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Writing the rules of global finance: France, Europe, and capital liberalization

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ABSTRACT

Why were capital controls orthodox in 1944, but heretical in 1997? The scholarly literature, following the conventional wisdom, focuses on the role of the United States in promoting capital liberalization. Although the United States encouraged capital liberalization bilaterally, US policy makers never embraced multilateral rules that codified the norm of capital mobility. Rather, European policy makers wrote the most important rules in favour of the free movement of capital. Paradoxically, French policy makers in particular played decisive roles. For the debates that mattered most—in the EU, OECD, and IMF—the United States was, respectively, irrelevant, inconsequential and indifferent. Europe did not capitulate to global capital. Rather, French and other European policy makers created today's liberal international financial regime. French and European policy makers have promoted a rule-based, 'managed' globalization of finance, whereas US policy makers have tended to embrace an *ad hoc* globalization based on the accumulation of bilateral bargains. Once liberal rules were codified in the EU and OECD, they constituted the policy practices of 'European' and 'developed' states, for which capital controls are no longer considered a legitimate policy tool. During the middle of the 1990s, the IMF debated new, universal rules in favour of capital freedom, but the proposal was defeated, primarily by the US Congress, after the financial crises of 1997–98. By then the vast majority of the world's capital flows were already governed by the liberal rules of the EU and OECD.

KEYWORDS

Globalization, finance, capital, France, Europe, multilateralism.

Global finance rests on institutional foundations that are at once informal and formal. The informal social norms of the world economy brand the resort to capital controls unorthodox. The formal legal rules of several international organizations, meanwhile, affirmatively oblige members to

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liberalize international capital flows. Although the scholarly literature on globalization tends to treat the informal and formal institutions of international finance as having similar causes and consequences, they in fact do not. This literature identifies the power of the US Treasury and the interests of Wall Street as principal causes, and accordingly finds the consequences to be enhanced power of US-dominated international organizations to coerce countries to liberalize. I argue, in contrast, that US promotion of financial internationalization has been limited to the social norms of global finance, advanced through *ad hoc*, bilateral negotiations. European policy makers were responsible for the liberal legal rules of global finance.

The alternate account I offer in this article comprises both rationalist and constructivist arguments. Some scholars have attempted to deduce the American interest in the multilateral codification of capital mobility from the liberalism and global importance of the US Treasury and Wall Street. Yet, there is no evidence that the United States promoted or even embraced a liberal international financial regime. Indeed, such a regime is not, in a purely rationalist (and Realist) analytical framework, even in the interests of the United States. The United States was already central to global finance, and a multilateral regime necessarily empowers international organizations, potentially enhancing their influence at the expense of American policy makers and firms. Many European policy makers found the codification of global finance and empowerment of international organizations attractive means to increase their influence over processes of globalization that appeared increasingly beyond their control.

Still, the story of how the Europeans embraced capital liberalization as the basis for organization building requires a more constructivist account of the social learning involved, particularly among French policy makers who came to champion the cause of a rule-based, 'managed' globalization of finance. These liberal rules, once codified, would be consequential not because the rest of the world would (or could) be coerced into opening their financial systems to foreign capital. Rather, these rules came to constitute the policy practices of 'European' and 'developed' states, for which capital controls would no longer be considered a legitimate policy tool.

A BRIEF HISTORY OF CAPITAL REGULATION AND LIBERALIZATION

The international financial architecture constructed after World War II explicitly condoned capital controls. Once considered a heresy during the era of the classical gold standard, capital controls were by 1944 both normal and legitimate (Helleiner, 1994; Eichengreen, 1996). The regulation of international capital flows was understood to be essential to the success of the compromise of embedded liberalism. Even financial markets were to be embedded in social and political relations, rather than existing beyond

them (Ruggie, 1982; McNamara, 1998; Kirshner, 1999). Having emerged informally, this new policy consensus in favour of regulating capital was, at first, unwritten.

Policy makers then wrote the consensus into the legal rules of the international monetary system. The non-liberal rules were codified through three international organizations: the International Monetary Fund (IMF or Fund), the European Community (EC), and the Organization for Economic Cooperation and Development (OECD). The right of IMF, EC, and OECD members to regulate movements of capital, and especially short-term capital, across their borders was protected by the IMF's Articles of Agreement (1945), the EC's Treaty of Rome (1957), and the OECD's liberally named Code of Liberalization of Capital Movements (1961). Accompanying this legal right was the collective expectation that capital controls would be normal and legitimate for the foreseeable future (League of Nations, 1944; Bloomfield, 1946; Gardner, 1956, p. 76). As John Maynard Keynes (1944, p. 17), one of the authors of the Articles of the IMF, explained with typical elegance to the House of Lords, 'Not merely as a feature of the transition, but as a permanent arrangement, the plan accords to every member government the explicit right to control all capital movements. What used to be a heresy is now endorsed as orthodox.'

Even as the legal rules of the system remained non-liberal for decades, a new era of global capital was in the making. By the early 1980s, private financial flows had grown significantly, in part because the United States, the United Kingdom, Germany and Japan had substantially liberalized capital flows across their borders. American, British, German, and Japanese banks and firms began to operate in financial markets that were no longer national, but also not yet global. The unwritten rules of the international monetary system began to evolve. Many policy makers, managers, and bankers began to anticipate an informal trend toward the liberalization of capital by other governments. International financial markets were growing beyond the reach of national laws and domestic social norms; the compromise of embedded liberalism was unraveling (Kirshner, 1999, pp. 326–8; Blyth, 2002). Capital controls, once Bretton Woods orthodoxy, were becoming heretical again (Cohen, 2002).

The internationalization of finance proceeded, but unevenly: most governments continued to restrict capital flows, and those that had liberalized were free to reverse course. Managers and bankers often circumvented capital controls, but they did so neither costlessly nor systematically. The rules of the EC and OECD continued to privilege the regulation of short-term capital flows, and the Articles of the IMF allowed control over all transactions on the capital account.

Two of the formal institutions of the international monetary system were remade at the end of the 1980s. The only partially liberal rules of the EC and OECD, which had slowed down the progress toward truly global

financial markets, were revised in 1988 and 1989, respectively, to embrace a liberal financial system. EC and OECD members were obliged by these newly liberal rules to free practically all capital movements. For some EC and OECD states such as Germany and the UK, these new rules merely codified an obligation to continue to be liberal, a sort of ratification of choices their leaders had already made. However, it took several years of entreaties and demands from the EC and OECD to coax other states, such as Italy and Greece, to catch up to their peers. The EC's and OECD's rules de-legitimated capital controls for 'European' and 'developed' states, respectively. By 2005 the liberal rules of Europe (renamed the European Union, or EU, by the 1991 Maastricht Treaty) and the OECD governed some 70 to 80% of the world's capital flows, which were concentrated among these organizations' overlapping memberships of, respectively, 25 and 30 countries. 'The new financial globalization,' observe Maurice Obstfeld and Alan Taylor, 'is for the most part confined to rich countries' (2004, p. 230).

The last non-liberal rule was potentially the most consequential for patterns of openness and closure in international finance. The IMF's Articles apply to nearly every sovereign state in the world, 184 in all. The Articles endow the IMF with a legal mandate to promote trade, but not capital liberalization; although the Fund has jurisdiction over exchange restrictions for current account transactions, it has no jurisdiction over their capital controls (Gold, 1977; Simmons, 2000). By the 1990s the Fund had begun informally to promote capital liberalization, though it did not have the policy tools to oblige member governments to liberalize (Independent Evaluation Office of the International Monetary Fund, IEO, 2005). A proposal to amend the IMF's charter had also gained support by that time. The proposal would have given the Fund jurisdiction over the capital account as well as endowed it with the official purpose of promoting capital liberalization. The proposed amendment ultimately failed after the emerging market crises of the mid-1990s, but the IMF had nearly codified capital mobility as a universally applicable norm, and in any event, it survived as a strong indicator of 'developed' country status. Clearly, the informal and formal rules of the international monetary system had been transformed since the 1940s (Abdelal, forthcoming).

REWRITING THE RULES

The conventional accounts of the rise of a new era of global finance and a liberal regime to govern it are so widely credited that they constitute truisms for many scholars and policy makers. These accounts generally focus on the rise of the Right and 'neo-liberalism' (McNamara, 1998; Chwieroth, 2002); the end of system-wide fixed exchange rates; technological change; and accumulating evidence about the benefits of liberalization and the costs of ineffective capital regulations (Cerny, 1993; Goodman and Pauly,

1993). Although I cannot address all of these arguments here (see Abdelal, forthcoming), it is clear that the balance of power shifted away from governments and toward financial markets during the last several decades. However, trends that enable capital mobility are not the same as, nor do they inexorably lead to, rules that oblige governments further to liberalize capital. None of these arguments can satisfactorily explain the emergence of newly liberal rules in international organizations that reinforced and protected the freedom of capital movements.

In this article, I dispute the most fundamental piece of the conventional wisdom: the centrality of the United States in the creation of a liberal regime for international finance. Nearly all scholars of globalization maintain that the policy consensus that favored capital's freedom significantly influenced the process of liberalization. Most scrutinized is the consensus that emerged in New York and Washington, DC. This is natural; the United States is, after all, at the centre of the international monetary system, and Wall Street financial firms and the US Treasury have generally favoured liberalization. By sheer voting weight the US is a dominant force on the Executive Board of the IMF. Such a view is neither inherently political nor conspiratorial, and it is consistent with interpreting US hegemony as either benign or coercive. Jagdish Bhagwati writes,

> This powerful network, which may aptly, if loosely, be called the Wall-Street Treasury complex, is unable to look much beyond the interest of Wall Street, which it equates with the good of the world. Thus the IMF has been relentlessly propelled toward embracing the goal of capital account convertibility (1998, p. 12; see also, Bhagwati, 2000, part I; 2004, ch. 13).

Similarly, Robert Wade and Frank Veneroso argue that the US Treasury sought to advance its primary goal—full capital mobility worldwide—'through the IMF by revising the Articles of Agreement' (1998, p. 37). Wade and Veneroso also observe that 'Wall Street wants capital account opening world-wide, and hence supports revision of the IMF's Articles of Agreement,' as does the US Congress (1998, pp. 38–9).

Following these various logics, it would be tempting to conclude, as many have, that the US Treasury and Wall Street promoted the codification of a liberal regime for international finance, and even that US hegemony was most responsible for the rise of our current era of global capital, a phenomenon that has been favoured by, and very much benefits, the United States. This would be a mistake, however.

Although the United States promoted capital liberalization, it has done so unilaterally and bilaterally, and almost never multilaterally. American unilateral liberalization helped to put pressure on other countries to follow suit, and the US Treasury increasingly encouraged states to liberalize on a bilateral basis, often promoting such clauses in bilateral treaties. But,

neither the US Treasury nor Wall Street has preferred or promoted multilateral, liberal rules for global finance. The US approach to globalization has been *ad hoc*, not organized or rule-based.

As I show in this article, the most liberal rules in international finance are those of the European Union, and the United States was irrelevant to their construction. The OECD's rules are nearly as liberal, and the American representatives in Paris were quiet during their writing, as Europeans again led the effort to codify the norm of capital mobility. Europeans once more conceived and promoted the proposal to amend the IMF's Articles, while the US Treasury was indifferent and Wall Street opposed it.

The Europeans were not dragged along by the Americans toward a future of global capital. To the contrary, the Europeans led the way by creating the most liberal, and most consequential, rules of the system. It would have been pointless for Wall Street and the US Treasury to preach liberalism to the Europeans, for they were already converted. The Europeans' 'open regionalism' made this era of globalization possible (Katzenstein, 2005). A globalization without Europe's 25 members could hardly be global.

While the Europeans—and particularly the British, Germans, and Dutch—supported liberal rules for capital movements, three policy makers in the EU, OECD, and IMF played central roles in crafting the informal and formal rules of those organizations. Jacques Delors of the EC, Henri Chavranski of the OECD, and Michel Camdessus of the IMF took part in proposing new liberal rules for the members of their organizations. By all accounts, a consensus in favour of the codification of the norm of capital mobility would have been inconceivable in the EC without Delors, or in the OECD without Chavranski. Camdessus nearly forged such a consensus on the IMF Executive Board. Delors, Chavranski, and Camdessus share a great deal in common, but one attribute stands out: each of them is French.

The French Paradox

This fact is remarkable, for France had for three decades done more than any other country to obstruct the creation of new rules in favour of capital mobility. 'There is a paradox,' observes Pascal Lamy (2004), 'of the French role in globalization. There is an obvious difference between the traditional French view on the freedom of capital movements and the fact that French policy makers played crucial roles in promoting the liberalization of capital in the EC, OECD, and IMF.' The French first had to revise radically their views on the regulation of capital flowing in and out of their own country. France had arrived rather late to the celebration of capital's freedom.

The French paradox is heightened by the fact that the French Left was more responsible than the Right for France's embrace of capital liberalization. Delors has been a prominent Socialist, as has Lamy, his Chief of Staff in the European Commission. Although neither had been involved in French

party politics, Chavranski (a member of the Socialist Party) and Camdessus (a Social Christian), both made their marks as civil servants in the Treasury of the administration of Socialist president François Mitterrand, by whom Camdessus was appointed Governor of the Banque de France. This was a moment, in other words, when the views of the French Left and Right on capital liberalization were, arguably, indistinguishable. The broader social phenomenon in France became known as *la pensée unique*, an economic orthodoxy embraced across the political spectrum.

My resolution of this French paradox is premised on three arguments. First, France has displayed a consistent approach to the liberal imperatives of globalization, and these three policy makers were, in part, responsible for formulating the doctrine: 'managing' globalization with formal rules, even if such rules are essentially liberal (Gordon and Meunier, 2001; Meunier, 2004). Thus, the organizations—the EC, OECD, and IMF—that govern the rules of global finance ought, according to the doctrine, to consist of bureaucracies that are autonomous from the demands of member governments. The French vision of managed globalization (*mondialisation maîtrisée*) contrasts starkly with *ad hoc* globalization of the sort that the United States has favoured. Observes Lamy, 'One resolution of this paradox is the French approach to the problem of liberalization: if you liberalize, you must organize' (2004).

Second, of the three the most decisive was the liberalization of capital movements in Europe. The re-writing of the EC's rules to favour capital freedom was based as well on an idiosyncratic logic: the French accepted complete capital liberalization because it was part of the European project. Europe's drive toward capital freedom constituted a French *quid pro quo* with the Germans, who had long sought such a rule: capital freedom for the promise of monetary union. The result was profoundly important, for the European Union ended up with the most liberal rules imaginable. Based on the *erga omnes* principle, Europe's rules oblige members to liberate all capital flows, no matter the source or direction. Thus, the bargains that led simultaneously to capital freedom and monetary union resulted in rules that expand the freedom for capital movements across borders as the European Union enlarges.

Third, the influence of Delors, Chavranski, and Camdessus represented, more broadly, the achievement of a vocal minority within the French policy establishment that sees ostensibly liberal policies as instruments for social purposes. Delors (2004) reflects:

> Historically there has always been a minority position in France that views inflation as the most damaging for the long-term health of the economy: undermining the value of the currency, tempting capital to flee, and hurting the poor and middle classes. This minority position can be traced back even to [Charles] de Gaulle and [Jacques]

> Rueff, and more recently a minority in the Left and in the Christian Democrats. This minority has always sought to modernize France: to stabilize the currency, to fight inflation, and to promote healthy growth and employment. And it happened that this minority won in France during the 1980s. It was a long and difficult struggle.

For this minority, including some on the Left in France, the capital controls of the Mitterrand era produced perverse distributional consequences: the rich and well connected spirited their money out of France, and the middle classes remained constrained by controls.[1] Although the goals of the Left had not changed, the world had. And the new world of internationalized financial markets meant that capital controls, long one of the Left's tools for macroeconomic management on behalf of the working and middle classes, no longer empowered labour and the intelligentsia. Capital controls that constituted a mere nuisance for the rich had become a veritable prison for everyone else. Lamy (2004) argues, 'The Left's embrace of liberalization was similar to its fight against inflation. Eventually we recognized that it was the middle classes that bore the burden of regulation most, as they did with inflation.' Unable to control the rich, the French Left decided to free everyone else. 'Our capital controls failed,' recalls Chavranski (2004), 'not in the sense that everyone was able to elude their grasp; they failed in the sense that those who were less well connected bore their burden most.'

Much financial internationalization had already taken place by the spring of 1983 when the Mitterrand administration undertook its *tournant*, the famous U-turn that represented an admission of defeat for the socialist project. Mitterrand had succeeded only in destroying Keynesian reflation and redistribution as a legitimate alternative in Europe.[2]

The French government began to loosen its draconian exchange controls at the end of 1983, continuing in the summer and autumn of 1984. Being committed socialists, not to mention astute politicians, the French Left liberalized the transactions that had most constrained the middle classes and had been most unpopular among its constituency: travel allowances and the infamous *carnet de change*. In 1985, the socialists began to liberalize virtually all transactions, including authorizing Eurobond issues denominated in French francs. When the Right-wing government of Jacques Chirac shared the reins of power with Mitterrand between 1986 and 1988 France continued to liberalize, though the pace slowed and focused on other transactions, such as the purchase of secondary residences abroad and exchange purchases and sales by firms. The socialists finished the task upon their return to power. Only in January 1990 was France's capital account fully liberalized.

As France liberalized, three French policy makers who had supported the *tournant* joined the organizations that governed the international financial

system. Jacques Delors went on to Brussels as President of the European Commission. Henri Chavranski became chair of the OECD committee that oversaw the Code of Liberalization of Capital Movements, remaining in Paris, where the organization is headquartered. Michel Camdessus moved to Washington as Managing Director of the IMF. With the policies of financial liberalization firmly entrenched in the French government, these three now had an opportunity to influence the governance of finance in the wider world. By the time that Chavranski retired in 1994, Delors left Brussels in 1995, and Camdessus returned in Europe in 2000, these French policy makers had profoundly influenced their organizations' policy practices and formal rules. Delors, Chavranski, and Camdessus left the EU, OECD, and IMF much more liberal than they had found them.[3]

The Europe of Jacques Delors

The European economy envisioned by the authors and negotiators of the 1957 Treaty of Rome was not unconditionally liberal. Goods, services, and people were supposed to flow freely. Capital, however, was not, except 'to the extent necessary to ensure the proper functioning of the Common Market,' and without jeopardizing the internal and external financial stability of members (Bakker, 1996, pp. 42–3; Oliver and Baché, 1989). The conditionality of the obligation to liberalize capital reflected, in part, the widespread consensus among policy makers around the world that capital flows ought to be controlled in order to avoid financial crises and ensure monetary policy autonomy. The Treaty's conditionality of capital liberalization also resulted from bargaining among Europe's founding members. Germany had argued for capital's freedom, whereas France, Italy, and the Netherlands had rejected such a codified obligation. This same division persisted into the 1970s (Bakker, 1996, pp. 34–5).

The legal implication of the Treaty's wording would later be that members' obligations to liberalize capital could be redefined only by a new Treaty or by directives formulated by the European Commission and approved unanimously by the Council that would, in essence, define what members agreed to constitute 'the extent necessary' for the common market (Padoa-Schioppa, 1994, p. 27). Europe would thus wait for members to fulfil their unconditional obligations to allow the freedom of goods, services, and people. With regard to capital, in contrast, the content of members' obligations would change over time.

The Commission began to define and expand members' obligations to liberalize capital with directives in 1960 and 1962, but little progress was made. The 1960 directive established a complex list of categories of transactions ranging from those most closely linked to the other basic freedoms articulated in the treaty (direct investments and personal capital movements, for example) to those considered least necessary (such as 'short-term

capital movements'). Members were obliged to liberalize only transactions deemed essential to the functioning of the common market. That turned out to be a short list indeed.

For more than 20 years, not a single new directive for liberalizing capital was issued from Brussels. A third directive was submitted to the Council in 1967, but a decade of negotiation led nowhere. 'Opposition came from all sides,' writes Age Bakker (1996, p. 96), 'but first and foremost from France and the Netherlands.' The only other movement on capital pushed in the direction of more control, rather than liberalization. A 1972 directive obliged members to maintain the apparatus of capital controls 'to curtail undesirable capital flows' (Bakker, 1996, pp. 116–8). When the German enthusiasm for liberalization was shared by the Dutch and British in the early 1980s those three countries sought once more to bring capital liberalization to the agenda in Brussels. Again, the 'uncompromising, dogmatic attitude of France' blocked the initiative (Bakker, 1996, pp. 147–53).

The Mitterrand *tournant* changed everything. Although many French policy makers, including Mitterrand himself, had merely capitulated to the reality of capital flight, they had also begun to reconsider their approach to the freedom of capital movements in Europe. Then, on 1 January 1985, Delors, the architect of *rigueur*, the French economic austerity program, became president of the European Commission, a post he would hold for a decade.

After visiting the members' capitals and sensing that the time was ripe for an ambitious new integration initiative based on market principles, Delors moved quickly to produce the June 1985 White Paper that was the first outline of a plan to complete the European internal market by 1 January 1993 (Moravcsik, 1998, pp. 361–2). Even in the summer of 1985, however, neither the Commission nor the White Paper outlined a new legal obligation for the complete liberalization of capital movements in Europe. In December 1985 the Delors Commission sought, unsuccessfully, to ensure that the Single European Act (signed in February 1986) would redefine the internal market in such a way as to put freedom of capital on the same footing as the other three freedoms. The legal basis for capital liberalization in Europe remained the same as it had been in 1957: 'to the extent necessary.' The Single European Act thus did very little to liberalize capital movements.

The Delors Commission began in the spring of 1986 to formulate a plan for a series of directives to oblige member governments to liberalize unconditionally. Delors' first big step was a November 1986 directive that moved many of the capital transactions that the 1960 directive had placed on the conditional liberalization list to the unconditional list. In June 1988, the final capital movement directive was issued. No capital transaction or transfer was exempt from this new obligation to liberalize. The Treaty of Rome qualifier, 'to the extent necessary,' was from the summer of 1988

onward defined such that all capital movements were 'necessary' for the proper functioning of the common market (Bakker, 1996, p. 211; Oliver and Baché, 1989, pp. 66–7). Significantly, the Germans also insisted that the directive be based on the *erga omnes* principle of applying liberalization to third countries.[4] Financially, then, there could be no 'fortress Europe': European financial integration would imply the embrace of global capital flows.

Bakker (1996, p. 212) observes that French 'support of the liberalization process was decisive' (also see Friend, 1998, pp. 191–2; Melitz, 1990, pp. 394–5). A variety of reasons led the French government in Paris and Delors Commission in Brussels to embrace the liberalization of capital as an obligation of membership in Europe. First, the French had already moved decisively in the direction of an open capital account. Although much remained to be liberalized in the middle of the 1980s, many French policy makers felt that complete liberalization was just a matter of time. More positively, French liberalization reflected a fundamental victory for the minority of modernizers and liberalizers who had long sought to reorient the Left toward the market and safeguard the value of the French currency. Delors (2004) recalls that it 'was difficult to convince those in Paris,' adding, 'Many French politicians on both the Left and the Right were against the liberalization of capital.' Nor did Delors win the day alone. Mitterrand himself played a critical role: 'the firmness of the position of the President of the Republic was decisive,' according to Delors (2004). 'No one has emphasized sufficiently the firmness of the President's view that the French people prefer to be satisfied with the strength of their currency, indeed to be proud of their currency. This was an end in itself for the French government.'

Second, a *quid pro quo* with Germany, which had long supported the liberalization of European capital movements, promised to increase the symmetry of the European Monetary System (EMS) of fixed exchange rates. The 1987 Basle/Nyborg agreement to reduce the asymmetry in adjustment and management of speculative pressure was the German offer for French support of capital liberalization. By securing the support of the French government, Basle/Nyborg paved the way for Delors to take the final step toward the codification of the capital mobility norm in Europe.

Third, perhaps even more profound than Delors' political sense of the mood in Europe was Delors' (2004) own growing conviction that the internal logic of the single market simply required free capital movements in a way that he had not foreseen even in 1985: 'Although I had concerns, I came to the realization that the free movement of capital was essential to the creation of the internal market.' The Commission recognized that a single European capital market would also increase the pulling power of Europe in the international financial system. As Lamy (2004) reflects, 'the capital liberalization directive was not announced in 1985, and was not a

part of the road map for 1992, because it was not yet conceived. Delors hesitated quite a lot. However, the coherence of the plan as it evolved, the logic of the internal market, was powerful.' Once the plan was determined, in December 1985 and January 1986, Delors (2004) was convinced that capital liberalization would 'have a psychological effect, creating a powerful signal—even more because the proposal was coming from the French.'

The fourth, most subtle and strategic reason was the one on which the preferences of the French government and the Delors Commission overlapped most. The Commission's strategy, according to Nicolas Jabko (1999), laid the very foundation for monetary union. Both the French government and Delors saw the liberalization of capital movements as the first step in a sequence of events that would culminate in monetary union in Europe. The French interest in monetary union intensified with the adoption of the *franc fort*, the strong franc policy, that followed Mitterrand's decision not to devalue and to remain within the EMS. This meant shadowing German monetary policy ever more closely, and the Bundesbank's independence of everyone, including the German government, meant that there would be little outside influence on monetary policy making for all of Europe (Abdelal, 1998). For Delors, Economic and Monetary Union (EMU) became a priority, and laying the foundations for union promised to be as great a feat as any Commission president had ever achieved. 'EMU, more than everything else,' George Ross (1995) writes, 'was Delors' baby.' Delors recalls the role of these 'other politics as well' (2004). Delors, in concert with a number of other French policy makers, 'decided that it would be better to live in an EMU zone than in a Deutsche Mark zone.'

The path from the 1988 directive to monetary union was, Delors and his staff realized, long, and the strategy was in many ways extremely risky, for it threatened to unravel the EMS altogether. Jabko (1999, p. 481) observes that the strategy also 'was politically quite shrewd.' The risk was that inflation rates among European countries would continue to diverge, even as exchange rate realignments within the EMS were becoming less frequent. Commission officials, Jabko (1999, p. 479) notes, were 'acutely aware of the economic incompatibility between fixed exchange rates, freedom of capital movements, and national policy autonomy.'

The strategy produced a logic that would appear irresistible, and a path inexorable, to governments in Europe. With a single capital market and fixed exchange rates there could be no place for autonomous monetary policy making in Europe. Europe's central banks had already essentially relinquished their monetary autonomy to the Bundesbank through the working of the EMS. The Commission thus 'raised the political stakes of EMU, acting decisively to liberalize capital movements while exhorting European governments to embrace EMU as a compensatory instrument for regaining monetary sovereignty' (Jabko, 1999, p. 475).

Thus, as Lamy (2004) recalls, the 'ultimate goal' was monetary union:

> Two logics were critical. Tommaso Padoa-Schioppa, who played a critical role among the plotters, outlined what we then called the Padoa-Schioppa theorem on the incompatibility of fixed exchange rates, capital mobility, and monetary policy autonomy. The Delors plan thus promised to spill over from capital movements to monetary integration. We also needed to erode German resistance, and capital freedom was the price to pay.

A concrete plan for EMU followed hard upon, and as a direct result of, the capital liberalization directive. French support for the 1988 directive was critical according to Craig Parsons (2003, p. 205): 'only when they accepted full capital mobility, in June 1988, did Kohl agree to create a committee on EMU under Commission President Delors.' The committee's report, known as the Delors Report, helped to re-launch the EMU project. Indeed, the report's outline became, with few modifications, the very text of the Treaty of Maastricht's provisions for progressing toward EMU (Verdun, 2000, p. 80–6). Maastricht thus constituted the codification of the commitment of the French Left to a European project based definitively on market integration (Meunier, 2004). 'The victory of the community project was not determined solely in France,' Parsons (2003, p. 2) writes, 'but the key battle of European ideas occurred there.'

The Château and Henri Chavranski

Membership in the OECD is only for the privileged (see Chavranski, 1997, p. 7). It is, in a word, for the rich, symbolic of having achieved the status of 'developed' country. The organization's headquarters are in the sixteenth arrondissement of Paris, among the quiet, posh neighbourhoods of old money, in the elegant Château de la Muette. The atmosphere of la Muette, as it is known, is dignified and serene, as befits the members of one of the most influential, private, and exclusive international organizations in the world.

The most consequential obligation of OECD membership is adherence to its Code of Liberalization of Capital Movements. Adherence is non-negotiable, and its commitments are taken quite seriously. Until the European Commission's 1988 directive the Code was the only multilateral instrument that promoted the liberalization of capital movements.

When established in 1961, the Code of Liberalization excluded short-term capital movements on principle. The origin of the Code's obligations had much in common with that of the Treaty of Rome. Both documents were founded amid profound mistrust of short-term capital movements. According to Raymond Bertrand, who spent much of his career in a senior post in the OECD Secretariat, the Code's obligations were limited to

long-term capital flows, particularly foreign direct investment, as a matter of self-reflective purpose. The omission of short-term capital, Bertrand writes (1981, p. 3), 'stems from the recognition that short-term financial transactions, in particular those initiated by banks, can pose problems for the management of money and of exchange reserves, especially under fixed or managed exchange rates.' For more than 40 years the OECD's Committee on Capital Movements and Invisible Transactions (CMIT) oversaw amendments to and members' compliance with the Code.

On each occasion that an extension of the Code's obligations to new capital transactions was discussed in the CMIT the Europeans, especially, worried about 'hot money.' When the Code was first amended in 1964, the OECD, according to the Secretariat's Pierre Poret (1998, p. 5), 'took an explicit decision not to extend the scope of the Code to short-term operations on the grounds that their liberalization would make their balances of payments vulnerable to shifts in market participants' sentiments and compromise the independence of their economic policies.' During the late 1960s, the US urged its OECD colleagues to embrace capital liberalization, even if not in the context of the Code itself. American suggestions were met with reluctance and, in the case of France, with outright opposition (Shafer, 1995). The 1973 amendment was again quite modest, adding only collective investment services. By the early 1980s, members of the CMIT were discussing means to strengthen the Code's stance on foreign direct investment. Consensus was reached quickly; in 1984, the Code's jurisdiction over foreign direct investment was amended to include the right of establishment for non-resident investors.

The CMIT spent the balance of the 1980s working toward a consensus in favour of the liberalization of all capital movements. Eventually the French joined this consensus, eagerly, and in 1989, the Code was amended one last time to include all capital movements. The single most influential policy maker during the CMIT's evolution was Henri Chavranski, the chair of the Committee from 1982 until 1994 and a member of the French delegation to the OECD. One of the central, but under-appreciated stories of globalization is that of the Code of Liberalization of Capital Movements, the CMIT, and the convergence of European finance ministers to a worldview that enshrined the freedom of capital movements.

The late 1980s was a period of profound change for the OECD, in la Muette as well as in the members' capitals. Many OECD members had begun to dismantle their capital control regimes unilaterally. The legal foundations for central bank independence were being laid in member countries in which they were not already in place. A decisive shift away from policy discretion was underway. Chavranski (2004) recalls,

> What the CMIT experienced during my tenure was a pendulum swing in sentiment about markets. The Europeans had no answer

> to the Reagan-Thatcher thesis, and so we followed. The process was most dramatic in France. The French position in the OECD had always been to slow down the expansion of the Code of Liberalization. When the French position changed in the middle of the 1980s, the CMIT could begin its work toward a truly liberal Code.

Decades of contention over short-term capital flows in la Muette resolved into the calm and consensual tenor of the CMIT discussions of a new obligation. 'There was no strong opposition to the expansion of the Code,' according to Chavranski (2004). 'A few countries were reluctant, but there was no big fight. The idea was accepted.' In the late 1980s, the United States was far from the vanguard of expanding the liberalization obligations of the Code. As Jeffrey Shafer (2004) recalls,

> I always recognized that one could have sympathy for the objectives of the Left and believe that liberalization was, given the context of the international economy, the best way to achieve them. Important figures in the European Left came around to this view, and it ultimately influenced OECD practice in a number of areas, including capital account liberalization. I often advised the Treasury not to push or be especially vocal in OECD debates about liberalization. Just be quiet and let the impetus come from the Secretariat and the Europeans who are supportive.

As had Jacques Delors before him with respect to the 1988 directive, Chavranski, as CMIT chair, did not succeed in amending the Code by running too far ahead of his OECD colleagues. Rather, he engaged members who had been enthusiastic about bringing short-term capital within the legal mandate of the Code for some time. According to the Swede Jan Nipstad, who chaired the working group formed to champion the expansion of the Code, Chavranski's support was 'masterly.' A relatively recent convert to the cause of capital liberalization, Nipstad worked closely with Chavranski to bring about consensus within the CMIT. Together with France's new embrace of liberalization, the reasoned support of one known not to be dogmatically liberal greatly enhanced the legitimacy of the expansion among members who were still skeptical. Chavranski's role, Nipstad (2004) insists, was 'essential' to the success of the proposal.

OECD members agreed to a new standard of appropriate policy practice in 1989. Capital liberalization had become the usual behaviour of OECD members. In 1989 OECD members agreed that an open capital account was to be one of the defining—the constituting, the proper—practices of a 'developed' country: 'While member countries are clearly at different stages of liberalization, they now share the view that the complete liberalization of capital movements is a proper goal' (Committee on Capital Movements and Invisible Transactions and Committee on Financial

Markets, 1989, p. 8). What the OECD's amendment did, by Louis Pauly's (1997, p. 37) assessment, was begin 'to replace the formal legal right to control capital movements with a new right. The effort to codify the norm of capital mobility,' he added, 'continues.'

The Fund and freedom under Michel Camdessus

By 1990, the institutional foundations of the internationalization of finance among European and developed countries had been laid. The rules had been written primarily by French and other European policy makers. The only institutional void in the architecture of globalization was the codification of capital mobility in a truly global organization.

The effort within the IMF to codify the norm of capital mobility was a phenomenon of the middle of the 1990s. Until 1987, under the leadership of Managing Director Jacques de Larosière, Fund management intended that the organization stand apart from the process of financial internationalization. 'We had our catechism,' explained de Larosière (2004):

> "Thou must give freedom to current payments, but thou must not necessarily give freedom to capital." I was comfortable with the idea that the Fund would not move toward compulsory freedom of capital. By the time I left the Fund in 1987 I was not aware of any discussions of changing the Articles to bring the capital account within our jurisdiction.

The proposed amendment clearly emerged within the Fund after de Larosière returned to Paris and Michel Camdessus arrived in Washington as the new Managing Director, a post he held between 1987 and 2000. Camdessus first formally proposed the amendment to the Fund's Executive Board in 1995, though the idea had been considered within Fund management several years earlier. In late 1993, Camdessus approached Philippe Maystadt, Chairman of the Fund's powerful Interim Committee, with a proposal that the Fund extend its jurisdiction to the capital account; this is the earliest reference to such a proposal within Fund management that to date has been substantiated (Kiekens, 2004).

Two fundamental and distinct changes were assumed. First, the IMF was to be endowed with a new purpose: to promote the liberalization of capital flows. Listing capital account liberalization among its purposes would have enabled the Fund, for the first time in its history, to include capital liberalization in the conditions attached to its loans. Second, the IMF was to assume jurisdiction over the international financial regulations of its members, which were, as a general rule, to be prohibited from imposing restrictions on capital movements without Fund approval.[5]

Many Fund critics viewed the proposed amendment as the final step toward the complete codification of liberalism in the international financial

system. The critics presumed Fund management to be doing the bidding of the US Treasury, which in turn must have been following the orders of the big banks on Wall Street. But neither was true. As Charles Dallara (2004), Managing Director of the Institute of International Finance, insists, 'The proposal was by no means a Treasury or Wall Street initiative.'

Indeed senior officials at the US Treasury were indifferent to the proposed amendment, though not because they opposed liberalization in principle. 'The idea,' a former senior Treasury Official (2003) argued, 'that the Fund was doing the bidding of the Treasury to push openness is totally wrong.' The proposal, the official argued, 'came from the Fund. It didn't come from us.' There was no one at Treasury with a portfolio that included shepherding the amendment through the Fund and beyond. The proposal, in Treasury lingo, 'didn't get adult supervision.' As former Treasury Secretary Lawrence Summers (2004) recalls, 'I gave very little attention to the issue; Rubin gave it less.'

Wall Street, represented in Washington by the Institute of International Finance, was opposed to the proposal altogether (Institute of International Finance, 1997; Dallara, 1998). According to Lex Rieffel (2004), a former Treasury and OECD official who chaired the Working Group on capital account liberalization at the Institute, it is important to distinguish between the freedom of capital movements and the proposed amendment to the Fund's Articles: 'Of course, Wall Street was in favour of liberalization,' he explained. 'But the financial community had some serious reservations about giving the Fund jurisdiction over the capital account.' These reservations included the fear that the amendment would legitimize the capital controls the Fund did approve (Institute of International Finance, 1997, p. 5).

The Working Group held three meetings during which the 22 members solidified their positions and clarified the opposition of the private financial community. Weighing the arguments in favour and against, the Working Group (Institute of International Finance, 1999a; b) 'found sufficient reason for the private financial community to oppose at this time any amendment that would formally extend the jurisdiction of the IMF over capital movements.'

Dallara (2004) recalls that his colleagues 'sympathized with bankers from emerging markets who warned against premature liberalization and the vulnerabilities that came with it. 'Although capital account openness,' he continued, 'is in the broad interest of financial institutions, bankers are much more interested in particular countries, rather than the system as a whole. And the economies that matter most are already mostly open.'[6]

Lastly, Dallara (2004) reflected on the private sector's lack of

> confidence in the Fund's ability to see both the public and the private interest. The culture of the Fund is usually to see the public interest in

> any situation. The proposed amendment was an example: although the proposal was exactly at the intersection of public and private, in formulating its approach the Fund consulted with the private sector virtually not at all.[7]

The idea to amend the Articles, Camdessus (2004) recalls, 'came from within the Fund.' By all accounts the proposal was formulated and promoted by Camdessus himself, with the advice of his closest advisors, including Jack Boorman and Manuel Guitián. Jack Boorman (2003), then Director of the powerful Policy Development and Review Department, maintains that Camdessus was the 'driving force' behind the amendment. Former Executive Director Thomas Bernes (2003) recalls that the proposal originated with Camdessus, the amendment being 'part of Camdessus' vision for the Fund.'

Camdessus (2004) maintains that he was applying lessons he learned in the Mitterrand administration:

> Exchange controls may help insulate a country's authorities, but only for a very short time. Even the best conceived and effective exchange control system will be circumvented within six months. Speculators and crooks are extremely sophisticated. And then, after a year, exchange controls are effective only against the poor. The French experience of the beginning of the '80s had been extremely convincing for me. I preached on every possible occasion that you cannot trust exchange controls in the long term.

For Camdessus and Fund management, the principle of the amendment was to adjust the Fund's authority to a global economy, a world in which the flow of capital vastly exceeded trade flows. 'The IMF's role,' according to Camdessus (2004), 'would be to help countries adapt to a new world.' Camdessus and Fund management were surprised to discover that so many did not trust them with jurisdiction over the capital account.

Wall Street and the Treasury perceived the Fund's management to be desperately attempting to make the IMF more relevant to globalization. Summers (2004) called the proposal 'a bureaucratic imperative.' Dallara (2004) construed it to be an attempt by the Fund to 'enhance its role in the international financial system, to bring it back to the centre of the financial universe, where it had not been for some time. The Fund had been increasingly marginalized,' according to Dallara, 'and the Fund's management appeared eager to play a more important role.' At the time of these debates, *The Banker* (1997b) described the amendment as a 'Machiavellian device by Camdessus and his lieutenants to wrest back from the market place some of the power it has lost as the principal force in world financial markets.'

The proposal to amend the Fund's Articles almost succeeded.[8] Emboldened by the financial crisis in Asia, however, a number of developing

country Directors on the organization's Executive Board began actively to oppose the amendment in the spring of 1998 (Mohammed, 1998; Minutes of the IMF Executive Board Meeting, 2 April 1998; Leiteritz, 2005). Their long-standing concern was that the Fund would pursue capital liberalization with its new legal tools too aggressively in the developing world.[9]

The possibility of a capital account amendment was destroyed ultimately by the US Congress, when, in May 1998, powerful Democrats in the House of Representatives threatened to withhold support for an increase in the US contribution to the Fund if the Treasury did not withdraw all US support for the amendment (Gephardt et al., 1998). The US Treasury immediately ended its already meager support. Without US implicit support, not to mention an already lacking G7 consensus, no proposal for such a dramatic change in the international financial architecture had a chance. With only a few European Executive Directors still in favour of the proposed amendment, Camdessus and Fund management were left without even the most putatively natural allies of the codification of capital's freedom worldwide.

By 1999, the proposal was completely dead, and it has remained so. Although the rules of the EU and OECD still organize the vast majority of the world's capital flows, the effort by Camdessus and his European colleagues to codify globalization in the rules of a universal organization failed. The Fund was left without the central role in the global financial system that its management had sought. The US vision of *ad hoc* globalization thus remains the principle for capital that flows from developed to developing countries.

CONCLUSIONS

Much of the conventional wisdom about the politics of global finance deserves to be overturned for lack of evidence. The United States, both through its public agent in international financial markets (the Treasury) and its private one (Wall Street), has done much to create a world of mobile capital. Unilateral liberalization, bilateral pressure, crisis management, and massive flows of capital into and out of the country all have put the United States at the centre of global finance. However, the most consequential liberal rules of the international financial architecture in the EU and OECD did not result from US policy. Nor did the proposal to make the norm of capital mobility a universal rule for IMF members emerge from the preferences or actions of Wall Street and the Treasury. American power did not underwrite the efforts of IMF management to manage and rule globalization. The Wall-Street Treasury complex did not write the rules of globalization. The Washington Consensus did not lead to the multilateral codification of global capital mobility.

The decisive confluence of worldviews was in Europe and, most decisively, in Paris. The Paris consensus, not the Washington consensus, led to liberal rules of globalization. French recalcitrance had held back liberal

rules that other Europeans—notably the British and the Germans—had long preferred. The French position on capital mobility was then reversed by the very socialists who had sought to escape the rigors of Europe's fixed exchange rates and increasingly mobile capital. The disillusionment of the Left with the undesirable distributive consequences of capital controls was much more important than the rise of the Right and its neoliberalism. The diminishing effectiveness of capital controls became politically salient, though not for the reasons that many economists and policy makers assumed had driven developed countries to liberalize. The most important principle was not the liberation of firms and banks, which already circumvented many controls, but the European Left's concern for the still-constrained middle classes.

The Mitterrand administration and the three policy makers—Delors, Chavranski, and Camdessus—that it sent into international organizations did much more than acquiesce in a new world of increasingly mobile capital. The French government and these French policy makers attempted to manage it by simultaneously writing the rules of the international financial architecture and building the authority of the organizations that govern the system.

Much of this story is consistent with a rationalist, Realist approach to international political economy. Indeed, in retrospect it is surprising that so many observers thought that the US Treasury or Wall Street would push to codify the norm of capital mobility in a way that would empower international organizations to govern more effectively international financial markets. The US Treasury already effectively governs global finance; it requires little assistance from the European Commission, the CMIT, or IMF management, and with respect to the latter two, has little incentive to delegate to them. American banks and financial firms are not interested in worldwide capital mobility; they are interested in access to a handful of emerging markets, access they can acquire without the liberalizing efforts of policy makers like Delors, Chavranski, or Camdessus. Because of the overwhelming dominance of the United States in international financial markets, neither Wall Street nor the US Treasury has perceived any need to write rules that might ultimately constrain them as well. *Ad hoc* globalization befits the United States' hyper-power and its narrow economic ambitions.

Managed globalization likewise befits France, a middle power with ambitions to influence international politics and economics by putting rules and organizations, rather than American power, at the center of the system (Gordon and Meunier, 2001, ch. 5). As one of France's most influential thinkers on international affairs, Hubert Védrine (2001, p. 45), put it: 'France will share in the adventure of globalization, which will also be marked by France. Our entire foreign policy is built around this idea.' In the international financial system, France has marked globalization by taking the

lead in formulating and codifying the rules. According to Lamy (2004), 'In Europe, at that time, the French vision succeeded: it was liberalization combined with organization. The stories of the IMF and OECD were similar: these were attempts to liberalize and organize simultaneously.' These episodes also, Lamy suggests, reflect the broader 'French foreign policy doctrine of seeking coherence in international organizations.'

The liberal content of the rules that French policy makers proposed requires further explanation, however, given that most of the French rhetoric about managed globalization in international finance has focused on the need for more regulation, not more liberalization (Gordon and Meunier, 2001, pp. 108–11). Indeed, not every European policy maker within these organizations sought liberal rules for capital movements, and French managing directors of the IMF were themselves far from unanimous on the issue. Jacques de Larosière, the Fund's managing director between 1978 and 1987, represents the centre-right Gaullist tradition. De Larosière (2004) speaks of the 'mixed blessing' of free capital movement: 'Without the right institutions and the right surveillance procedures in place, capital movements could create havoc. And they have.' Thus, as Lamy (2004) observes, 'When it comes to liberalization in France there is no Right. The Left had to liberalize, because the Right would not.' Although the general principle of rule-making and organization-building informed French foreign policy, this specific cohort from the Mitterrand era shared a modernizing and liberalizing vision for France and the world. 'There was no plan, however, to liberalize capital in all international organizations,' reflects Delors (2004). 'It was not a conspiracy. Those of us in that modernizing minority shared a common doctrine, and when we were placed in the organizations we continued to promote our doctrine.'

Finally, the American, the French, and the broader European approaches to globalization have what might be called sociological and constitutive consequences, regardless of how straightforwardly the policies appear to fit their respective positions within the international distribution of power. The consequences of American *ad hoc* globalization are, in principle, problematic for the maintenance of the bargains that sustain the mobility of capital across national borders. The United States has not systematically used its power to encourage rules in organizations that might then socialize new members into the norms of openness. Thus, perhaps ironically, the US pursuit of *ad hoc* globalization based on a variety of unilateral decisions and bilateral trade and investment treaties may effectively have undermined the legitimacy of global financial openness as a universal norm.

The EU's and OECD's clear rules in favour of capital mobility nevertheless have delineated the practices that are legitimate for 'European' and 'developed' countries. 'Sociology's core insight,' observes Frank Dobbin (2004, p. 4), 'is that individuals behave according to scripts that are tied to

social roles. Those scripts are called conventions at the collective level and cognitive schemas at the individual level.' The codification of the norm of capital mobility in the EU and OECD thus changed the scripts for members of those organizations: those two scripts articulate an obligation to permit capital to move freely, as well as intellectual justification for doing so. Although these constitutive rules exerted significant influence on the policy practices of existing EU and OECD members, their most powerful effects were felt by the three new EU members in 1995 and the ten new central and east European members in 2004, as well as the six countries that acceded to the OECD between 1994 and 2000. In order to be recognized as 'European' and 'developed,' these countries liberalized their capital accounts rapidly because the EU's and OECD's standards for membership were so clear.[10] Since many of these countries lacked the institutional foundations of well-functioning capital markets, however, they also thereby risked financial crises, which a number of them experienced during the 1990s and may yet still. While EU and OECD rules have firmly established capital mobility as a 'developed' country practice, problematic attempts to extend it through expanded membership to countries with weaker institutional foundations for their financial systems and the failed attempt to amend the IMF Articles have circumscribed the norm by undercutting its universality.

The autumn of 1998 was as close as the world has come to a universal norm and legal rule in favour of capital mobility. The policy consensus has been shaken by financial crises, and an amendment of the IMF's Articles now appears unlikely, if not simply impossible. The internationalization of capital, after a temporary decline following the crises, resumed, and it may still be years before we see its plateau or peak. As a matter of capital flows, global finance would appear to be as strong as ever. But when it comes to the norms and rules of global finance, the very ideas and laws that constitute the system, the height of our current era of globalization may already have been reached.

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NOTES

1 Scholars have generally not paid sufficient attention to the distributional politics of capital controls. A notable exception is Alfaro (2004). The distributional

politics of capital liberalization, in contrast, are well studied. See Frieden, 1991; Kirshner, 1998.

2 The scholarly literature on the Mitterrand era is wonderfully rich. See especially Hall, 1986; Loriaux, 1991; Levy, 1999; and Howarth, 2001.

3 These narratives are recounted in detail in Abdelal (forthcoming, chs. 4–6).

4 The French and British governments and the Commission opposed making the *erga omnes* principle legally binding in the directive. The directive thus included a weaker legal obligation, 'to endeavor to attain the same degree of liberalization as that which applies to operations with residents of other Member States' (Article 7). Technically, and legally, the directive applied to all capital movements within the EC, but only to transfers in relation to capital movements between the EC and third countries. See Bakker (1996, pp. 198–9, 212). The 1991 Maastricht Treaty strengthened the *erga omnes* principle: member states were now 'prohibited' from restricting capital movements, and not just transfers with respect to capital movements, to and from third countries.

5 I rely here on 'Concluding Remarks by the Acting Chairman of Liberalization of Capital Movements Under an Amendment of the Articles,' p. 2, Executive Board Meeting, 2 April 1998, BUFF/98/41 (IMF archives).

6 Dallara did not make this argument only with the benefit of hindsight. In the early autumn of 1997 Dallara argued, 'Under the impact of global liberalization, weak financial institutions—those that are undercapitalized or poorly managed—will suffer, as will banking regimes that are not adequately strong' (*The Banker*, 1997b).

7 The 'remarkably little' consultation with private sector financial firms was noted as well by the IIF (1997: 2). See also *The Banker* (1997a), in which Dallara complained: 'This is power without limit and that is why no one in private markets, investors, or hedge funds should get on board this amendment.'

8 Although the amendment enjoyed broad support, such support does not seem to have reached higher than 65% of the weighted votes on the Executive Board. 85% of the weighted votes are necessary to amend the Articles. These figures were calculated based on the positions articulated in Minutes of the Executive Board Meeting (1997).

9 Some scholars argue that the Fund had already pursued capital liberalization in the developing world in the absence of a mandate or set of legal tools to do so. See Kirshner (2003, pp. 270–9); and Stiglitz (2004). The definitive review of the IMF's advice in the developing world is IEO (2005).

10 The scholarly literature on regulative and constitutive norms within international organizations is now substantial. See especially Katzenstein (1996, p. 5); Ruggie (1998); and Finnemore and Barnett (2004). On institutions as social environments, see Johnston (2001). On organizations as teachers and diffusers of norms, see Finnemore (1993); Jacoby (2001); and Epstein (2005). Finally, on imitation as a mechanism for the influence of a script, see Krasner (1999, p. 64); and Checkel (2001). The constitutive effects of the EU's and OECD's rules for capital freedom are explored more fully in Abdelal (forthcoming).

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