What is an Emerging Country and is it an Interesting Concept for the Social Sciences?

Jérôme Sgard

The birth of emerging economies

The notion of an emerging economy or country is remarkably shifting both in public discourse and in the more specialized parlance of the social sciences. It is actually easy to identify rich economies that are no longer supposed to emerge, and others that never emerged, such as in Africa. But between the two, the dividing line is not so clear: have South Korea, Greece and Portugal finished emerging? Have Peru and Morocco joined this envied club?

The very relevance of this term, which seems to mindlessly classify countries according to whether they are in front, behind or in the middle, is indeed questionable. Obviously, an immense variety of features escape this notion, as is attested by the recently invented BRIC superclass (Brazil, Russia, India and China). Yet even if the content is uncertain, the concept sells well: billions of dollars are now placed in investment funds specializing exclusively in this group. More generally, the stocks and bonds issued by emerging countries are the asset class that has offered the highest yields in recent years. Another element of a working definition is the birth date of this category, which was invented by financiers and business consultants in the early 1990s. Three factors were particularly significant in this initial phase:

(1) Emerging countries are first the product of the liberal reforms of the 1980s, born of "structural adjustment" (1985), which would soon become the crux of the Washington Consensus, i.e. trade liberalization, privatization of state enterprises,

06 part 1 - sgard.indd 28

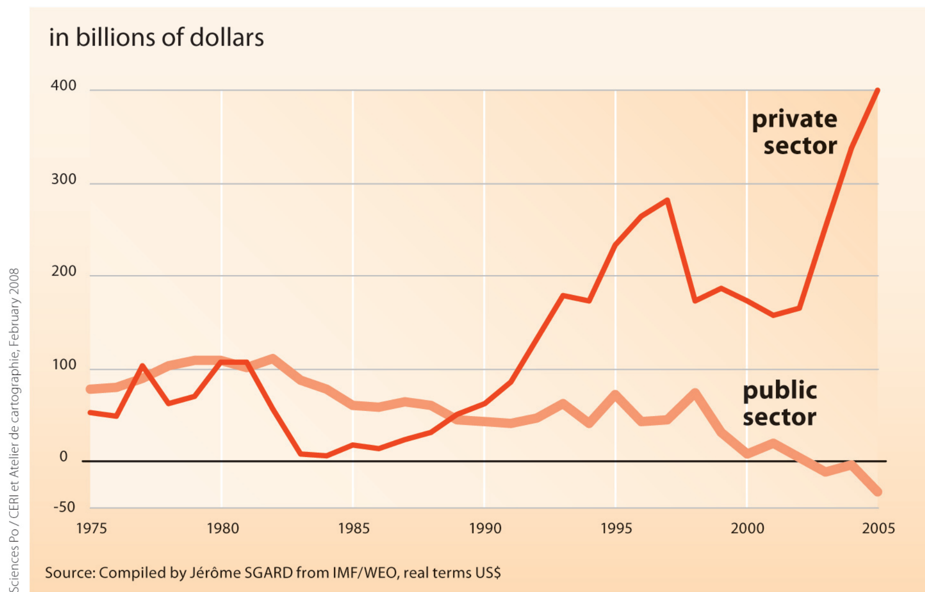
7/11/08 12:15:51

market deregulation, liberalization of the banking system, labour market flexibility (Williamson 1990).[1] After 1989, transition in Eastern Europe would further amplify and deepen this programme.

(2) That same year, the Brady Initiative enabled countries overburdened by debt since 1982 to obtain substantial debt relief (35% on average) (Cline 1994).[2] Its much-acclaimed success then reinforced reform and growth: its main beneficiaries still form the core members of the emerging economies club (except for Asia).[3]

(3) Lastly, capital markets were entirely reshaped by the Brady plans: once the principal was reduced, former bank loans were exchanged for freely convertible, dollar-denominated bonds, or Brady bonds - a star instrument of the 1990s. Thus, huge financial markets with both liquidity and financial depth were created almost overnight and offered a remarkable springboard for restarting North-South capital flows. Emerging markets are the offspring of the debt crisis.

figure 13: **Capital flows toward emerging economies, 1975-2005**



Source: Compiled by Jérôme SGARD from IMF/WEO, real terms US$

1 A distinction is generally made between macroeconomic adjustment, which has to do with the budget, currency and aggregate demand, and structural adjustment, which refers to the offer and long-term growth.

2 The "Brady Initiative" is generally used to refer to an overall strategy devised in 1989, with "Brady Plans" for each specific case. Between 1989 and 1993, 18 countries benefited from such loan reduction plans for a total of 190 billion dollars, with a total reduction of 60 billion.

3 Brady Plans were solely intended for countries with intermediate revenues, the future "emerging" economies, whereas the least advanced countries (LDCs according to the World Bank nomenclature) oddly enough benefited from a much more gradual debt reduction strategy (the so-called "Heavily Indebted Poor Countries" or HIPC Initiative). This program did not reach maturity until the early 2000s at best.

06 part 1 - sgard.indd 29 7/11/08 12:15:52

These three elements summarize what could be called "the programme of 1989". It was soon complemented by a separate, though revolutionary measure, which delivered the "programme of 1992", namely the total liberalization of short and long-term capital flows. On the one hand, international investors could now enter the domestic markets of emerging economies (stock market, public debt, banks); on the other, private actors from these countries gradually entered international capital markets (privatized utilities, regional industrial groups, financial concerns, etc). At this precise moment domestic liberalization became inextricably linked to participation in global trade and finance.

The most striking thing here is that contrary to developed countries, which took 20 to 30 years to open up their capital account (Helleiner 1994), emerging countries took this second step in three to four years in virtual silence, practically unnoticed. Many, including the International Monetary Fund (IMF), believed that it was merely a logical consequence of trade liberalization: why should a country reject the benefits of international financial exchange once it has accepted those of international commerce? This assumption soon proved to be misleading. As a rule, in the case of commodity trading, the price to pay for opening up is to be paid immediately (restructuring, layoffs, etc.), but the ensuing benefits are rarely disputed. In the case of finance, it is another matter. At first, capital flows in, redistributive conflicts are alleviated, households consume, the stock market rises and states borrow at low interest rates. The problem is that such booms repeatedly lead to declining investment quality: empty shopping centres, unoccupied office buildings, car loans never repaid. After two or three years of abundance, one should expect at best a serious crisis (which hit the Crédit Lyonnais or the United States Savings and Loans at the end of the 1980s), if not a wholesale bankruptcy of the banking system (Sweden and Finland in 1992, Eastern Europe in 1992 and 1996); or, at worst, a systemic collapse (Thailand and Indonesia in 1997).

In emerging economies, this chain of events was made much worse by ill-prepared reforms, which left them with a wholly deficient domestic oversight of markets and banks. Huge amounts of capital thus flowed in, from which the return often proved to be dismal, so that when the crash came, a rather standard banking crisis was typically compounded by a brutal, sometimes contagious foreign exchange crisis. The Mexican crisis of 1994-1995 revealed how devastating this conjunction could be. Whereas previously financial opening had happened almost unquestioned, within a few years the notion that the world economy had actually entered a completely new regime now made the headlines. In the now famous words of Michel Camdessus, then Managing Director of the IMF, this episode was widely perceived as "the first crisis of the 21st century" (Camdessus 1995). Later episodes fit within the same basic cycle of boom and bust, which reached its zenith in the autumn of 1998. After having swept three Southeast Asian countries,

then South Korea and then Russia, the contagion shifted to Wall Street with the near bankruptcy of the LTCM hedge fund, which required emergency intervention from the Federal Reserve Bank in New York (Sgard 2002).[4]

At this exact moment, when the hurricane was nearing US coasts, President Bill Clinton made his famous speech about "the new international architecture" (Clinton 1998). The very term attested to the then widely shared view that capital markets could go berserk, that they might soon self-destruct, possibly carrying off the savings of millions of American families. In the face of these pressing risks, Clinton solemnly asserted that global financial markets needed rules and arbitrators, possibly sanctions and police officers. But this constructivist radicalism of the autumn of 1998 was soon forgotten: in the following years, official or private working groups regularly concluded that exercises in architectural design were pointless, or even dangerous, and that private actors would come up with effective solutions in due time.[5]

It is rather easy to see this as just another ideological proclamation, especially since the behaviour of financial operators has hardly grown more stable over the last decade: they still demonstrate a strong herd instinct and collective appetite for recklessness.[6] Yet it must also be acknowledged that since the early 2000s, financial crises in emerging economies are (almost) a thing of the past.[7] Banking systems have been solidly rebuilt; growth is high, speculative bubbles are corrected faster and cause less damage; correction phases better differentiate between more or less fragile countries, and lastly, the macroeconomic cost of market shocks is lower. The risks incurred by the boom and bust cycle did not disappear altogether, as the US-based subprime crisis has reminded us. As regards emerging economies, we are however in a third phase of development: after the boom (1989-96) and the crisis (1995, 1997-99) a degree of maturity has been reached in many countries, combining sustained growth, strong international integration and solid economic know-how.

Hence our main assumption: the greater stability of the world economy in the east and south is not merely due to stronger markets or to better international regulation. It primarily comes from states and local regulators. Learning processes, institution-building, and keener knowledge of economic dynamics have enabled countries to better protect themselves and support domestic investment and growth. In this way a more stable global order has emerged from a bottom-up

4 Southeast Asia (Thailand, Malaysia, Indonesia) were hit mainly in the second half of 1997, South Korea in the last two months of the same year, Russia between June and August 1998, then Brazil between October 1998 and January 1999.

5 The Enron scandal in the end had considerably greater consequences on the regulation of American markets than did the crisis in emerging markets. See Group of Ten 1997, Williamson 2000, Eichengreen 1999.

6 In early 2006, doubts about the stability of exchange rates and the banking system in Iceland (290,000 inhabitants and a GDP equal to 9% of Thailand's GDP) caused a number of markets to plunge, from Hungary to Turkey and New Zealand.

7 The Argentine crisis in 2001-2, although particularly severe, remains in many ways part of the cycle of the 1990s.

06 part 1 - sgard.indd 31 7/11/08 12:15:53

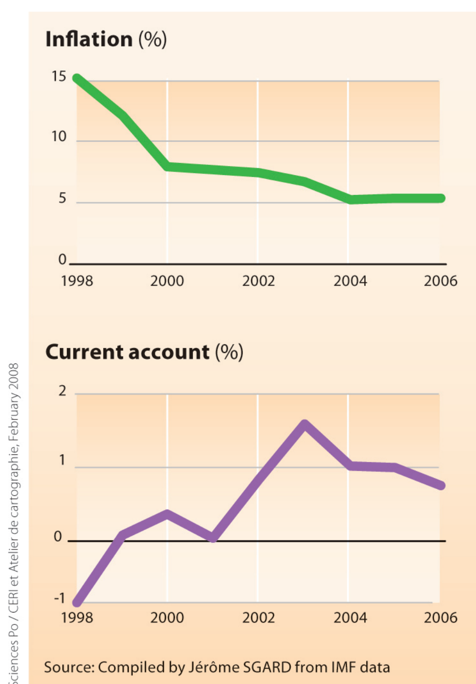
process of aggregation, in a most decentralized and differentiated fashion. The global economy is stronger, simply because the parties are more resilient. It is exactly the opposite of an international architecture that would have been designed by inspired engineers.

Greater economic regulation

Economists, IMF technocrats and bankers have already established a long list of factors to explain the new "resilience" of emerging economies. Macroeconomic policies, first of all, have in general become far more solid, confirming the triumph of the Washington Consensus: lower inflation rates, restrained budget policies, controlled public debt, etc. Secondly, current surpluses and massive accumulation of currency reserves enable them to better weather market shocks: they in fact serve as an alternative to the insurance polices of the IMF, which are now deemed costly in terms of sovereignty and of little effect in terms of results. Lastly, fixed foreign exchange policies, which have become untenable in a regime of free capital movement, have been discarded, allowing for much more flexible adjustments than in the past.

Usually, economic policy debate interprets such progress in terms of "credibility," "reputation" or "trust", words that at best refer to a set of restrictive constitutional rules—for instance the independence of central banks or the fiscal constitution of a federation. In practice, however, better economic policies also rest on often technical, specialized public institutions that were generally lacking in the 1990s. They are the actual places where collective knowledge, technical skills, rules of cooperation and operating procedures are tested and accumulated; and the capacity to regulate markets and win the trust of private agents ultimately derives from this capital.

figure 14: **Inflation and current account of emerging countries, 1998-2005**

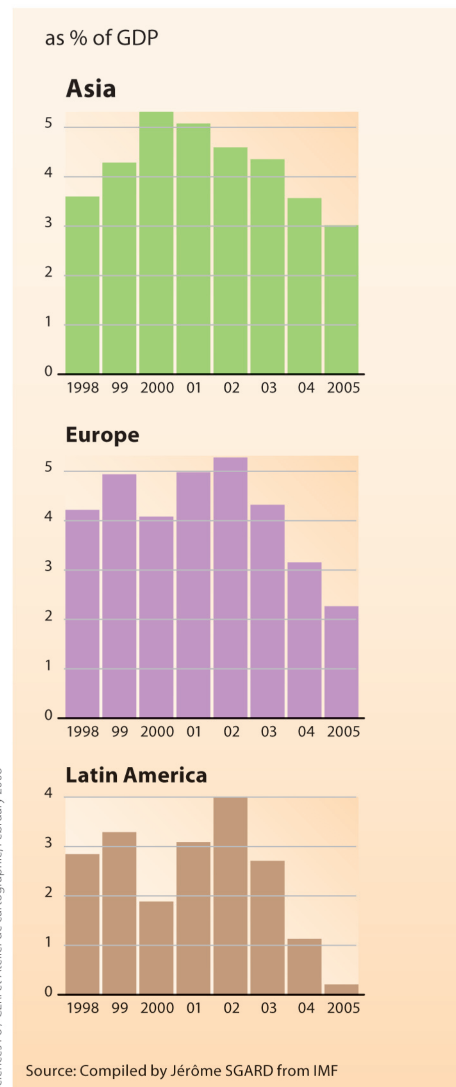


Bank supervision, for instance, has largely been rebuilt in emerging countries after serious failings in the 1990s, with improved norms of capitalization, risk surveillance, rules of private governance, information disclosure, legal powers given to the supervisory body, etc. There is little doubt that in most countries the capacity of this agent to influence bank behaviour is now vastly superior to what it was. In short, these market institutions have become "authorities", in both the French and the English sense of the word.

06 part 1 - sgard.indd 32 7/11/08 12:15:54

Monetary policy is another example. Most emerging countries have adopted a regime of "inflation targeting" that is mainly aimed at medium term inflation. The central bank is then judged by its capacity to reach that goal rather than by intermediate quantitative targets that may eventually drive price increases (Bernanke *et al.* 2001; Ho & McCauley 2003). With respect to the various monetary regimes of the 1990s, which were generally anchored on the exchange rate, this reflects a refocusing of monetary policies on internal anchors. In other words, today central banks are much more "on their own", whereas they previously settled for following US or German monetary policy, while acting in the most extreme cases as a glorified foreign exchange bureau. The point however is that this change necessitated a much higher level of technical skill as well as a capacity for finely-tuned interaction with economic actors, particularly financial ones. Central banks now conduct monetary policy "by instruments", as airline pilots would say, depending on their appreciation of economic trends, their intimate knowledge of financial markets and high-level macroeconomic models. And these highly professional, technocratic institutions now rule in the major emerging economies: Mexico, Chile, Brazil, Poland, South Korea, etc.

figure 15: **Budget deficits of emerging economies, 1998-2005**



Globalization, liberalization and state-building

Rapid growth, solid integration into global markets and now strengthened institutional know-how... is this combination enough to define present-day emerging economies or countries? Should we content ourselves with these empirically satisfactory but nevertheless theoretically poor criteria? Like in the early 1990s, emerging economies would remain a category for "golden boys", not for social scientists. Such a conclusion would be disappointing and somewhat paradoxical, provided these countries' experiences are considered in historical perspective. They have already earned their place in economic history textbooks. These

06 part 1 - sgard.indd 33 7/11/08 12:15:55

catch-up dynamics, at once powerful, very capitalistic and often brutal, take after those of the United States and Germany in the late 19th century, Japan shortly afterwards, and South Korea in the 1960s-70s. This can be seen as the large, conceptual category that the emerging countries belong to and which their specific character is to be derived from.

Capitalism, growth, inequalities, the salaried class, international division of labor, market-state relations: emerging economies raise classic, indeed defining, crucial political economy questions, though in largely new terms. Today, Adam Smith, Karl Marx and even Max Weber would necessarily be working on China, India or Brazil—at least much more than they did in their time.

What makes their present experience unique is globalization. Globalization is clearly a powerful growth accelerator, but it also implies previously unknown institutional constraints that redefine the established relationship of economic agents with rules and ultimately with public institutions. Financial supervision, intellectual property, competition law, consumer and environmental protection, direct investment: international integration and growth largely depend on the capacity of emerging economies to integrate these complex bodies of norms domestically and of course to enforce them. This is indeed where the most pressing concerns of companies opening branches in these countries are focused, as well as the thorniest political difficulties, both within these countries themselves (take for instance the issues of land and intellectual property rights in China) and on the international level – particularly at the WTO. This array of issues was much less palpable during the first globalization, between 1850 and 1914, or even during the "internationalization" phase of the 1960s to 80s (Sgard 2004).

The key point is that external demand for normalization intersects, and may also interfere, with internal efforts to build institutions, normalize economic interactions and design an increasing array of effective public policies. This is the most pressing issue that specifically defines emerging economies today: are these two internal and external demands concurrent or contradictory? How can they be coordinated or articulated?

This contribution does not attempt to answer such questions here. Instead it examines four propositions that should help us better grasp the defining relation between liberalization, globalization and the rule of law which now seem to give the emerging country experience its key features.

Globalization and liberalization are not the same thing. Ordinary language as well as the vocabulary of many researchers often confuses these two terms, whereas actually liberalization and globalization are two different phenomena. In particular, globalization is not simply the continuation of liberalization by other means. It is above all defined by the reciprocal opening up of national markets and a high degree of integration, which have very powerful effects: a convergence of relative price scales between countries, a single liquidity constraint, and invest-

ment allocation and hence division of labour across countries and sectors which are increasingly formed at the global level. The idea of a single world market is indeed the regulating concept of globalization, except that national states still impose a high degree of social and institutional fragmentation that makes governance issues particularly acute. Therein lies the historic originality of the second globalization.

Liberalism as a programme and as an ideology presents an obvious and long-standing universalistic dimension. "Market forces" have an almost irresistible propensity to extend into new countries and sectors, even if that means being subject to backlash as occurred in the 1990s in many emerging economies. That said, it is perfectly possible to construct liberalism in a single country, or simply liberalize faster on the domestic level than the external. Chile and the United Kingdom in the late 1970s are good examples of financial reforms undertaken at a time when international capital markets were still relatively undeveloped. Similarly, the Washington Consensus implied a degree of sequencing that was soon abandoned by the liberalization of the entire capital account. This amounted to combining liberalization and globalization, with their respective constraints, which theoretically was in no way necessary.

Liberalization is not a question of degree between private and public. Liberalizing is not mainly about moving from "more government" to "more market". The intellectual fault-line in the Washington Consensus stemmed from the misleading idea that opening up to markets, domestic or international, meant the retreat of the state. To stretch the point, these were seen as two measurable quantities, measurable in the same unit that could be substituted and portioned out. The model chosen by each country was, it was therefore thought, a result of collective arbitrage between social conservatism and the spirit of enterprise, or between security and appetite for risk. The inadequacy of this common belief of the 1990s is all the more striking since it was supposed to account for exceptionally complex and novel social dynamics that the actors themselves had trouble grasping.

The main issue at stake when liberalizing is not the division of a given number of goods and services between private and public producers. Nor does it boil down to a renewed assertion or sovereignty of private interests over the common good, or of one dissolving into the other. On the contrary, liberalization is characterized by a more constraining and socially tougher relationship between public and private, polarized by the relationship between autonomous private agents and universal rules, typically enforced by a state. More individualistic and competitive behaviour is observed in a publicly-instituted space, where the capacity to discipline actors should be all the more powerful since they have much more room for trading off alternative investment strategies.

The experience of transition in Eastern Europe showed that in building a market economy, the hardest thing was not to unleash an appetite for enterprise and

06 part 1 - sgard.indd 35 7/11/08 12:15:55

profit. The really tough issue was to establish the authority and effectiveness of the rule of law over opportunists, oligarchs, gamblers and coalitions of gangsters. The failure of the Russian reformers in the 1990s stems from their inability to guarantee the enforcement of private contracts between the powerful and the little guys, between the *kombinats* and private SMEs, the racketeers and the innovators. The liberal experience, from both an economic and a political standpoint, is thus not defined by a supposedly free and decentralized interaction of agents, but by the central issues of rules, norms, and their underlying state guarantees. Another example is offered by the experience of "legal pluralism" observed in most developing countries, which implies the conjunction of more or less individualistic or marketized environments that will leave actors with varying capacity to trade off alternate strategies. As in Europe under the *Ancien Régime*, the state is a central actor in the extension of these "modern" norms that are a precondition for capitalist development. The experiences of Morocco and Tunisia over the past 50 years, for instance, could be compared in very contrasted terms.

In emerging countries, liberalization is state-building. If the crux of liberal reform and globalization lies in the relation to the rule of law, then the state is their main object (Bayart 2004). In particular, room for competitive interaction will have to be enlarged and protected, and there must also be an attempt to normalize it so that the results obtained are as socially acceptable or sustainable as possible. For instance, a country might confirm financial liberalization but make sure that competition among banks does not lead them to take excessive risks likely to trigger systemic crises. Public regulation will thus have to move towards rules that govern the behaviour of agents before they enter the market, hence from a distance and in an anonymous and universal fashion. Entering the market for banking or dentistry services, bans on employing children under 16, ruling on whether to allow certain chemical products on the market or not, limiting polluting gas emissions: these rules are intended to influence market outcomes (children go to school and do not work in the fields, trucks pollute less). But to be viable, they must have an effect on the agents (parents or truckers) before they take action on the market place, or on the social stage, that is, when they plan their future acts and calculate their economic options ("what will I do with my children this morning?").

This form of public action can be contrasted with intervention within the market that directly affects the outcome of competition. Examples of this are credit control, national champion preference policies, planned resource allocation, public price regulations—all things that in principle should be avoided in a liberal economy. Whereas an ex-ante perspective mainly has to do with legislation and hence universal norms applying to all market participants, intervention in the market is more of a discretionary, unilateral act of an administrative nature. Lastly, ex-post public action typically seeks to alter market results after the fact, through income redistribution or by covering private losses (crisis management or social

protection). As a rule, liberalization implies a major shift toward an ex-ante perspective, which preserves or restores the freedom of private calculation and investment: common goods objectives should then be achieved indirectly, through the decentralized adjustment of agents to the enactment of a norm.

Redefining public action by making it conditional on very universal, abstract, undifferentiated rules is highly problematic from both an institutional and a political standpoint. Public action will be altogether more complex, more competence-intensive, more remote from the social sphere in its definition and also more powerful in its normative capacity. And as such, it will not easily replace the more direct, traditional form of intervention that has been dominant during the previous decades, particularly in developing countries. Unsophisticated administrations with few resources lend themselves better to "command and control" policies, market segmentation and extensive mobilization of resources. In fact, it is far easier to run monopolistic car and truck producers than to bring together all the microeconomic and institutional conditions needed in order to support privately-based development (rules of governance, credit market, competition policy, etc.). The problem of course is that in the long run, such monopolies are likely to be less innovative and less efficient.

Since the 1980s, the difficulty of redefining these modes of public action, in a market environment characterized by private rule-based competition has caused a large-scale decline or even collapse of the overall capacity to conduct public policies, which is today a defining problem for public actors. Former instruments of public action no longer function in a market economy, although acquiring new instruments is difficult: this calls for a major redefinition of the state's relation to the law, social actors and the knowledge the state has of them.

On market regulation and public policy. Globalization interferes directly with this domestic policy experience of redefining the rules of interaction between public and private. It in fact requires this effort to proceed to a large extent, by importing normative and legal apparatuses from developed countries – mainly the United States and the European Union (Berkowitz *et al*. 2003).

This echoes the experience of the "legal transplant" of entire bodies of law already observed in the 19th century in matters of civil law, corporate law and bankruptcy law, for instance. To that is now added a protean apparatus of technical protection norms, which can be statutory or regulatory, jurisprudential or professional—phytosanitary norms, food norms, consumer protection and environmental norms, etc. The *acquis communautaire*, which the new European Union member states have had to incorporate into their national legislation, is a fine example of this both domestic and external form of economic normalization. It is definitely an instrument with which to access markets and the direct benefits of trade; it is also an instrument for the modernization of both public administrations and economic regulation.

06 part 1 - sgard.indd 37 7/11/08 12:15:56

For Poland and Bulgaria today, and perhaps for Turkey and Ukraine in the future, joining the European Union and integrating its economic legislation mean access to a huge market, and possession of a powerful lever to reform the state to make it suitable to a hopefully growing market economy. This is why many countries have actually signed trade agreements with Brussels that commit them to adopting much of its normative apparatus, though without enabling them to participate in political decisions and share in the budget.

Political culture and public institutions can certainly respond vigorously to external pressures: they are malleable. The perspective of joining the European Union thus played a major role in Central Europe in the 1990s. It offered resources and a credible time frame that anchored institutional reforms and guided the restructuring strategies of firms. But very often, as we know well, ambitious reforms have not been followed through, because the rules contradict existing legislation, or the institutional means are lacking, or actors circumvent the rules and take the route of informality if they deem the costs of adjustment too high (Maloney 2004). This is where the articulation of liberal state micro-policy and the construction of rational and competent administrations of the Weberian sort takes place.

The example of technocratic central banks has shown that in order to bend private market behaviour and achieve the desired market outcomes, the regulator must be a multi-talented actor able to know, watch, measure, guarantee and also sanction private actors that will nevertheless remain free to trade off alternate economic strategies (to buy a treasury bond or not, to sell one's pesos for dollars or not). Environmental issues are an alternative example. They are generally poorly governed in comparison with currency regulation, despite huge external costs produced by high growth (soil and water deterioration, pollution, degradation of the biosphere, etc.). As a rule, these external costs are deferred to future generations, to the immediate victims or to ex-post compensatory intervention. Rather, as in financial crises, at best it is all handled by stymied public action: rare but massive mobilization of means, improvised procedures, low-level institutionalization, limited capitalization on experience. How can we ever hope to effectively treat the greenhouse effect, urban congestion or the biosphere with such low-quality ex-post action?

Social inequality offers another illustration. We know that in developing countries, social protection is usually only partial, scarcely redistributive and generally clientelistic (Van de Walle 2005). The quest for greater efficiency has led some countries to devise policies that attempt a much stronger targeting of beneficiaries (the poor) and also try to condition aid (for sending children to school). This model of policies has had profound consequences on the workings of public administrations and their relation to the population. The poor now have to be defined, counted, localized in space, their incomes are to be measured and they will have to be interviewed regularly to verify that in exchange for the money

paid out, children are indeed attending school and medical checkups are made. In Brazil, the development of this type of strategy required the construction of a new administrative apparatus, alongside the older, existing Ministry for Social Development. Remarkably, the new structure works along lines that are much closer to the Weberian criteria of formal rationality: huge micro-social databases, anonymous case processing, abstract criteria for programme access, electronic transfer of monthly allocations, local disclosure of beneficiaries, and procedural rules for NGO surveillance (Janvry, Finan & Sadoulet 2006). This public policy, which has achieved considerable results,[8] is thus based on knowledge of society, particularly the "informal sector", that previously escaped the eye and hand of the state. There is indeed an anthropology of social policy.

To conclude: the specific nature of emerging economies

To sum up the story being told here : starting in the late 1980s, the main outcome of the basic liberal rules summarized in the Washington Consensus was primarily to break up corporatist or socialist regimes and open up the economic field to very individualist and competitive regulations. In Eastern Europe especially, the early period of reform was clearly dominated by revolutionary legal reforms, which had already been studied in detail by Marx and Weber, in the case of the "first transition". They positively institute private economic agents and endow them with concrete and transferable rights such as property and financial contracts. Strikingly, this phase was coupled with a radical challenging of public action and institutions, in both speech and deeds. Then, after the disasters of the 1990s—financial crises and the failure of Russian reforms—there was a reassessment of public regulation revolving around the basic institutions of currency, bank supervision, competition, intellectual property and bankruptcy procedures. Such regulation brought in tow financial stability and growth. What remains to be retrieved, beyond this minimal, almost libertarian state, is the ability and the legitimacy to produce a broader range of public goods, provision of which today is utterly limited or even absent, i.e. education, health care, the environment or the fight against poverty. As in 19th-century Europe, increasing the supply of these public goods is a condition for long-term growth as well as democratic consolidation in countries where the public good remains a much-contested notion.

This political economy of emerging countries can then be distinguished from three other models of development. First are countries that are not emerging at all, where failure of the economy and the state are usually closely linked, particularly in Africa. Second are rent-seeking economies where public funding and

8 From 2001 to 2005 the proportion of the indigent poor went from 15.2 to 11.4%, that of the poor from 35.1 to 30.7%.

06 part 1 - sgard.indd 39 7/11/08 12:15:57

government are not articulated on a private and competitive economy, implying a trend towards legal formalization and constitutionalized politics. The trajectory of emerging countries, lastly, differs from countries that took the liberal turn in the 1980s, but without afterwards acquiring the capacity to conduct effective rule-based policies in a competitive economy. Hence, these countries have basically remained stalled in a difficult intermediary phase marked by large-scale "deinstitutionalization", leading to a decline in the very notion of public action (Venezuela, Ecuador, Argentina, Russia). Here are to be found the most virulent criticisms of the liberal experience and, in addition, the strongest propensity to revive traditional forms of public intervention, which will prove less formally rational and thus less effective.

These different political economies necessarily have direct repercussions on the international stage, because in the end local regulations are more decisive than "architectural designs". In such a world, the collective ability to govern global public goods—the environment, health, security—depends on the capacity of local polities to agree collectively on the production of public goods. This is why emerging countries, through their progress or resistance, will have a decisive role to play in world affairs. Not only are the largest of them among those who write the rules of the game, but their capacity to legitimately produce more local public goods will also be decisive in increasing the production of global public goods.

Bibliography

Abdelal, R. (2007). *Capital Rules. The Construction of Global Finance*. Cambridge (Mass.): Harvard University Press.

Bayart, J.-F. (2004). *Le gouvernement du monde, une critique politique de la globalisation*. Paris: Fayard.

Berkowitz, D., K. Pistor and J.-F. Richard (2003). "The Transplant Effect." *The American Journal of Comparative Law*, 51 (1), pp. 163-204.

Bernanke, B., Th. Laubach, F. Mishkin and A. Posen (2001). *Inflation Targeting - Lessons from the International Experience*. Princeton: Princeton University Press.

Camdessus, Michel (1995), "Address at the UN World Summit for Social Development". Copenhagen, 7 March.

Cline, W. (1994). *International Debt Crisis Reexamined*. Washington DC Institute of International Economics.

Clinton, W. J. (1998). "Address to the Council on Foreign Relations." New York, 28 September.

Eichengreen, B. (1999). *Toward a New International Financial Architecture*, Washington: Institute for International Economics, 189p. For a good idea of the average consensus following the Asian crisis.

Group of Ten (1997). *Financial Stability in Emerging Market Economies*, Basel.

Helleiner, E. (1994). *States and the Reemergence of Global Finance*, Ithaca, NY: Cornell University Press.

Ho, C. and R. McCauley (2003). *Living with flexible exchange rates: issues and recent experience in inflation targeting emerging market economies*. Basel: Bank for International Settlements, BIS Working Papers No. 130.

Janvry, A., F. Finan F. and E. Sadoulet (2006). "Evaluating Brazil's Bolsa Escola Program: Impact of Schooling and Municipal Roles", Berkeley: University of California, mimeo, June.

Maloney, W. (2004). "Informality revisited", *World Development*, 20:10.

Rawi, A. (2007). *Capital Rules, the Construction of Global Finance*. Cambridge, MA: Harvard University Press.

Sgard, J. (2002), *L'économie de la panique, faire face aux crises financières*. Paris: La Découverte.

——— (2004), "Are there such Things as International Property Rights?" *The World Economy*, 27: 3.

Walle, D. van de (2005). *Do Services and Transfers Reach Morocco's Poor? Evidence from Poverty and Spending Map*. Washington DC: World Bank, WB Policy Research Working Paper 3478. A good example of a quantitative evaluation of the effect of social policies.

Williamson, J. (1990). "What Washington Means by Policy Reforms", in J. Williamson, *Latin American Adjustment, How much has Happened?*, Washington: Institute for International Economics, pp. 7-20.

——— (2000), "The Role of the IMF: A Guide to Reports," *International Economics Policy Briefs*, 00-5, May, Institute of International Economics.