been made entailing the collision and/or collusion of perceived interests on the basis of existing horizons of action on the part of the constituents of respective power blocs in different national contexts.

Although there seemed to be a certain degree of difference of opinion regarding the extent of the policy autonomy or lack of it,[14] ironically, 'the accumulation of liabilities' should have been regarded as a "rational" form of individual behaviour by the advocates of capital account convertibility (ECLAC 2002a). For, 'it was the firm commitment to a credible policy agenda which seemed to impress markets. And it seemed quite possible to deliver this outside the auspices of the Fund, and even using policies which were against its advice' (Bird et al.2000). Or as Dani Rodrik puts it, 'countries that articulate credible growth strategies are likely to find themselves the recipients of capital inflows even if they buck the trend of financial openness'. In fact, the absence of policy-based adjustment loans from the Bretton Woods institutions until the Asian crisis did not prevent Malaysia from experiencing big inflows of portfolio and foreign direct investment, which were used to finance chronic current account deficits.

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[14] One critical dispute concerns the choice of the exchange rate regime. That is, while the official IMF position would tend not to discriminate between the so-called floating exchange rates and fixed exchange rate regimes, arguing that the choice would depend on the 'specific circumstances of individual countries' (IMF Annual Report 1998); since there is a general tendency for the real exchange rate to appreciate in response to financial inflows, it has been observed, there is 'an increasingly common pattern where financial flows are in the driving seat for the real exchange rate. ... [For] a reduction in inflows depreciates the real exchange rate ... [but] a deterioration in the current account is accompanied by appreciation of the real exchange rate.' (Rodrik 2001)

On the other hand, the IMF plays a critical role both as the 'crisis lender' providing financing from its own resources and the 'crisis manager' arranging supplementary resources from official financing and encouraging private sector involvement.[15] Yet, the policy choices in response to crises would show significant variation. For instance, in the wake of the crisis, while Korea would pursue a tight monetary policy together with fiscal austerity prescribed by the IMF and liberalise its capital account with a free floating exchange rate regime, Malaysia would initially adopt the orthodox approach without IMF involvement, and subsequently go on to bring in capital controls so as to check the outflow of capital, whilst returning effectively to a fixed exchange rate regime (cf.Jomo 1998; Mahani et al.2003). Similarly, Brazil would adopt the Real plan in 1993, and subsequently reach a rescheduling agreement with its creditor banks without reaching an agreement with the IMF. Oddly, the IMF agreement when it finally arrived at the end of 1998 would be no more than a precursor for the debacle that would follow a month later.

More generally, as it has also been observed in the wake of the 1997 Asian financial crisis, differences in macroeconomic 'fundamentals' and macroeconomic (mis)management in the period building up to the crisis would not suffice to account neither for the origins of the crisis nor for the subsequent contagion effects, given the great heterogeneity in economic conditions and structures amongst the economies of East and Southeast Asia with respect to the pre-crisis period, the initial impact and the subsequent recoveries (Nixson & Walters 2002). Consequently, the IMF in particular, would be prone to the criticism for not taking into account the regional as well as country specific differences, whilst prescribing ways out of the crises. In particular, there were significant differences between the different regions as well as within them about the ways in which the capital flows have been utilized. While they would be instrumental in stepping up investment ratios above already high levels in many NICs of East and Southeast Asia, thus providing an explanation for the current account deficits - one of the yardsticks for the IMF to judge the severity of a crisis situation - in terms of 'excessive investments', that is, 'excess of investment over savings' by the corporate sector, in South Korea in particular (cf. Patnaik 1999; Chang et al.1998; Wade 1998). In other contexts, especially in Latin America, where there has been a historical tendency for low levels of savings and investment, the capital flows would accompany a generalized decline in aggregate investment and erratic growth so that investment and growth rates would remain lower in the 1990s compared to the pre-1980 period (Katz 2000;

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[15] Independent Evaluation Office, "Evaluation Report : IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil", July 28, 2003.

Moguillansky 2002). There were also differences between the forms that capital flows would take. Yet, whether as portfolio or direct investments, they have not only emerged as important determinants of the level and the direction of investments, but certainly accelerated a process of restructuring of capital in both Latin America and Asia, thus, in many cases prompting the accusations of de-nationalisation and/or de-industrialisation (cf.Patnaik 1999; Rocha 2002).

It is instructive, however, to read that, according to *The Economist*, 'East Asia's financial crisis of 1997-98, however cataclysmic it seemed at the time, was also the best thing that could have happened to the region'.[16] For it highlights once again that the economic crises of capitalism are 'organic moments' in the reproduction of social relations of production. While they may find expression as political crises, they also play the role of a 'purge' of capitalism and are in fact the very conditions of its extended reproduction and perpetuation (Poulantzas 1975, p.171-172). Indeed, as it has been observed in the Latin American context, with the processes of deregulation, privatization and capital account liberalization,

> each of the region's societies is going through its own episode of destroying an old, inward-oriented organizational model, while gradually (and painfully) developing a new, more outward- and market-oriented model, whose basic structural features are still being forged and whose long-term behaviour is thus largely unknown. This building-up process is proving to be highly heterogeneous across industries, regions and firms (Katz 2001).

It is, therefore, impractical to consider the financial crises of the era of globalisation as 'dysfunctional' moments which the states of the crisis-ridden economies, or the IMF for that matter, as rationalizing instance, simply attempt to 'avoid' (cf. Poulantzas 1975, p.171-172).[17]

If the reincarnation of finance capital in the form of so-called hot money, its volatility being unanimously identified as its main characteristic, has been one major factor to account for the nature of the crises of the current phase of globalization, the other has no doubt centred on the institutional architecture both on the nation-state and international levels. Indeed, even the intellectual bastion of the Latin American structuralist thinking would not refrain from stating that 'crises can be said to be the result of a type of behaviour which is motivated by the absence of international institutions capable of regulating the globalization of financial activity' (ECLAC 2002a). As for the domestic regulations or lack of them, the emphasis on the so-called second

[16] The Economist, 6.2.2003.

[17] "International capital mobility is potentially beneficial for the world economy, including for the emerging market and developing countries. But this potential can only be realized if the frequency and scale of capital account crises can be reduced." (S.Fischer, Jan.3, 1999, www.imf.org)

generation reforms by the IMF would indicate both a continuing adherence to the removal of rigidities allegedly preventing the free functioning of the markets and an acknowledgement of the need for regulatory reforms. By the same token, according to a prominent theorist of the competition state:

> [d]eregulation must not be seen just as the lifting of old regulations, but as the formulation of new regulatory structures which are designed to cope with, and even anticipate, shifts in competitive advantage. However, these new regulatory structures are often designed to *enforce* global market-rational economic and political behaviour on rigid and inflexible private sector actors as well as on state actors and agencies (to make them) more market-minded in their decisions and structures.(Cerny 2000, italics original)

To the extent that it has been realized the onslaught on the alleged rigidities has certainly exacerbated the inherent instability in the global financial markets and the vulnerability of the individual economies to the external shocks and hence played a critical role in the eruption of a series of financial crises in 1990s. In a sense, the destruction caused by this onslaught would be attempted to be explained away by the relative failure in accomplishing the new institutional safeguards. Indeed, for the theorists of the competition state, this would be tantamount to a failure to complete the transition to that kind of state. But it is curious to understand why there has been a failure in regards to the realization of regulatory reforms. For they had already been acknowledged by many, including the Bretton Woods institutions back in the heyday of neoliberalism when the so called first generation reforms had been vigourously implemented. For instance, a World Bank study would derive the following 'important lessons' from Chile's otherwise much-acclaimed experience in neoliberal restructuring :

> Financial reforms need to accompanied by strict supervision of the banking and financial sectors to avoid undue financial concentration and prevent unsound banking practices. Governments need to be particularly alert in countries where conglomerates form an important segment of the industrial sector. … There was a lack of supervision of the financial sector and virtually no monitoring of bank portfolios. As a result, most of the financial intermediaries were acquired by one of several large conglomerates. These ... *grupos* used the financial resources obtained through a newly acquired bank either to buy firms that were being privatised or to expand their own operations. (World Bank 1987, p.121)

The key to the puzzle is entailed in this revealing observation by the World Bank, namely, the need to focus upon the relations between the state and capital, and the specific institutional form the latter has acquired in many peripheral economies of the capitalist world.

The Missing Link: An Anatomy of Capital Groups

> "Aside from the market-State dichotomy, however, the discussion has overlooked the main actors: the companies. The perception of companies as agents who simply react to a series of opportunities suffers from limitations, as it fails to analyse how companies learn and how they may change when faced with different situations. … it is necessary to study companies more closely: they have never been the puppets of public policy and will not be mere automata in the marketplace." (Barros 1996)

> "[T]he quality that seems ... to be an essential feature of the general history of capitalism is its unlimited flexibility, its capacity for change and *adaptation*. ... [T]he capitalist class has always been able to direct and control change in such a way as to preserve its hegemony. ... [T]he essential characteristic of capitalism was its capacity to slip at a moment's notice from one form or sector to another, in times of crisis or of pronounced decline in profit rates." (Braudel 1985, p.433)

While there has generally been a relative lack of interest in the study of the firm on the part of the practitioners of neoliberal political economy as reflected in the quote by Barros (1996), the standard message of the existing studies of the business communities of the peripheral countries basically conducted within the framework of modernization school is the same: that they constitute a politically weak class, highly dependent on the state for their well-being, lacking an 'industrial outlook', susceptible to quick, short-term profits, as they are determined to avoid risk-taking (cf. Buğra 1994; Cardoso 1967; Camp 1989). Even in the case of the East Asian miracles, there are hardly any ground-breaking contributions in this respect, since more often than not the states of the respective cases rather than the business communities themselves would function as the explanan of the success stories.

Yet, the analysis of the business communities gains a new saliency in the present era. For the experience of the last two decades has amply demonstrated that it is not possible to analyze the state/market relations severed from the power relations. At a time, when class both as a social category and as a tool for analysis would tend to be discredited, the significance of capital groups as a class actor in the context of the neoliberal transformation process as well as a key adjustment mechanism within the context of financial crises could only glossed over at the peril of failing to come to terms with the changing social reality. Furthermore, to account for the state as a key agent of social transformation which has itself been transformed as part of the changing social relations, it is essential to focus upon the relations between the capital groups and the state. There

is no doubt a case for putting paid to the conception of the relations between the states and business communities, whether in consensual or confrontational terms, on the basis of a philosophy of external relations. As aptly put by Leo Panitch,

> "Strength of corporations cannot be understood apart from the structure of the states from within which they operate. Their power is conditional upon, and indeed exercised through state apparatuses. It is not something external to those states." (Panitch 2001)

An anatomy of the capital groups will therefore be instructive in order to highlight their significance as a class actor in the context of the neoliberal transformation process. It will also highlight the role played by these 'groups' as a key adjustment mechanism in Latin America and East Asia as well as in Turkey within the context of financial crises. For their diversified structures signify their capacity as a specific institutional form of capital for flexibility and adaptation. In the context of financial globalization, this institutional form which have comprised a wide range of diversified interests (banking, manufacturing, foreign trade, tourism, construction, etc.), has provided the necessary flexibility to alter the relative weight assigned to different domains of activity *within* the group, in accordance with the changing priorities of macroeconomic policies. In that sense, the behaviour of the groups was a confirmation of their capacity as a specific institutional form of capital for flexibility and adaptation, as aptly described by Braudel in the above quote. The studies undertaken by the ECLAC scholars underlined the indispensability of an analysis of the role played by domestic economic groups and transnational corporations in order to understand the reasons for the different long-term performances of the Latin American countries and the particular features of the process of restructuring of production which have been taking shape in each case after the recent efforts at greater external trade openness and market deregulation (cf.Katz 2000, 2001; Mortimore 2000; Mortimore & Peres 2001).

Not only in Latin America where the states were said to exhibit characteristics of both neo-patrimonialism and embedded autonomy, but also in those East Asian states which provided the pretext for developing new paradigms, the economic groups tended to show remarkable similarities both in terms of their highly diversified structures and their propensity for speculative investments (cf. Bello & Rosenfeld 1992, p.71; Jenkins 1984, p.147; Suehiro 1993). It is also important to note that the diversification of activities on the part of the capitalist firms functioned more as a mechanism socialising the risks and/or losses while the gains would be private as it had been observed for East Asian miracles such as South Korea (cf. Whitley 1992, p.190; World Bank 1993, p.233). However, whether or not their ability to diversify entailed a determination for, what was famously referred to as, 'creative destruction', i.e., a willingness to destroy old

advantages by creating new ones (cf. Porter 1990, p.582), could not be judged in *a priori* manner, as exemplified by the rich variety of inter-regional as well as intra-regional differences in different parts of the periphery of the capitalist world economy.

It certainly would not provide much empirical evidence for the neoliberal dogmas that trade and financial liberalisation were going to switch the engine of growth towards domestically financed private investment in tradable production, that budgetary balance and unregulated market signals were going to prove practically sufficient conditions for macroeconomic equilibrium and microeconomic efficiency. Nor, at the macro level, fiscal balance would necessarily release significant amounts of private savings for more productive uses in the private sector. On the contrary, the engine of growth would seem to be switching away from private investment in tradable production towards private consumption, asset bubbles and externally financed private investment in non-tradable production and services (Palma 2000a, 2000b). Moroever, as it has been observed for Latin America, 'the larger the presence of transnational corporations, the greater the growth of investment, because capital market liberalization provided them with more financing options, and at lower costs' (Moguillansky & Bielschowsky 2001). And to the extent that it was plausible to talk of international competitiveness, it has largely been confined to certain economic agents, particularly large firms, be they transnational or locally owned. As a result, since the rest of the economy has lagged, it would make much more sense to say that 'Latin America has had export growth but not export-led growth' (Mortimore & Peres 2001). While trade liberalization, market deregulation and privatization, together with historical trends, have led to the gradual consolidation of new patterns of production specialization throughout the region, (Katz 2001), at the same time, there was an increasing disarticulation, or even disintegration, of production chains, since the fast-growing sectors did not transmit their dynamism to other parts of the economy. Thus, failure to increase demand for productive, high-skilled employment, and increased reliance on imported inputs and the strengthening of assembly operations would be identified as key weaknesses of the post-reform model, giving rise to soaring unemployment and deteriorating balance of payments (Moguillansky & Bielschowsky 2001).

As exemplified not only by many Latin American experiences, but also by the Turkish case, the domestic capital groups seemed, at best, indifferent to the characterization of international competitiveness of the economy concerned as an ultimate objective which would be accomplished by increasing competitiveness at the micro level. In the course of the 1990s, they would, like the multinational corporations, be interested into expanding into sectors for which

domestic market is the priority, whether it is newly privatized public utilities, such as energy or telecommunications, or cement and food-processing industries. More often than not, they were clearly not interested in investing into high-tech based industries which would compete for export markets, opting instead expanding into areas where there is relatively little competition and/or relatively less need for investment into new technologies. What probably distinguished the Turkish groups from most of their counterparts in both the first and second generation NICs, where the family-controlled groups have similarly shown an inclination to diversify into 'new growth industries' unrelated to their main line of activity, but promoted by the incentive policies of the states concerned, is the relative lack of investment into industries that would enhance the competitiveness of the economy as a whole. Many prominent Turkish businessmen would, in fact, go as far as asserting that a liberal market economy need not simply be understood as a competitive one, thereby, trying to justify their indulgence in engaging in 'complementary industries' such as off-shore banking and the like (Yalman 2001).

As observed for the East Asian cases in general, extensive links between financial institutions and corporations especially through group ownership were instrumental in inducing 'risky behaviour' on the part of the firms which have generally been characterized as highly leveraged (Claessens et al. 2000). Like their counterparts in Latin America and East Asia, the Turkish capital groups did not seem to be duly concerned by the increasing dependence on further borrowing as a means of financing the current account deficit at the macro level, and investments and/or expenditures at the micro level. Given the past experience of recurrent balance of payments crises, the Turkish capital groups and their representatives would, therefore, be eager to lend their support for the implementation of 'correct' policies that would sustain a steady flow of foreign exchange. The form of this inflow would be rather secondary. Furthermore, the process of financial liberalisation seemed to have the dual effect of driving the funds away from productive investments and strengthening the position of the commercial banks, and *ipso facto* of the groups, by making them the key agents of the money markets in general and the foreign exchange market in particular. This would, in turn, indicate the presence of social forces that had a direct interest in the appreciation of the real exchange rate, as it entailed cost reductions for those industries dependent upon imports of raw materials and intermediate goods. It would also reiterate the Turkish bourgeoisie's traditional resistance to the idea of an adjustment based on devaluation since a return to a policy of higher exchange rates would have caused havoc particularly among firms and/or banks which have exploited the differentials by borrowing cheaply abroad. What the Turkish experience highlights is that the process of financial liberalisation would not necessarily put an end to the functioning of the state as an 'asymmetric risk holder', whilst the mechanisms that have tended to 'socialise' the risk for the entrepreneurs might be changing. The increase in

public debt has, in fact, been indicative of a transfer of resources to the private sector in a variety of forms ranging from several subsidy and bailing-out schemes to a series of tax policy changes which have deliberately favoured the corporate sector, although like in other similar contexts, there would emerge casualties of the neoliberal restructuring process in the corporate sector as well.

However, it will be misleading to assume that the capacity of the capital groups to be able to direct and control change will always succeed to preserve their hegemony as a class. For the establishment of capitalist hegemony is as much about eliminating the space for alternatives as it is about winning positive and enthusiastic allegiance. Since there is no 'moment' of hegemony which is not contested, its establishment and maintenance would entail a process of re-definition of values as well as some form of representation of interests which have been excluded from sharing the benefits of neoliberal reforms and suffered most from the ensuing crises.

As it can be illustrated by a variety from the hegemonic strategies adopted by Carlos Menem in Argentina and Fernando Henrique Cardoso in Brazil to Mahatir Muhammed in Malaysia, there will always be an emphasis on winning the hearts and minds of the disenchanted of the previous era. A more recent example has been provided by the *Thai Rak Thai* (Thai Love Thai) Party of billionaire telecommunication tycoon Mr. Thaksin Shinatwara who sought to appeal to the resentment at all levels of society over the impact of the IMF's economic restructuring policies implemented by his predecessors in a country where a small number of families owned both banks and corporations. In the absence of any viable political alternative, - that is, reflecting a crisis of hegemony in the wake of the financial crisis - *Thai Rak Thai* was able to make a broader appeal by exploiting the dissatisfaction among layers of workers, farmers and the middle class over declining living standards, job losses and rising levels of poverty. What the Thai PM called "dual track plus" strategy was, in fact, in line with the World Bank's approach, as it attempted to combine poverty reduction with an emphasis on competitiveness, albeit with nationalist overtones. Given Thailand's long-lasting dependence on foreign savings, it would also continue to welcome foreign direct investment, thereby attempting to change the image of the country from being dubbed as a 'Casino of the East', to 'Detroit of the East' with renewed emphasis on the car industry as a leader of the export-orientation. Yet, it would also attempt to revive the domestic demand spurred by cheap finance and low interest rates, while the country would be a significant contributor to the post-crisis boom in East Asia. [18] Probably reflecting the change of

[18] Financial Times 15.4.2002; The Wall Street Journal, 25.8.2003.

times, a Morgan Stanley Dean Witter Asia expert, Danial Lian, writing from Singapore, would state that

> We see no need for Mr.Thaksin to apologise for taking a nationalistic stance; it is the right of every government to determine the mix of government-private and domestic-foreign ownership of domestic businesses and the economy.[19]

It is noteworthy in this regard that the government would complete an early repayment of its outstanding obligations to the IMF, having already left behind the 'post-program monitoring' phase, thereby forcing it to acknowledge that this reflects 'a strong macroeconomic and balance of payments performance over the past few years'.[20] Thaksin government's fortunes would certainly be worth following, as it would indicate the limits of accomplishing economic recovery without necessarily locked in the cage of IMF agreements. Put differently, along with other examples ranging from Lula da Silva administration in Brazil, to that of Nestor Kirchner in Argentina, it would provide clues about not only the limits of 'policy autonomy' in the era of capital account liberalization, but also highlight the ways in which particular development and/or adjustment strategies could function as successful hegemonic strategies.

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[19] Danial Lian, "Thailand: Understanding Mr. Thaksin's Latest Triology", 01/07/2003.

[20] Thailand Completes Early Repayment of 1997 Stand-By Arrangement, www. imf.org, 31.7.2003.

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