Feature Article

Legacies of the 2008 Crisis for Global Financial Governance

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What are the legacies of the 2008 financial crisis for global financial governance? One answer is that the crisis strengthened the cooperative and multilateral dimensions of international financial relations. A different interpretation is that the crisis unleashed decentralization trends. Important examples can be cited in support of both of these perspectives. After reviewing that evidence, this article highlights ways in which these two distinct legacies are working together to generate a third outcome that may well emerge as the more lasting legacy of the crisis: cooperative decentralization in global financial governance.

What legacies were left by the 2008 financial crisis on global financial governance? One potential answer is that the crisis strengthened the cooperative and multilateral dimensions of international financial relations. A different interpretation is that the crisis unleashed decentralization trends in global financial governance. Important examples can be cited in support of both of these perspectives. After reviewing the evidence, this article highlights ways that these two legacies work together to generate a third outcome: cooperative decentralization in global financial governance. This scenario may in fact emerge as the more lasting legacy of the crisis.

Strengthened Cooperation and Multilateralism

Those who highlight the cooperative legacies of the 2008 crisis discuss the contrast with the experience of the Great Depression. The global financial crisis of the early 1930s undermined international financial cooperation as governments abandoned the international gold standard, defaulted on external debts, and unilaterally introduced new kinds of capital and exchange controls. Multilateral institutional innovations such as the creation of the Bank for International Settlements (BIS) in 1930 were ineffective in containing these trends, and the 1933 World Economic Conference, whose aim was to revive cooperation, ended in failure.

The 2008 crisis served as a different trigger for intensified financial cooperation. The first (and often neglected) example involved central bank cooperation. In response to the crisis, the US Federal Reserve (Fed) established new bilateral dollar liquidity swap lines with other leading central banks, a lending program that expanded dramatically in the fall of 2008. Under these currency swap arrangements, foreign central banks sold a specified amount

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of their currency to the Fed in exchange for dollars while agreeing to buy that same amount of their currency back at a future date with interest and at the same market exchange rate as the initial transaction. The aim of the Fed swap line program—crucial to the USA as well as to a world struggling with the crisis—was to provide large sums of dollars to foreign central banks. These banks could then execute loans to troubled firms in their jurisdictions, thereby alleviating the severe illiquidity problems that existed in their markets at the time. The Fed had provided swaps in the past, but this time its lending was much larger and involved a wider range of countries than ever before. By late 2008, 14 of the world's most important central banks had accepted Fed swap lines and were collectively drawing close to USD 600 billion. Through this web of bilateral cooperative arrangements, the Fed played a critical role of minimizing the severity of the global crisis by acting as an international lender-of-last-resort (McDowell 2012).

The crisis also served as a catalyst for the creation of the G20 Leaders Summit that committed at its first meeting in November 2008, "to enhance our cooperation and work together to restore global growth and achieve needed reforms in the world's financial systems" (G20 2008:1). Building on the ten-year-old practice of G20 gatherings of finance ministers and central bankers, this new forum brought together the leaders of the established powers of the G7 with those of large emerging powers and other important developing countries for the first time. At their third summit meeting in September 2009, the G20 leaders announced that the G20 would become "the premier forum for our international economic cooperation" (G20 2009: 3), and the G20 Leaders' Summit quickly took over as the key multilateral body setting priorities for global financial reform.

A key aspect of this reform agenda included reinvigorating the International Monetary Fund's (IMF) role in global financial governance. The Fund had increasingly been marginalized before the crisis, with its loan portfolio falling to the very low level of USD 10 billion, prompting cutbacks at the institution. In the absence of reform, prominent officials at the time such as the Bank of England's Mervyn King (2006) warned that the institution might "slip into obscurity." The 2008 crisis served as the catalyst for its reform. At their first summit, the G20 leaders highlighted that the IMF served an "important role in crisis response" through its lending to countries in distress (G20 2008:2). At their second summit in April 2009, the G20 leaders dramatically boosted its funding by USD 500 billion to increase its lending capacity. In 2008, the G20 leaders also promised to reform the Fund's governance to give emerging and developing economies "greater voice and representation" (G20 2008:3), a commitment that led to the endorsement of specific governance reforms in late 2010.

The G20 also responded to the crisis by strengthening multilateral financial cooperation in two other ways. First, the G20 boosted the international monetary role of the IMF's supranational reserve asset, the Special Drawing Rights (SDRs). IMF members created SDRs in 1969 to supplement the international role of the dollar. Then, in the 1978 amendment of the IMF's charter, the IMF members committed to the ambitious goal of making the SDR the "principal reserve asset in the international monetary system." But IMF members failed to approve any new SDR allocations after the early 1980s, and the SDR's international role became marginalized. At their April 2009 summit, however, the G20 leaders backed the first new SDR allocation in almost three decades as part of their efforts to jumpstart the world economy. Alongside the dramatic boost in the IMF's funding, the new SDR allocation would provide IMF member countries with extra resources to cover balance of payments deficits (since SDRs are a reserve asset that can be used to settle accounts among member governments and with the IMF). The large allocation of USD 250 billion increased the share of outstanding SDRs in global reserves overnight to close to 4 percent (Helleiner 2014a: ch.3).

Second, the G20 leaders set out to strengthen international financial regulatory cooperation (Helleiner 2014a: chs.4–5). They did this partly by supporting a set of new international financial standards—the Basel III banking standards, for instance—that were negotiated by international standard setting bodies (SSBs) with the aim of encouraging national authorities to tighten financial regulations. The G20 leaders also transformed the weak Financial Stability Forum, which had been created in 1999 to foster financial regulatory and supervisory cooperation, into the more substantial Financial Stability Board (FSB) in April 2009. Although the FSB still was given little formal power and FSB members assumed no legal obligations, the new institution was given a much wider membership (to include all G20 countries and more), a larger staff, a fully fledged charter, a strengthened mandate, and a new set of responsibilities. One of the key supporters of this reform, US Treasury Secretary Tim Geithner, suggested that the FSB could act as a new "fourth pillar" of the international economic architecture, alongside the WTO, IMF, and World Bank (Helleiner 2014a: 129). The G20 leaders also successfully pressed the major SSBs to give emerging powers more influence in their decision-making.

In these ways, the crisis strengthened cooperative and multilateral dimensions of global financial governance. The contrast with the experience of the 1930s has been explained in a number of ways. Many point to the presence of a dominant power—the United States—that was committed to cooperation, in contrast to the leadership vacuum that existed in the early 1930s. There was also a greater level of ideational consensus and interest-alignment among the leading powers. The depth of contemporary international financial and economic integration may also have bolstered political support for cooperative outcomes, not just among private actors, but also among policymakers concerned about global systemic instability. The presence of many existing international financial institutions—such as the G20 finance grouping, the IMF, the FSF, the SSBs, and the BIS—also provided a foundation on which cooperation and incremental institutional reforms could be more easily built.[1]

Decentralization in Global Financial Governance

A different set of developments suggest post-2008 decentralization in global financial governance. The first relates to the provision of emergency international liquidity. After the crisis, countries sought out alternatives to the two main institutions that provided emergency liquidity assistance during the crisis—the IMF and the Fed. The most ambitious initiative has been in East Asia where the ASEAN countries, China, Japan, and The Republic of Korea (Korea) had already created a network of bilateral swaps in 2000

[1] *For these various explanations (with different emphases upon them), see for example Drezner 2014, Helleiner 2014a, Kahler and Lake 2013, and Moschella and Tsingou 2013.*

under the Chiang Mai Initiative in response to Asian crisis of 1997–1998. The 2008 global financial crisis prompted them to transform that network into a self-managed multilateral fund under the name of CMI Multilateralization (CMIM) that opened in March 2010 with USD 120 billion, a sum that was quickly doubled to USD 240 billion in June 2012. Another similar initiative came from the BRICS countries: in July 2014, they created a new Contingent Reserve Arrangement (CRA) with an initial investment of USD 100 billion to provide liquidity via currency swaps to each other.

These initiatives have been partly driven by dissatisfaction with the IMF. Although the G20 leaders dramatically boosted the IMF's funding, many countries—particularly in East Asia—were wary of borrowing from the institution. The Fund's loan conditionality had been widely criticized in the wake of the 1997–1998 Asian crisis for being overly intrusive, unhelpful, and excessively influenced by US policy goals. When the 2008 crisis broke out, the stigma associated with IMF borrowing remained in many quarters. In Korea, for example, the Finance Minister refused to ask for IMF assistance in the fall of 2008 because of what he described as his country's "sentiment" towards the institution (Chey 2012: 7). Fed officials also worried at that time that many countries were "very reluctant to return to the IMF" (FOMC 2008: 11). The IMF's image in emerging market and developing countries was subsequently not helped by the US Congress' long delay in approving governance reforms endorsed by the G20 in late 2010.

Dissatisfaction with Fed swaps also drove these initiatives. Because it came with little conditionality, borrowing from the Fed during the crisis was a much more attractive option than borrowing from the IMF. But access to this funding was unpredictable. Fed officials reported to the Federal Open Market Committee (FOMC) in 2009 that they had turned down many requests for swaps from foreign monetary authorities during the crisis (FOMC 2009: 15-16). Although countries such as Korea, Brazil, Mexico, and Singapore were approved, some countries were deemed by Fed officials to be unworthy of support. Such countries included two of the BRICS, India and South Africa, as well as important East Asian countries such as Indonesia (Helleiner 2016). Whatever the basis for the Fed's decisions (and this appeared to include both economic and political considerations), the experience left foreign authorities—even those who had received swaps—uncertain about whether support would be forthcoming in a future crisis.

To address this concern, which was only heightened when the Fed let all its crisis-related bilateral swaps expire in February 2010, the Korean government proposed that swap arrangements be institutionalized on a more permanent and multilateral basis. But the Fed was very wary of this proposal because of the burdens and risks that would be placed on it. With the outbreak of the Greek crisis, the Fed reestablished swaps in May 2010 with small number of central banks from the Eurozone, the UK, Switzerland, Canada, and Japan, and then made those permanent in October 2013 (Helleiner 2014a: ch.2). As Fed vice-chair Stanley Fischer (2014) noted in late 2014, these arrangements "represent an important backstop in the event of a resurgence in global financial tensions." But the Fed was unwilling to extend this backstop to other countries. As Fischer put it, "the responsibility of the Fed is not unbounded" and it was not "a global central bank."

In the context of these concerns about the IMF and the Fed's lending, it is not surprising that countries sought out alternative backstops in the wake of the crisis. When initially discussing whether to regularize swaps arrangements with a small group of foreign monetary authorities in late 2009, Fed officials had even anticipated some kind of reaction from those left out. As Janet Yellen, President and CEO of the Federal Reserve Bank of San Francisco at the time, noted to the FOMC in late 2009, "I do think we should think about, if we stigmatize this larger group of countries [who do not receive swaps], what their response might be."[2] Another official, James Bullard, noted at the time: "I can imagine Asian countries being moderately upset that the Swiss are in, for instance. When I say Swiss, 'It's a small country, come on. This is an old club that you guys have been fostering for years.' And 'You just don't like us because we're in Asia.' I can imagine that that is sort of the attitude" (FOMC 2009: 51–3).

Decentralization trends can also been seen in the international monetary realm in the new determination of the Chinese government to internationalize its national currency, the renminbi (RMB). That sentiment has arisen directly from the crisis experience that exposed the costs of the country's dependence on the dollar. One problem was that Chinese firms found themselves vulnerable to the sudden shortages of dollar liquidity that emerged in East Asian and global markets during the crisis. Even more important was the fact that the majority of China's enormous foreign assets were held in dollar denominated assets, an unusual situation for the world's largest creditor country and one that left China exposed to the U.S. financial meltdown and U.S. economic mismanagement (particularly since Chinese official reserves were heavily invested in U.S. Treasuries and bonds issued by Fannie Mae and Freddie Mac). This vulnerability provided Chinese officials with strong incentives to defend the U.S. dollar during the crisis, but also left them with a deep sense of "buyers remorse"—to use Kirshner's (2014) phrase—and a desire to reduce dollar dependence after the crisis subsided. For Chinese policymakers, the internationalization of the RMB promises to provide them with greater monetary autonomy, while also serving to constrain some of the "exorbitant privilege" that the USA derives from the dollar's global role (Chin 2014; Kirshner 2014).

Over time, the new Chinese promotion of the RMB's international role is likely to usher in a more decentralized international monetary order than the dollar-centric order that has existed since the end of the Second World War. While some believe that the RMB will even replace the dollar as the leading international reserve currency as soon as the early 2020s, those predictions rest on very ambitious assumptions that the Chinese government will successfully launch far-reaching financial reforms (e.g. Subramanian 2011). At the very least, however, the RMB is likely to assume an increasingly prominent role in its region, just as the euro has done in its neighborhood, thereby diminishing the dollar's global dominance.

The experience of the 2008 crisis has also encouraged decentralization in the area of international financial regulation. While the G20 leaders backed the creation of the FSB and new international financial standards, regulators

[2]*Yellen went to suggest some possible reactions: "For example, they might not feel so happy about having unfettered capital flows or having subsidiaries or branches of U.S. or European-based multilateral banks in their countries. They might change the way in which they supervise and regulate those operations, if they thought it was not automatic that they would get access to dollar liquidity in the same way they did in this crisis. . .. If you take a country like Korea and you say, "Well, we are not putting you in the same category as before," beyond what they might do with our banks, they may decide they need an even larger war chest. They may be more reluctant to have current account adjustments" (FOMC 2009: 51).*

in many countries have also increasingly turned to implement stronger "host country" regulations that force international banks to create locally regulated, separately capitalized subsidiaries in the countries which they operate (Helleiner 2014a: ch.5). This trend gives national regulators more capacity to regulate institutions in nationally distinct ways, and works to fragment global markets more along territorial lines. As one financial executive put it, "if that is the new strategy among regulators, it really throws into question this whole globalization of these [large financial] firms" (Helleiner 2014a: 159). Both British and U.S. authorities have moved in this direction, as have regulators in other regions such as Asia and Latin America.

The growing use of host country regulation is a direct reaction to the crisis experience that revealed the limits of international cooperation in handling global financial firms in distress. During the crisis, national authorities usually responded to failing private institutions in unilateral ways that prioritized domestic interests, not least because they recognized that the burden of public rescues would fall on national taxpayers. Given that experience, many national regulators have turned to host country regulation to protect their country's interests in future crises in a manner that does not rely on international cooperation. As one U.S. regulator put it, "our regulatory system must recognize that while internationally active banks live globally, they may well die locally" (Helleiner 2014a: 159). Support for host country regulation has been strengthened by the failure of post-crisis efforts to establish international burden-sharing arrangements to fund future bailouts and by the limited success in developing binding international rules to foster cooperation in the cross-border resolution of failing firms.

Decentralization trends are also apparent in the regulation of global over-the-counter (OTC) derivatives markets. Because of the important role of these enormous markets in the 2008 crisis, the G20 and FSB prioritized tighter regulation in a variety of ways, including the promotion of greater platform trading, clearing via central counterparties (CCPs), and reporting of transactions to trade repositories (TRs). Many of these new regulations, however, are being implemented well behind schedule and in inconsistent and uneven ways across jurisdictions, leading to conflicts between regulators and a more decentralized international regulatory environment for market actors. That trend is being reinforced by the proliferation of CCPs and the use of "location" requirements that force trades to be cleared through domestic clearing houses. This is done to ensure that local authorities can regulate and supervise markets—as well as protect domestic interests if the clearing house fails—without relying on the cooperation of their foreign counterparts. New TRs have also been created in many countries for similar reasons and difficult legal and procedural issues have arisen to complicate the cross-border sharing of information between them. As in the case of host country banking rules, these various developments are threatening to generate greater fragmentation of global derivatives markets along territorial lines (Helleiner 2014; FSB 2015b).

A further example of decentralization trends in the regulatory sphere during the post-crisis period is the growing use of capital controls in emerging market and developing countries (Gallagher 2014). These controls directly fragment global markets and have often been introduced to protect countries against monetary and financial instability emanating from the richer countries during the crisis and the post-crisis period. Instead of trusting stronger international regulatory standards to protect their interests, national authorities prioritized heightened policy autonomy. It also did not go unnoticed that countries with capital controls—such as China and India—had been more insulated from the financial turmoil of 2008.

Stumbling towards Cooperative Decentralization

The 2008 crisis has thus left two important legacies in global financial governance to date. On the one hand, there are signs of strengthened international financial cooperation, including initiatives to create new multilateral institutions such as the G20 Leaders Summit and FSB as well as to bolster existing multilateral features of global financial governance such as the IMF, SDR, and international financial standards. On the other hand, we are witnessing post-crisis decentralization trends in global financial governance, including support for alternatives to the IMF and the dollar as well as for host country regulation, nationally distinctive rules in sectors such as OTC derivatives, and capital controls. Analyses of global financial governance sometimes focus on one of these legacies, while ignoring the other. But the two legacies co-exist, each responding to distinct structural realities and aspects of the crisis and post-crisis experience.

Looking forward, it is tempting to suggest that the co-existence of these two legacies is problematic and unsustainable because decentralization is driven at least in part by distrust rather than cooperation. Distrust of the IMF and Fed motivated the creation of CMIM and CRA; distrust of the USA was a driver of RMB internationalization; and distrust of foreign authorities contributed to host country regulation, the proliferation of CCPs and TRs, and capital controls. All this is true, but there are also important cooperative dimensions of the decentralization trend that show how these two legacies can go beyond co-existence to work together in innovative ways.

For example, the CMIM and CRA are often portrayed as challenges to the IMF, and in some respects they are. Nevertheless, both arrangements have been constructed in ways that retain an important relationship to the IMF. In the case of the CMIM, its predecessor—the CMI—was already constructed with a provision that borrowers had to have in place an IMF program to access the bulk of the funds available (90 percent initially, but falling to 80 percent after 2005). This "IMF link" was retained in the CMIM, although the portion of funds that could be accessed without an IMF program (the "de-linked" portion) was increased from 20 to 30 percent in 2012 and then to 40 percent in 2014 (Grimes 2015).

The CRA was established with a similar arrangement under which the "de-linked portion" was only 30 percent of the maximum access available for each country. The rest required an IMF program. Under the CRA Treaty, access to even the "de-linked" funds requires compliance with the "surveillance and provision of information obligations to the IMF as defined, respectively, in Articles IV, Sections 1 and 3, and VIII, Section 5, of the Articles of Agreement of said institution" (BRICS 2014a). Reinforcing the point, the BRICS leaders went out of their way at the time of the CRA's creation to stress that this new arrangement would not just "promote further BRICS cooperation" but also "strengthen the global financial safety net and complement existing international arrangements" (BRICS 2014b: 3).

These provisions of the CMIM and CRA show how some decentralizing initiatives have been explicitly designed to work with enduring and strengthened "existing international arrangements" of multilateral cooperation at the global level. At recent G20 summits, members of both the CMIM and CRA have also continued to endorse G20 communiqués that "reaffirm our commitment to maintaining a strong, quota-based and adequately resourced IMF" as well as wording that confirms that "the 2010 reforms remain our highest priority for the IMF and we urge the United States to ratify these reforms as soon as possible" (G20 2015: 4).

The IMF also acknowledges that benefits flow from working cooperatively with other providers of emergency liquidity. For example, in March 2010, IMF staff noted that the channeling of Fund resources alongside activation of regional financing and payments arrangements such as the CMI and the Latin American Reserve Fund (including even perhaps Fund lending directly to regional arrangements) could be "a powerful way to reduce stigma, particularly if such activation involved multiple countries at once" (IMF 2010: 30). In October of that year, they also hosted the first ever high-level meeting between the IMF and representatives associated with regional financing arrangements (RFAs) in Europe, East Asia, Latin America, and the Middle East. The G20 leaders have approved this initiative, explicitly encouraging improved collaboration between the IMF and RFAs at their summit in late 2011 and even approving non-binding principles for cooperation between the Fund and RFAs at their summit the next year (G20 2011, 2012).

In these ways, policymakers appear to be stumbling incrementally towards reconciling the twin legacies of the crisis—strengthened cooperation and decentralization—in the realm of international liquidity provision. We might call this synthesis an emerging regime of "cooperative decentralization." The description can also be used for developments in the Eurozone region where the IMF has done much of its new lending since 2011. In the context of its lending to Greece and other Eurozone countries, the IMF has worked in an unusual "troika" arrangement of cooperation—albeit not always harmoniously—with the European Commission and European Central Bank.

"Cooperative decentralization" also captures some dimensions of the process of RMB internationalization. Many analysts interpret this process as ushering in a world of growing rivalry and conflict in international monetary affairs between emerging currency blocs. But a striking feature of the politics of RMB internationalization has been its cooperative dimensions at the international level. From the Chinese side, prominent policymakers have combined support for RMB internationalization with a broader multilateral vision in which the SDR's role in the international monetary system is strengthened (Zhou 2009). In addition, Chinese officials have promoted RMB internationalization not merely through unilateral initiatives but also through bilateral cooperation agreements with monetary authorities across the world, including the European Central Bank and central banks of close U.S. allies such as Britain and Canada (Liao and McDowell 2015). In 2015, the world's leading monetary powers—including the USA—also for the first time backed the inclusion of the RMB in the SDR basket alongside the dollar, euro, yen and sterling. The incorporation of the RMB into the SDR basket has been compared by some Chinese analysts to their country's joining the WTO in terms of its impact in locking in domestic reforms (e.g. Hughes 2015).

In the financial regulatory realm, decentralizing trends are also taking place in the cooperative context of detailed initiatives by multilateral bodies, most notably the G20, the FSB, and the SSBs (Helleiner and Pagliari 2011). These bodies have been trying to contain the fragmentation of international markets by developing international standards aimed at ending the "too-big-to-fail" problem and thus minimizing fears that national taxpayers will be on the hook for failing private institutions. The most recent of these was announced at the G20's November 2015 Summit: a standard on total-loss-absorbing-capacity (TLAC) designed to ensure that global systemically important banks (G-SIBs) have capacity to absorb losses. As the FSB (2015c: 10) noted in a report to the G20 leaders at the time, "a key objective of the new TLAC standard is to provide home and host authorities with confidence that G-SIBs can be resolved in an orderly manner and thereby to minimize incentives to ring-fence assets domestically." Just before the G20 Summit, the FSB (2015a) also announced new "Principles for Cross-border Effectiveness of Resolution Actions" which are meant to encourage national authorities to design domestic legal frameworks in ways that facilitate cooperation for cross-border resolution in the event of a crisis.

The G20, FSB, and SSBs have also been working to contain fragmentation pressures in global OTC derivatives markets (Helleiner 2014b). For example, to minimize conflicts between jurisdictions over inconsistent regulations, the G20 leaders committed at their 2015 Antalya Summit to "expedite our efforts to make further progress in implementing the OTC derivatives' reforms, including by encouraging jurisdictions to defer to each other." They also declared that "we look forward to further work on central counterparty resilience, recovery planning and resolvability and ask the FSB to report back to us by our next meeting" (G20 2015: 3). In its report in advance of the summit, the FSB (2015b: 10) acknowledged that "systematic cross-border resolution planning processes are not yet in place for the largest CCPs," but it promised that "work is underway to establish such processes." In advance of the leaders' summit, G20 finance ministers and central bank governors (2015) also committed to "work to address legal barriers to the reporting of OTC derivatives contracts to trade repositories and to the cross-border access of authorities to trade repository data, as well as to improve the usability of that data."

In discussing regulatory trends more generally, the G20 leaders noted at their 2015 summit meeting, "Going forward, we are committed to full and consistent implementation of the global financial regulatory framework in line with the agreed timelines, and will continue to monitor and address uneven implementation across jurisdictions" (G20 2015: 3). They also welcomed the FSB's first annual report on the implementation of reforms and their effects. In this report, the FSB noted ongoing challenges while applauding the fact that its initiatives and those of the SSBs were helping to contain fragmentation through cooperation:

> "Past financial crises have frequently led to a retrenchment in international financial activity. While it is still too early to determine the full impact of reforms, the post-crisis evidence suggests that they have helped to avoid significant retrenchment and fragmentation. The FSB and SSBs are working to maintain an open system by deepening cross-border cooperation." (FSB 2015b: 2)

Finally, the IMF has signaled greater support for the use of capital controls. Before the crisis, the Fund had a reputation for promoting financial liberalization; indeed, in the mid-1990s, IMF management sought to formally dilute the right of countries to use capital controls enshrined in Article 6 of its charter. The Fund showed more support for capital controls, however, in early crisis lending programs such as Iceland's. After Brazil introduced a tax on short-term capital inflows in October 2009, the IMF's Managing Director also went out of his way to declare that he was not opposed to capital controls (Helleiner 2014a: 120). After extensive deliberations, the IMF (2012) then released a formal institutional view on the issue in 2012 expressing support for "capital flow management measures" in certain circumstances. Building on ideas discussed in the Bretton Woods negotiations of the early 1940s, IMF staff members have gone further to explore how countries' efforts to control financial movements could be more actively supported by IMF-facilitated international cooperation between sending and receiving countries. They have shown how capital controls could be made more effective by this kind of cooperative control "at both ends" of the transaction (Ostry et al, 202; Ghosh et al, 2014; Helleiner 2015). This proposal provides a particularly interesting example of how cooperative decentralization could be pragmatically implemented in international financial policymaking.

Conclusion

In these various settings, policymakers are experimenting with ways to reconcile the twin legacies of strengthened cooperation and decentralization that emerged from the 2008 global financial crisis. These experiments may be incrementally stumbling towards a third outcome that could serve as a more lasting legacy of the financial meltdown: the development of the regime of "cooperative decentralization" in global financial governance. It is a regime in which a reformed IMF would work more closely with RFAs and other emergency liquidity providers such as the CRA and bilateral lenders. A more multipolar currency order could emerge cooperatively alongside a strengthened SDR. Financial regulators could combine their desire for greater national autonomy with ongoing cooperation in the G20, FSB, SSBs, and IMF to minimize conflict and enhance the effectiveness of their regulations.

Whether this scenario will come pass is impossible to predict. Decentralization could easily unfold in a less cooperative direction that results in a more conflictual and fragmented global financial governance in the coming years. Alternatively, successful international cooperation and multilateral reform could undercut the support for decentralization in ways that strengthen core liberal multilateral features of global financial governance. The Chinese Presidency of the G20 Summit in 2016 could play a role in shaping the direction of change. So could a future global financial crisis and the way it is handled. Financial crises are, after all, what Charles Kindleberger (1978:3) called a "hardy perennial." Just at the moment that the legacy of the 2008 crisis becomes clearer, the world may be buffeted by the sprouting of a whole new variety.

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