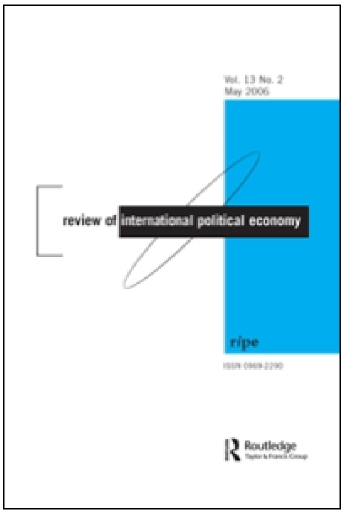

Review of International Political Economy
Publication details, including instructions for authors and subscription information:
http://www.informaworld.com/smpp/title~content=t713393878

Regulating globally, implementing locally: The financial codes and standards effort

Layna Mosley[a]
[a] Department of Political Science, University of North Carolina, Chapel Hill, USA

Online publication date: 04 October 2010

To cite this Article Mosley, Layna(2010) 'Regulating globally, implementing locally: The financial codes and standards effort', Review of International Political Economy, 17: 4, 724 — 761

To link to this Article: DOI: 10.1080/09692290903529817

URL: http://dx.doi.org/10.1080/09692290903529817

Review of International Political Economy 17:4 October 2010: 724–761

Regulating globally, implementing locally: The financial codes and standards effort

Layna Mosley

Department of Political Science, University of North Carolina, Chapel Hill, USA

ABSTRACT

This article explores the effort, during the last decade, to develop a set of global standards and codes to govern international capital markets. I posit that, despite global capital market pressures, this effort should have limited success in low and middle-income countries. Drawing upon a historical institutionalist framework, I suggest that domestic political institutions, as well as interests, often will lead to the failure of governments to implement global codes and standards. After describing briefly the motivations for and substance of the standards and code project, I summarize trends in the national implementation of such standards. I then point to several instances of policy feedback, in which the existing domestic regulatory institutions in middle-income countries rendered the adoption of new international rules difficult, technically as well as politically.

KEYWORDS

Financial regulation; standards and codes; private authority; global economic governance.

1. INTRODUCTION

Despite the general trends toward financial liberalization and deregulation that characterized the last two decades, the period also was marked – especially after the Asian financial crisis – by an effort to create and promulgate a set of global standards for the governance of financial activities. These standards, a sort of 're-regulation' (Levi-Faur, 2005; Vogel 1998), ranged from those setting rules for accounting practices to those governing the coverage and release of macroeconomic data.

While each of the dozen key financial codes and standards was governed by a slightly different process and undertaken by a slightly varied set of political actors, the standards project generally was characterized by

Review of International Political Economy
ISSN 0969-2290 print/ISSN 1466-4526 online
http://www.informaworld.com
DOI: 10.1080/09692290903529817

a central role for great powers (especially the United States) as well as a prominent position for private sector financial actors. The universalist aims of the project's framers were not accompanied by a voice for developing country government or financial institutions in the development of most standards. Rather, private financial actors in the North played central roles in generating standards and codes; and where such actors did not agree – either among themselves or with national governments – on whether to create a given standard, one did not emerge.

In terms of the outcome of the standards project, the adoption and implementation of standards across nations was quite uneven. Some standards were adopted by a relatively broad set of high- and middle-income nations, while other standards have yet to be broadly adopted. Additionally, among low- and middle-income nations, compliance with global codes and standards was very uneven: some governments implemented some of the standards, but many failed to do so, despite pressures from private capital markets and international financial institutions.

Many of the contributions to this issue aim to explain regulatory outcomes adopted by one or more Northern governments. I focus instead on the regulatory process that has occurred in middle-income countries. That is, I address the question of why attempts to promulgate US- and EU-influenced financial codes and standards to developing nations have had such a mixed track record. Consistent with the overall approach presented in this issue, I posit that domestic political institutions, and the way in which such institutions channel the representation of domestic interests, lie at the heart of compliance outcomes. Specifically, the regulatory systems on which global standards are based – the domestic regulatory arrangements of powerful nations – often are quite different from the regulatory systems that prevail in Southern nations. For instance, where bank supervisors are not politically independent and are not well-resourced, we should expect difficulties in implementing Basel I and Basel II-based rules. The solutions that are most effective, as well as the problems that are most salient, in wealthy nations are not necessarily the most effective in developing countries (Levi-Faur, 2005). As a great deal of literature on the determinants of compliance suggests, then, we should observe significant slippage between the adoption of and compliance with global financial standards.

While I identify domestic regulatory capacity and features as a key determinant of compliance, I do not discount the importance, as well, of technical capacity. Indeed, financial regulators in low- and middle-income nations may lack the material resources and the human capital necessary to implement a given set of rules. I maintain, however, that technical capacity is only part of the story: domestic politics also play a key role, particularly at the implementation (versus negotiation) stage. Local financial institutions in developing nations are unlikely to share the views of financial institutions in the North, given that they may well stand to lose (rather than to benefit) from further financial deregulation and competition. Specifically, existing domestic institutional structures – for instance, the political position of local banks vis-à-vis national governments and financial regulators – often serve to retard the impact of new regulatory frameworks. Where local financial institutions benefit from the continuation of existing rule structures – and stand to lose from the adoption of new, internationally-derived regulations – the process of compliance is unlikely to move forward. As a result, we are likely to see the impact of embedded domestic interest groups not at the negotiation stage – where such groups, as well as their national governments, lacked access to the rule-setting process – but at the implementation stage. While such interest groups were generally unable to mobilize internationally in the late 1990s, when the codes and standards were developed, they *were* able to mobilize nationally in the subsequent period, often delaying or preventing implementation of a given code or standard.

In the first part of this article, I present a theoretical framework for evaluating governments' adoption of and compliance with international codes and standards. I describe extant arguments regarding the effect of international (largely market-based) pressures on compliance outcomes, as well as those that consider the mediating influences of domestic interests. I posit that, while such explanations highlight potentially salient influences on governments' behavior, they omit an important part of the causal story, namely the interplay between interests and institutions, as well as the effect of longer-running institutional developments on policy implementation. Using historical institutionalism as a theoretical lens, I develop expectations regarding the outcome of the global financial standards project in low- and middle-income nations.

Section 3 offers a brief history of the global standards project. I present the rationale for the development of global codes and standards. I then describe the track record of this effort, with a focus on compliance and implementation in a cross-national context. In Section 4, I identify several instances of policy feedback, in which the existing domestic regulatory institutions in middle-income countries rendered the adoption of new international rules difficult, technically as well as politically.

2. EXPLAINING COMPLIANCE WITH STANDARDS AND CODES

Any effort to create effective global standards must grapple with the issue of compliance: national governments may find that talk, in terms of commitments to international principles, is cheap, but substantive compliance is difficult and expensive (i.e. Mitchell, 1994; Simmons, 2000). While negotiating international standards may be fraught with complications (including great power conflicts over standards; see Drezner, 2007), effecting widespread adoption of the standards often poses the greater challenge. But given the motivation for standards in the financial realm – the fear that a lack of regulatory oversight in one jurisdiction can cause problems that reverberate throughout the financial system – compliance is central to success. This may be particularly true when international standards reflect the existing practices in one country or group of countries (i.e. the US, the EU); for other adopters, adopting such standards may have significant distributional implications (Krasner, 1991; Oatley and Nabors, 1998). Under what conditions, then, would we expect governments to adopt and comply with international financial standards?

A first set of extant theories identifies external pressures as important determinants of compliance, particularly in low- and middle-income countries. Governments of these countries, the argument goes, have limited political power vis-à-vis the US and other G-7 nations; are in need of financing and 'seals of approval' from international financial institutions; and are very keen to attract foreign investment. From the external perspective that emphasizes great power influence (i.e. Drezner, 2007), we would expect high levels of standards compliance among low- and middle-income nations, particularly in issue areas for which there was agreement on standards among great powers. Indeed, the US and the UK have had some successes in promoting the broader international spread of rules that were developed to serve their interests (as perhaps in the case of the initial Basel Accords on bank regulation, or in the broader movement toward capital account liberalization; see Abdelal, 2007; Oatley and Nabors, 1998; Singer, 2007). Yet the variation in standards' adoption among developing nations (see Section 3) suggests that great power influence alone has been insufficient to generate compliance.

Another variant of the externally-focused compliance prediction highlights the direct influence of international financial institutions, particularly the International Monetary Fund (IMF). Through its conditional lending programs, the IMF serves as a 'seal of approval' for private investors: governments that enter into IMF agreements signal that, while they may have had economic difficulties in the past, they are committed to undertaking market-oriented reforms, both in terms of fiscal and monetary policies as in terms of regulatory structures. Governments that borrow from the IMF, especially those that do so in the wake of financial crises, therefore ought to be particularly likely to implement global financial standards. More broadly, the IMF and the World Bank can serve more broadly to effect ideational change among developing country governments: by promoting the spread of neoliberal economic policies as well as 'best' regulatory practices, the International Financial Institutions (IFIs) can promote an even broader adoption of a certain set of economic policies (e.g. Simmons *et al.*, 2008).[1] Again, however, recent empirical analyses leave reason to question the influence of IFIs over developing country policies. The IMF has long had difficulties in effecting compliance with its structural adjustment programs, particularly over the medium to long term, and especially where borrowers are politically important (Stone, 2008). And Walter's (2008) analyses of regulatory reforms in Southeast Asia suggests that, even in the wake of the financial crisis of 1997–98, the IMF often was unable to compel national governments to overhaul significantly their domestic regulatory practices.

Perhaps the strongest claim regarding external influence on compliance, though, is rooted in private capital markets. The 'race to the bottom' literature of recent decades (see Drezner, 2001; Rudra, 2008 for reviews) posited that efforts to attract investment from abroad would generate a cross-national (and often neoliberally-oriented) convergence of policies. Given their lack of domestic capital as well as their vulnerability to externally-generated shocks (Wibbels, 2006), developing nations would have little choice but to pursue those policies favored by global investors. Indeed, empirical studies of the correlates of compliance and the determinants of financial liberalization identifies external pressures as central. In her study of compliance with commitments to current account openness, Simmons (2000) finds that, while direct IMF pressure appears to exert little influence on governments' compliance with their formal commitments, the behavior of other countries in the region is an important driver of compliance. These geographically-proximate countries, the argument goes, are the main competition for capital and, therefore, their behaviors matter for compliance.[2]

Similarly, Simmons and Elkins' (2004) study of various types of financial liberalization identifies private market pressure as a central mechanism. Not only does policy change in regionally proximate countries predict policy change in a given country, but policy change among capital competitors also predicts financial liberalization. Domestic institutions such as democracy, on the other hand, play little role in explaining the cross-national spread of capital market openness. And, in a study of the spread of bilateral investment treaties, Elkins *et al*. (2006) posit that the signing of such treaties is the result of competitive pressures among developing nations. Again, then, the general argument is that liberalization, and compliance with stated commitments to more liberal policies, sends a signal to international investors. These investors are more likely to invest in, and more likely to charge lower interest rates to, countries that have implemented various economic and regulatory reforms. And once they have invested, these capital owners continue to exert leverage, as they can credibly threaten exit in response to adverse policy changes or non-compliance. More broadly, such a rationalist account holds that, because the adoption of global standards offers clear material benefits to governments (and national economies). These benefits are assumed to outweigh any domestic costs of adopting standards, so that governments will push for their adoption.

With respect to financial codes and standards, then, private market pressures should generate higher rates of compliance. Given that the standards and codes effort of the late 1990s was supported by powerful financial actors (directly as well as indirectly), we should see developing country governments – especially those focused on gaining and retaining access to global capital markets – implementing these codes. Indeed, we might expect a 'race to the top', in terms of modifying domestic regulations and standards to match those recommended by, and often prevailing in, developed economies (also see Prakash and Potosi, 2006). At the within-country level, we might expect firms that want to appeal to foreign shareholders, or firms listed on national stock exchanges, to be more likely to implement global standards. At the national level, such externally-focused accounts of compliance lead us to expect countries that are politically weak, crisis-prone and capital-poor to be most likely to adopt, and to implement, global codes and standards.

Yet there are many reasons to doubt the explanatory power of these externally-focused accounts. One issue is that they hinge on the material incentives provided by the adoption of global standards: the assumption is that national governments are rewarded (by private capital markets) for adopting various global standards, and that these rewards outweigh the costs (financial as well as political) of signing on to and implementing global standards (e.g. Simmons and Elkins, 2004). And, as the framers of the standards and codes project hoped, implementing standards could render financial crises less likely (see Bhinda and Martin, 2005; Schneider, 2005). If, on the other hand, private capital market participants have little awareness of the standards, the regulatory bite of global standards would be attenuated.

Empirical studies of the benefits of standards – do developing nation governments that adopt or comply with various international codes pay lower interest rates, all else equal – have produced mixed findings. In some cases, the adoption of codes is associated with smaller sovereign spreads. In other cases, however, standards and codes do not have a significant impact on market behavior (see Mosley, 2009 for a review). Investors' awareness of some standards, and of country compliance with and adoption of those standards, is quite low. Market-based discipline, then, may be an ineffective mechanism for the promulgation of these standards. Or, put differently, signing on to global codes and standards may be a less effective signal than much of the externally-focused literature assumes.

Another reason for skepticism is the empirical record of IFIs: while IFIs are generally able to impose a certain set of conditions on borrowers, particularly in the wake of financial crises, the implementation of these conditions is far from automatic. The IFIs, which have incentives to effect reform but also incentives to disburse loans (Barnett and Finnemore, 2004; Copelovitch, 2009), may be reluctant to cut financing, particularly for politically or economically important borrowers (Stone, 2008). Many middle- and low-income countries have undertaken only partial reforms and have experienced long-running ('permanent') economic crises (i.e. Hellman, 1998; Van De Walle, 2001).

But perhaps even more than the mixed record of external pressures in the area of financial reform is the omission of domestic political processes from such accounts. That is, the assumption has been that, particularly for countries that are politically and economically weak, the desire to please investors, as well as IFIs and their developed-country members, will lead to the adoption of and compliance with financial codes and standards. Put differently, while formal agreement with global codes may be a top-down process, emanating from powerful governments and the IFIs, the implementation of these codes locally is very much a bottom-up process.[3]

A broad literature in comparative political economy, however, suggests that such compliance and implementation are far from automatic: domestic political institutions and interests serve to mediate, and sometimes to retard, the impact of external factors on government policy outcomes. For instance, we continue to observe significant cross-national policy and institutional diversity in the face of economic globalization. Explaining outcomes of the attempts at global codes and standards, then, requires accounting for domestic political processes. In particular, we need to pay close attention to the internal regulatory processes that are essential to national adoption of and compliance with externally-generated standards and codes. We can do so along two, sometimes-overlapping dimensions – one based in interests and the other based in institutions.

Interest-based approaches make central the distributional effects of international commitments: while such commitments may provide (or often are assumed to provide) aggregate benefits to the economy and polity overall, they often impose costs on a narrow segment of society. Materialist, internationally-focused accounts assume that governments have the political will to impose policies with distributional consequences – for instance, to force domestic banks to accept new rules which will diminish their profits, even as such rules could improve access to credit for other firms in the economy. Pluralist accounts, on the other hand, emphasize the influence of [potential] winners and losers on the ability of governments to implement policies. Specifically, when those groups that are best able to organize politically (given resources as well as collective action issues) stand to lose from a given standard, governments will hesitate to adopt such a standard. This may be particularly true in democracies, although we could also imagine that the policy preferences of the 'selectorate' are important to implementation decisions in non-democratic nations. We also might expect that governments' susceptibility to interest group pressures is greatest when elections loom, or when the government's grasp on power is already tenuous.

Accounts which focus on domestic politics offer several causal pathways through which non-compliance could result. A first possibility is that governments simply avoid committing at the international level: despite international pressures, governments may realize *ex ante* the political difficulties – ultimately, the cost to government officials – associated with implementing such standards. Yet this is somewhat rare: particularly in the wake of the financial crises of the late 1990s, many middle-income governments were quite willing to sign on to global standards. For some governments, this may have reflected a genuine interest in adopting these standards (and, of course, some governments succeed in implementing new codes domestically).

Another possibility, though, is that these international-level commitments are merely cheap talk. That is, governments realize that they will face implementation difficulties stemming from interest group pressures, but they commit nonetheless. In his study of Southeast Asian countries, for instance, Walter (2008) identifies a pattern of 'mock compliance', in which international commitments to banking, corporate governance and accounting standards often have little impact on outcomes domestically. When external market pressures are less important to governments than domestic political ones, such a pattern is likely to be quite common – particularly if external actors have difficulty in monitoring actual compliance outcomes.[4]

Among the set of countries monitored by Estandards Forum (see below), most governments publicly declare adherence to most global financial standards. This is particularly true of high-income nations, where only the global rules on auditing have a low level of declared adherence.[5] Even among low- and middle-income countries, declaring adherence is the norm: of 61 nations, all have declared adherence to the data dissemination standard; over two-thirds have declared adherence to standards for money laundering, accounting, banking supervision, monetary policy-making transparency, fiscal policy-making transparency and corporate governance. While securities regulation and insurance supervision have lower levels of declared acceptance, those standards are accepted by 56 and 48 per cent of developing countries monitored, respectively. The issue, then, is less one of publicly committing to a given standard, and more one of implementation and compliance.[6]

Indeed, it is in the stage between commitment and compliance where we can expect domestic interests to play a central role. Local actors in middle-income nations are unlikely to be able to mobilize successfully at the global level during the process of standard-creation. But for many local economic actors, insulation from (rather than exposure to) international markets provides benefits: banks may want to avoid competition from foreign institutions, as well as prevent government-mandated closures in response to non-performing loans. And local firms may seek to avoid a mandated transition from national to global accounting rules, as the revaluations generated by such a shift could harm their fortunes (and increase their expenses). Domestic resistance to global rules may be particularly pronounced during economic downturns, or when local firms already face the challenges of post-crisis restructuring (Walter, 2008). Once rules are in place globally, then, such interest groups may well succeed at blocking implementation domestically. This means that US (or EU) efforts to impose their domestic regulatory systems on Southern countries may have very mixed results: compliance (or lack thereof) will reflect bargaining outcomes among local private actors, regulatory officials and political actors.

An interest-oriented, domestic politics-focused perspective greatly expands the ability to explain outcomes in middle-income developing nations. They lead us to expect that, particularly where local business actors stand to lose from the enforcement of global codes, and where such actors are well-organized and politically powerful, rates of implementation will be low. As I suggest in Section 3, there is compelling evidence that domestic interest groups have leveraged their voices domestically where compliance is concerned. Yet there likely is more to the story: pluralist accounts highlight the role of current interests, without necessarily acknowledging the importance of institutions, particularly over the longer run. Past studies, even those focused on external determinants of compliance, identify bureaucratic quality, rule of law and other institutional structures as important (i.e. Simmons, 2000).

Interest-based accounts may suggest – for instance, as Walter's (2008) does – that powerful business interests will thwart the legislative implantation of global codes, or that domestic regulators will not have the operational independence necessary to enforce global standards. But these accounts will tell us less about how these conditions – the embeddedness of certain business elites in the political process, or the institutional structures of regulatory agencies – came to exist, or about the extent to which domestic institutional structures not only mediate external pressures but also sometimes refract interest group demands.

An historical-institutionalist account, then, helps analysts to understand which domestic actors have a voice in the standards-implementation process, as well as the political pathways through which such a voice might be used. Existing institutional arrangements, which often reflect longer-term historical developments, tend to provide access to policy-makers for some groups, but not for others. Groups that are privileged by existing institutional structures – for instance, commercial banks with tight formal or informal ties to domestic regulators – will be better able to influence policy outcomes, perhaps even if their overall importance to the domestic economy (and the domestic polity) has declined over time.

Moreover, contemporary regulatory structures – for instance, whether financial regulation is the job of the central bank or of a separate regulatory agency – often are the result of much earlier political decisions. These structures usually are difficult to change politically, so that it is past interests – rather than current ones – that may be important to understanding outcomes (e.g. Copelovitch and Singer, 2008; Hamilton-Hart, 2002). Even when elites lose economic (and political) status, as did some business interests in Southeast Asia in the late 1990s, their capacity to block implementation and regulatory reform may persist, at least for a time (also see Walter, 2008). And regulatory agencies, such as central banks and financial regulators, may be just as important to the politics of regulation as are executives and legislators (i.e. Singer, 2007). This is consistent with a historical-institutionalist view, which aims to account for institutional stability *and* change, but reminds us that the stickiness of domestic structures often reduces governments' capacity to respond to new challenges, or to external pressures.

Taking a historical-institutionalist approach to understanding outcomes in middle-income countries draws our attention to three specific, and related, elements of the domestic institutional context: (1) the political embeddedness of interest groups; (2) prevailing financial regulatory structures; and (3) the technical capacity of regulatory authorities. First, interest group preferences may have a long-running effect on policy outcomes, particularly when earlier policy decisions create new constituencies. Scholars of social policy have identified such feedback processes in areas such as education and pensions, where individual beneficiaries of policies organize to press for the maintenance and expansion of such programs (e.g. Skocpol, 1992; Mettler, 2002). In the area of domestic financial policies, a similar dynamic often obtains: certain economic actors are advantaged by earlier policy decisions. These groups then mobilize politically to press for the continuation of certain policies; when effective, this mobilization embeds groups in the political process and makes abrupt changes to financial structures difficult to achieve. In some instances, there is a direct overlap between the interests of banks and those of governments, via a high prevalence of state-owned financial institutions. These institutions, which are likely to resist private-sector and foreign competition, as well as global financial standards, tend to be more common in lower-income as well as less democratic countries (Barth *et al.*, 2006).

Perhaps the best example of feedback processes and political embeddedness, though, is observed in countries which governments began to strongly intervene in the economy, during the 1950s and 1960s, to promote economic development.[7] In South Korea, for instance, local firms were very reliant on bank-based financing; and banks were dependent on the state (Amsden, 1989). The government used this dependence to direct credit to certain sectors of the economy, which were identified as important to economic growth (and political stability). Local banks became very reliant on a system of tight bank–government–industry relations and on continued success of domestic firms. These banks expanded their voice politically, as their continued success was key to the prevailing development model. Banks were able to resist strongly pressures for financial liberalization (and increased foreign competition), even as external pressures for financial openness intensified in the 1990s (Haggard and Maxfield, 1996; Woo-Cumings, 1997). Even as external pressures for financial openness intensified in the 1990s, such countries tended to move very slowly toward liberalization and toward the adoption of an Anglo-style arm's length relationship between businesses and governments. Because developmental state practices advantaged local financial institutions economically and politically, these actors often were successful in preventing or delaying the implementation of externally-oriented reforms (such as higher capital adequacy ratios, or closures in the event of a high proportion of non-performing loans), even in the wake of the Asian financial crisis (Haggard, 2000; Walter, 2008). For instance, despite some cross-national convergence toward reduced legal entry requirements for foreign banks, variation persists in the extent to which applications for entry are denied by local regulators. Rates of denial for entry petitions are markedly higher in developing (28.2 per cent, on average) than in high-income (8.3 per cent) nations (Barth *et al.*, 2006).[8] Denial rates also are negatively and significantly associated with the competitiveness of the political system.

When considering the possibility for the adoption of global standards, then, we should expect that the embeddedness of some groups within the policy-making process generates feedback processes in which some domestic groups' views will weigh more heavily than others', even as political and economic conditions change. For instance, local financial institutions often have privileged access to policy-makers (as in the North), the result of longer-running institutional developments. These financial actors also tend to have different preferences and concerns over policy than their Northern counterparts (or than the participants in the Financial Stability Forum). We can expect local banks to mobilize against shifts to arm's length regulation and supervision; where such banks are concentrated and politically important, compliance with international rules will be less likely. And, while local entrepreneurs may welcome an inflow of foreign capital, local banks may worry about competitive threats from foreign financial institutions. And, while local financial actors may benefit from a shift in accounting rules, local productive sectors may stand to lose (Perry and Nölke, 2006).

The second important element is the nature of domestic regulatory structures. Attention to 'political institutions' in middle-income countries often involves a focus on regime type, as well as on executives and legislators. While the structure of the polity and the actions of heads of state and parliaments are undoubtedly important to financial sector outcomes, it often is the regulatory agencies – those charged with collecting government statistics, implementing financial supervisory rules, or generating parameters for corporate governance – that are most directly involved in implementing global standards. These actors have received less attention from political scientists, owing perhaps to the 'technical' nature of their mandates. But, of course, their actions are deeply linked with political processes, both in terms of the structure of regulatory authorities (how independent from political actors are they, and to what extent is authority concentrated or dispersed across agencies?) and with regard to the agency of such authorities within the economic system (i.e. Büthe and Mattli, 2005; Hamilton-Hart, 2002; Singer 2007). Furthermore, in some issue areas and in some nations, private sector agents are involved in both rule-making and rule-enforcement, leading to an even broader set of implementation challenges.[9] In his analysis of compliance with global standards in Southeast Asia, for instance, Walter (2008) finds generally high levels of formal compliance by executive and legislative actors; non-compliance often prevails, though, among regulatory agencies and private firms.

Attention to regulatory structures also reminds us of the linkage between interests and institutions: the latter are somewhat endogenous to the former. Where banks have played a central role in developmental efforts, for instance, we are likely to observe a lack of statutory (and real) political independence among financial regulators. Where regulators are less independent politically, or where regulatory responsibilities are dispersed, we can expect greater difficulties in the implementation of global financial codes.

Moreover, a historical institutionalist account highlights the possibility of mismatches between the domestic regulatory structures necessary to implement global standards and codes and the regulatory structures that actually prevail in middle-income countries. In some respects, this is an issue of capacity (see below): some developing nations simply do not have the material resources or technical expertise necessary to implement and enforce complex global rules. But in other respects, this relates to the broader problem of transferring regulations that were developed to fit one institutional context (the Anglo-European 'regulatory state', i.e. Levi-Faur, 2005) into the context of middle-income nations, many of which lack similar regulatory structures. This is essentially a sequencing argument (see Farrell and Newman, this issue): the codes and standards project assumes an arm's length relationship between the regulators and the regulated. But without a domestic system which includes such a regulatory state, we can expect middle-income nations (or, at least, those nations without such regulatory institutions) to experience various difficulties in implementing global financial rules. Hence, even if material benefits to compliance with global standards do exist, existing regulatory structures may limit the capacity of developing country governments to capture those benefits.

The disjuncture between prevailing domestic institutions and global finance has been particularly evident during the last 20 years. Many developing nations liberalized their domestic capital markets in the 1990s (and some even more recently), as part of a broader effort toward structural adjustment and neoliberal-oriented economic reforms. This liberalization offered a variety of potential benefits, such as access to a much wider pool of capital at lower rates of interest, as well as more efficient financial intermediation, the result of increased competition among banks and other intermediaries. With liberalization, however, came myriad regulatory challenges: how, for instance, to govern local banks' behavior, when such banks could borrow large amounts from foreign financial institutions? How to regulate financial institutions other than banks (non-bank financial institutions (NBFIs)), many of which had become involved in bank-like financial intermediation, but which did not fall under the regulatory aegis of the central bank or finance ministry? And to what extent should national governments and statistical agencies make information about their policy outcomes available in the short-term, as a means of appearing transparent to private investors – but also perhaps running the risk of setting off short-term speculation by these same investors? The common theme across these issues is that the regulatory frameworks developed in one era – an era characterized by relatively closed capital markets – may have been largely inappropriate, and difficult to adapt to, an era marked by financial openness. While this lesson was perhaps made most obvious by the financial crises of the late 1990s (Southeast Asia, Russia, Brazil), it is one that continues to apply in many countries.

A third element that is important to institutionalist-focused accounts is the technical capacity of regulatory authorities. Beyond political interests and institutions, implementation requires that government regulators have necessary professional training (and that such well-trained individuals are willing to work for public sector bodies, rather than in the private sector). Put differently, some non-compliance may reflect a lack of capacity, rather than of political will (Chayes and Chayes, 1993; Mitchell, 1994). From the point of view of the political determinants of compliance, however, it is difficult to disentangle capacity from will: developing nations clearly face greater resource constraints for public policy than do their Northern counterparts. But developing country governments also make trade-offs regarding the use of resources, so that low technical capacity may reflect both a problem of ability and (politically) a lack of will.

Various observers (and some IFIs) have noted that capacity-building is particularly important for low- and middle-income nations that are contemplating (or already have enacted) further financial liberalization and the accompanying adoption of globally-based standards and codes

(Bhinda and Martin, 2005). For example, if domestic banks do not have the technical skill to implement their own risk-assessment procedures, then the Basel II system of regulation (with its focus, in Pillar I, on self-regulation by financial institutions) will be largely inappropriate. Moreover, adopting international accounting regulations would be prohibitively expensive for many small- and medium-sized firms; it may make much more sense for such entities to follow a less complex, nationally-based set of rules. Of course, the problems associated with the rating and regulation of credit default swaps and collateralized debt obligations in mature markets reminds us that such concerns are not limited to the developing world. Rather, there may be a general disconnect between the technical knowledge and skills of government regulators and supervisors and that of market participants.

A historical-institutionalist approach, then, reminds us of the importance of domestic regulatory dynamics – particularly, those involving the interaction among government regulators, political officials and private actors – and the extent to which these dynamics are conditioned by longer-standing institutional qualities and political interests. In general, such dynamics render much less automatic the adoption of global codes and standards, particularly those that are based on prevailing practices in Northern nations, and on the interests of powerful financial actors headquartered in such locations. We would expect, all else equal, that low- and middle-income nations often will have problems with implementing global financial standards, particularly where elites who stand to lose from regulation have long-standing ties to political officials; the financial sector is characterized by low levels of competitiveness; public sector regulators have little operational independence from political elites; and technical capacity is low. These predictions draw our attention to contemporaneous as well as longer-standing causes: the entrenchment of business elites and the structure of regulatory agencies, in particular, point to longer-running historical processes. In the next section, I explore the extent to which these expectations are borne out.

3. THE GLOBAL STANDARDS PROJECT

How does the historical-institutionalist approach contribute to our understanding of middle-income nations' adoption of global financial codes and standards? In this section, I summarize the standards and codes effort. I then illustrate the role played by embedded interest groups, domestic regulatory structures and technical capacity in various developing nations. Overall, the regulatory frameworks that came out of the codes and standards effort reflected prevailing domestic practices in powerful, high-income countries. These practices, such as complex sets of accounting regulations (Posner, 2010), often were inappropriate to the economic and regulatory systems in middle-income countries. Indeed, above and beyond its practicality, it is not clear whether a 'one size fits all' approach to financial regulation is appropriate. The financial systems in many developing countries, for instance, are much more tightly linked with national governments than those in wealthy nations. In 2006, banks in developed nations held an average of 8 per cent of commercial banking system assets in domestic government securities; by contrast, the average for developing nations was 58 per cent. Similarly, while banking systems in developed nations averaged 7 per cent of loans in banks that were majority government-owned, the corresponding figure for developing nations was 18 per cent.[10] The possibilities for capture and for conflicts of interest over regulation, then, were likely very different in many low- and middle-income countries. Furthermore, Northern-based practices – assuming, for instance, an arm's length relationship between private banks and financial regulators – often were very different from those that had evolved in low- and middle-income nations.[11] The tensions between the character of regulatory institutions in Northern versus Southern nations, and the political coalitions that were advantaged by past domestic decisions, are at the heart of much of the slippage between the ambitions of codes and standards advocates and the actual results of this process.

3.1. The standards and codes effort

During the last decades, a coalition of developed nations (particularly the US and the EU, especially when there is agreement between them) has attempted to create and promulgate a set of global financial standards. These standards aim to govern a range of areas, including the provision of macroeconomic data, the regulation of national securities exchanges, and the promulgation of international accounting standards. The impetus for the standards project came largely from the financial crises of the mid and late 1990s; policy-makers in the developed world diagnosed the crises as due largely to problems of information, transparency and corruption in emerging markets (Best, 2005; Bhinda and Martin, 2005; Schneider, 2005; Mosley 2003), rather than to any sort of instability inherent in global capital markets.

These codes varied in institutional form, with some based largely in existing intergovernmental institutions, and others grounded large in private sector entities, such as the International Accounting Standards Board. In other issue areas, these governance arrangements reflected a mix of public and private sector authority (Mattli and Woods, 2009; Mosley, 2009). Despite this variation, these codes had several features in common. First, they tended to reflect the prevailing practices in developed financial markets, particularly in the United States. Second, while there was tension between developed country governments over the content of some standards (i.e.

the continuing fight over accounting standards between the US and the EU; also see Drezner, 2007), the standards reflected a basic assumption that, given the right information in a timely fashion, private capital markets would operate efficiently. For example, the more transparent provision of national economic data would prevent speculative boom and bust cycles in emerging market economies. Ultimately, the flaws were not inherent in capital markets, but in the way in which many governments – especially in the developing world – had failed to couple capital account liberalization with requirements for transparency and disclosure, with prudential financial sector oversight, and with efforts to reduce corruption (also see Best, 2005; Walter, 2008).

Third, given this assumption of market efficiency, the framers of the 'key codes and standards' effort assumed that – given market actors' preferences for a global, effective set of 'good governance' regulations – there would be clear material incentives for developing country governments to adopt these standards and codes. The belief was not only that governments would sign on to the new set of codes, but also that they would implement them – that compliance would flow from market-based incentives (like low risk premiums and greater capital inflows).

The solution, then, was to continue to advocate capital account liberalization in developing countries, but to couple this liberalization with an attention to regulation – a proper sequencing of liberalization and regulation. This policy prescription was largely consistent with a view that weak and weakly-regulated domestic financial sectors might lack the capacity to absorb, and to benefit from, capital inflows (Prasad *et al.*, 2007) and, more generally, that the benefits of capital account liberalization were contingent on meeting a certain set of pre-conditions (Edwards, 2008; Kose *et al.*, 2006; Rodrik, 2006).

As part of the G-7's efforts to encourage the global harmonization of regulation, the Financial Stability Forum (FSF) was established in the late 1990s.[12] The FSF, the creation of which was recommended by G-7 finance ministers and central bank governors, serves as a coordinating body for an effort to create and implement a dozen 'key codes and standards' related to global capital markets. While the FSF sought to apply its standards to the universe of countries, it operated according to a club-oriented process (Drezner, 2007), as indicated by its composition. The FSF consisted of G-7 governments (three seats per country, one each for the finance ministry, the central bank and the financial regulator); international financial institutions (7 seats in total for the IMF, World Bank, BIS, OECD and European Central Bank); international regulatory bodies (6 seats in total for organizations focused on banking regulation, securities regulation, accounting standards and insurance supervision); central bank expert committees (2 seats) and single seats for Australia, Hong Kong, the Netherlands, Singapore and Switzerland.

This 'network of networks' (Slaughter, 2004) developed and advanced standards in the broad categories of financial sector operations (banking, securities), market integrity (money laundering, accounting), and transparency (data dissemination, fiscal and monetary policy-making).[13] Some of the standards (bank regulation, money laundering, data dissemination) were based on efforts that existed previously. In other instances, the FSF became the primary forum for developing rules, often coordinating the efforts of other private, quasi-governmental and governmental organizations (i.e. the OECD on the issue of corporate governance, and the International Accounting Standards Board's effort at global accounting rules). Figure 1 lists each of these 12 standards, as well as the organization that has primary responsibility for issuing the standard. Governments of both developed and developing nations were encouraged to adopt these standards, usually mimicking practices based in major financial centers.

This most recent round of efforts at global financial governance is, in some ways, distinct from past rounds. One of the distinguishing features is that the new standards and codes (and of some of their immediate predecessors, such as the first Basel Accords) tend to require not only changes in governments' policies vis-à-vis external actors (i.e. reducing barriers to investments from abroad, or lowering tariff barriers), but also changes in national laws and policies (i.e. accounting practices of firms; banking sector regulation; prohibitions on insider trading; see Kaul *et al.*, 2003; Quillin, 2008; Simmons, 2001; Singer, 2007). Many scholars have noted, of course, that the set of key codes and standards reflect the political and economic power of dominant nations, particularly the United States, and of large financial interests in the US. This reflects a more general pattern, in which rules of dominant countries often become the rules for other nations in the region or around the world, despite the different preferences of those nations (Eichengreen, 2003; Mattli and Woods, 2009; Simmons, 2001). For instance, the 1988 Basel Accords on Capital Adequacy began as a US–UK agreement which then expanded to cover other G-10 nations (Kapstein, 1992). Later, the agreement's main directives were adopted by a variety of developing nations, often under pressure from the IMF, the World Bank, and private investors. The Basel Committee, though, remains oriented toward practices in major financial centers (Oatley and Nabors, 1998; Singer, 2004). To take another example, the success of efforts to reduce money laundering in the early part of this decade likely was driven as much by direct political pressures from the United States as by national governments' and private banks' desire to maintain a reputation for doing legitimate banking business (Helleiner, 2002).

Another feature of the standards effort is that it reflects a mix of public and private regulatory authority. The precise nature of regulation and supervision (who writes the rules and who enforces them) varies across

Area	Standard	Issuing or Supervising Body
Macroeconomic Policy and Data Transparency		
Monetary and Financial Policy Transparency	Code of Good Practices on Transparency in Monetary and Financial Policies	International Monetary Fund (IMF)
Fiscal policy transparency	Code of Good Practices on Fiscal Transparency	IMF
Data Dissemination	Special Data Dissemination Standard (also, General Data Dissemination Standard)	IMF
Institutional and Market Infrastructure		
Insolvency	Insolvency and Creditor Rights	World Bank
Corporate Governance	Principles of Governance	OECD
Accounting	International Accounting Standards (IAS)	International Accounting Standards Board (IASB)
Auditing	International Standards on Auditing (ISA)	International Federation of Accountants (IFAC)
Payment and Settlement	*Core Principles for Systematically Important Payments Systems *Recommendation for Securities Settlement Systems	*Committee on Payments and Settlement Systems (CPSS) *CPSS, International Organization of Securities Commissions (IOSCO)
Market Integrity	The Forty Recommendations of the Financial Action Task Force; Nine Special Recommendations against Terrorist Financing	Financial Action Task Force (FATF)
Financial Regulation and Supervision		
Banking Supervision	Core Principles for Effective Banking Supervision (Basel)	Basel Committee on Banking Supervision (BCBS)
Securities Regulation	Objectives and Principles of Securities Regulation	IOSCO
Insurance Supervision	Insurance Core Principles	International Association of Insurance Supervisors (IAIS)

Sources: Financial Stability Forum/Financial Stability Board (www.financialstabilityboard.org), Drezner (2007), Author.

Figure 1 The 12 key codes and standards.

the 12 standards and codes, reflecting the fact that the FSF drew on existing networks and standards in some issue areas, but created new standards (sometimes relying on existing institutions, including the IMF) in other areas. The IMF, for instance, took primary responsibility for crafting the Special Data Dissemination Standard, aimed at ensuring the timely and accurate release of macroeconomic indicators by national governments. While the IMF and World Bank formally incorporated the 12 key codes and standards into their routine country surveillance in 2000, there is also a significant degree of reliance on the private sector. Private financial actors generally played roles either as creators of rules or as monitors and/or enforcers of rules. In some instances, such as the Basel II Accords, private sector actors functioned in both capacities, providing input in the making of rules, but also helping to implement the rules. And the development of accounting rules, auditing principles, and insurance supervision continues to rely largely on private sector actors, for rule establishment as well as rule enforcement (also see Abbott and Snidal, 2009; Perry and Nölke, 2006; Vogel, 2008).

Given the combination of private sector influence and great power involvement that characterized the standards and codes effort, it is not at all surprising that the rule-setting process did not involve many of the ultimate subjects of the rules, particularly those based in developing countries (Drezner, 2007; Mattli and Woods, 2009). What is perhaps more surprising, though, is that those involved in that process discounted the importance of implementation issues in developing nations. That is, they appeared to overestimate the extent to which market-based incentives for compliance, as well as sometimes-direct pressure from the IMF and the World Bank, would override domestic political interests and institutions. I return to this point below, after briefly summarizing patterns of implementation of the key codes and standards.

3.2. Codes and standards: the track record

Evaluating governments' compliance with international codes and standards is generally a difficult task, particularly in a broad cross-national context (i.e. Downs *et al.*, 1996; Mitchell, 1994; Simmons, 2000). In the context of financial standards and codes, assessments of compliance must take into account not only governments' behavior, but also those of various private sector actors, such as banks, accountants and firms that issue shares. One private sector entity that evaluates compliance with standards – in terms both of individual standards and the general level of adoption – is Estandards Forum.

Estandards is a private sector-based effort to monitor country compliance with 12 international standards and to provide cross-national summary data to market participants and other observers.[14] Estandards provides monthly compliance scores for each standard; their data begin in January 2003. Each rated country receives a score ranging from 0 to 100, with lower scores indicating no or little compliance, intermediate scores indicating standards that have been enacted but not fully implemented, and high scores denoting full compliance. These assessments draw from the IMF and World Bank Reports on the Observation of Standards and

Table 1 Overall compliance scores, 12 key standards and codes

Year	Overall average (standard deviation)	Developed country average (std. dev.)	Non-developed country average (std. dev.)	Emerging markets average (std. dev.)
2003	33.9 (19.6)	50.6 (13.6)	27.7 (17.9)	32.6 (16.2)
2004	37.1 (20.4)	52.2 (13.3)	31.6 (19.8)	36.8 (17.3)
2005	46.1 (22.7)	66.2 (14.8)	38.9 (20.7)	43.9 (15.0)
2006	43.8 (22.0)	64.8 (12.0)	36.3 (19.8)	42.5 (14.1)
2008	40.8 (19.2)	60.5 (7.1)	33.4 (16.9)	39.9 (10.4)

Notes: Number of countries included: overall (81 to 83); developed (22); non-developed (59); emerging markets (24 or 25, based on inclusion in MSCI Emerging Markets Index). Data for 2007 were not available.

Codes (ROSCs), as well as from other sources.[15] For each year reported, I use the 1 July observation as the annual score.

Since its inception in the late 1990s, Estandards has rated approximately 80 countries' compliance. These include all upper-income, developed nations, as well as many emerging market economies (25 of the nations rated also are those included in the MSCI Emerging Markets Index). Most of the developing nations rated are in East Asia, Eastern Europe and Central Asia, or Latin America. Only six of the nations rated are in sub-Saharan Africa. The subset of countries rated, then, should be more likely than non-rated countries to adopt and implement the standards.

Table 1 reports the average compliance scores, as well as the variation (standard deviation) in these scores, which weight each of the 12 standards equally. Three patterns are notable. First, the average level of overall compliance *does* increase over time: compliance improves from 2003 to 2005, before declining in 2006 and after. Regardless, though, overall average compliance is greater in 2008 (40.8 for developed nations and 33.4 for developing ones) than in 2003 (33.9 and 33.4, respectively). At the same time, though, the overall level represents a relatively low (or, perhaps, intermediate) level of implementation, given that scores are based on a 0 to 100 scale.

Second, and not surprisingly, wealthy nations comply with standards at higher rates, and with less variation among them, than do other countries. The annual difference in average compliance levels is at least 20 points, and the annual variance is significantly greater for non-OECD nations. This is not to say, of course, that there are not issues of compliance with standards in mature markets. Among developed nations, the design of standards can reflect the interests of the few, such as the US and the UK with respect to bank capital adequacy (Kapstein, 1992; Oatley and Nabors, 1998). Domestic problems of implementation and regulatory fragmentation also can loom large in rich nations, as the crisis of 2007–09 demonstrates. Additionally, the standards process can be slowed by disagreements among wealthy nations over the content of standards, as EU–US tensions over accounting rules demonstrate. In this article, however, I set aside this variation, focusing instead on outcomes among low- and middle-income nations.

Third, those countries categorized as emerging market – examples include Argentina, Brazil, India, Russia and Thailand – receive slightly higher scores than does the broader group of developing nations (which includes the emerging market nations). But, even among this emerging markets subset, average compliance levels are relatively low, and variance is pronounced. Finally, the trend over time holds for all three subsets: compliance increases from 2003, but declines after 2005. These scores suggest considerable challenges associated with the adoption of standards, both in terms of overall compliance and in terms of cross-country differences. Of course, these data also obscure variation *across* individual standards and codes. In mid-2008, for instance, compliance was highest for monetary policy-making transparency (an average score of 67.8 for all 83 nations) and data dissemination (63.7). Insurance supervision (19.9), insolvency (21.9), and accounting standards (23.2), on the other hand, displayed much lower levels of implementation. This is an issue explored in greater detail elsewhere (Drezner, 2007; Mattli and Woods, 2009; Mosley, 2009; Walter, 2008).

Another source of information regarding individual governments' implementation of key codes and standards are ROSCs. These reports, issued by the IMF or World Bank, are prepared at the request of national governments. According to the IFIs, they are intended to contribute to discussions between IFIs and governments and to aid private sector actors in evaluating economic and financial risk. Since its inception in 1999, the ROSC program has generated 657 individual reports, comprising both initial assessments and updates.[16] Some of these are completed in the context of Financial Sector Assessment Programs (FSAPs), which generate multiple ROSCs (one per standard). As the IMF and World Bank (2005) pointed out in their recent review of the initiative, the majority of assessments have focused on developed and emerging market (rather than lower-income developing nations). The number of ROSCs declined in 2007 and 2008, perhaps reflecting the fact that many governments now have had an initial assessment ROSC completed. It also may be that many governments – particularly those that have not implemented various standards and codes – do not actively seek out ROSC assessments (Walter, 2008).

In any case, the ROSCs highlight many of the issues associated with implementing standards and codes, particularly in developing nations. Recent ROSCs point out that many governments have made progress in increasing bank capital adequacy ratios, improving the oversight of banks, and regulating securities markets. At the same time, however, low- and middle-income nations face a variety of challenges, such as a lack of political independence (vis-à-vis finance ministries) of financial regulators; a lack of technical resources and skilled staff among regulatory agencies; a lack of knowledge among private banks regarding prudential requirements; weak corporate governance practices; and a failure to implement – perhaps because they are inappropriate to local small- and medium-sized firms – international accounting rules. Much of the information presented in ROSCs, then, calls into question the success thus far of the standards and codes effort, as well as the suitability of these standards for middle- and low-income nations.

4. COUNTRY-LEVEL EMPIRICAL EVIDENCE

If we shift from the aggregate to the country level, what explains variation in standards' adoption among Southern nations? Why are some governments characterized by relatively high levels of compliance, while others make little progress – despite public declarations of interest in doing so – on the standards front? We observe many problems with implementation in many countries. Table 2 divides the sample of countries rated by Estandards into quartiles, based on their overall 2008 compliance scores. Note, again, that there likely is a selection bias in this set of countries: those rated are those that have made efforts to access international capital markets. Governments that are less interested in, or able to, engage global financial markets are unlikely to be rated by external agencies and also less likely to exhibit compliance with codes and standards. Hence, there should be a bias in the reported countries toward higher-than-average levels of compliance.

Table 2 suggests, in bivariate terms, that democracy and the level of development are positively associated with the adoption of international codes. If we consider instead the relationship between democracy and individual standards and codes, significant variation emerges: in 2008, the correlation with the level of democracy is highest for fiscal and monetary transparency and data dissemination, all standards in which the chief determinant of compliance should be the willingness of government officials to implement a certain set of policy-making procedures. In the areas of accounting, auditing, banking supervision and corporate governance, the bivariate correlation between democracy and compliance is much lower (ranging from 0.05 for accounting to 0.28 for corporate governance). All four of these standards rely on the cooperation of private economic actors; democratic systems of government increase the extent to which the interests of these actors are represented and the potential for feedback processes which may detract from compliance.

More broadly, Section 2 identifies several factors that might explain cross-national variation in standards outcomes. These include capital

Table 2 Compliance with codes and standards, by quartile, 2008

Quartile	Countries included (lowest to highest score)	Compliance score average and range	Average democracy score (Polity 2)
1st (lowest compliance)	Syria, Bolivia, Cameroon, Kenya, Guatemala, Nigeria, Venezuela, Vietnam, Algeria, Iran, Lebanon, Bangladesh, Dominican Republic, Taiwan, Tanzania, UAE, Honduras, Ecuador, China	12.7 (5.0 to 23.2)	1.42
2nd	Ghana, Uruguay, Jordan, Egypt, Tunisia, Ukraine, Morocco, Saudi Arabia, Sri Lanka, Peru, Pakistan, Poland, Argentina, India, Indonesia, Turkey, Brazil, Thailand, Colombia, Malaysia	34.7 (25.0 to 45.0)	3.75
3rd	Czech Republic, South Korea, Singapore, South Africa, Russia, Israel, Mexico, Sweden, Croatia, Japan, Romania, Hong Kong, Kazakhstan, New Zealand, Bulgaria, Latvia, Philippines, Luxembourg, Canada, Chile	49.9 (45.8 to 54.2)	7.39
4th	Estonia, Finland, Denmark, Lithuania, Austria, Slovakia, Greece, Slovenia, Portugal, Switzerland, US, Belgium, Spain, Germany, Netherlands, Norway, Hungary, France, Italy, Ireland, Australia, UK	62.1 (54.2 to 72.5)	9.68

account openness (external pressures), the level of development (technical constraints), the nature of political and regulatory institutions (democracy, central bank independence), economic growth (the costs to domestic actors of reform), and the concentration and political connectedness of banking and corporate sectors. Methodologically, this volume, and much historical institutionalist work, points out that qualitative evidence is likely most appropriate for tracing the causal connections between domestic institutional structures and policy outcomes. This is particularly true when many central causal factors have deep historical roots, so that contemporary outcomes reflect longer-standing political choices and institutional structures. It also is difficult to measure many institutional and

Table 3 Compliance with codes and standards, by quartile, 2008

Quartile	Countries included (lowest to highest score)	Compliance score (average and range)	Average democracy score (Polity 2)
1st (lowest compliance)	Syria, Bolivia, Cameroon, Kenya, Guatemala, Nigeria, Venezuela, Vietnam, Algeria, Iran, Lebanon, Bangladesh, Dominican Republic, Taiwan, Tanzania, UAE, Honduras, Ecuador, China	12.7 (5.0 to 23.2)	1.42
2nd	Ghana, Uruguay, Jordan, Egypt, Tunisia, Ukraine, Morocco, Saudi Arabia, Sri Lanka, Peru, Pakistan, Poland, Argentina, India, Indonesia, Turkey, Brazil, Thailand, Colombia, Malaysia	34.7 (25.0 to 45.0)	3.75
3rd	Czech Republic, South Korea, Singapore, South Africa, Russia, Israel, Mexico, Sweden, Croatia, Japan, Romania, Hong Kong, Kazakhstan, New Zealand, Bulgaria, Latvia, Philippines, Luxembourg, Canada, Chile	49.9 (45.8 to 54.2)	7.39
4th	Estonia, Finland, Denmark, Lithuania, Austria, Slovakia, Greece, Slovenia, Portugal, Switzerland, US, Belgium, Spain, Germany, Netherlands, Norway, Hungary, France, Italy, Ireland, Australia, UK	62.1 (54.2 to 72.5)	9.68

political variables quantitatively, particularly for a broad set of Southern nations.

As a first cut, and building on the data in Table 3, I test the statistical associations between overall compliance with financial standards (from EStandards), on the one hand, and a variety of explanatory variables, using all developing nations for which data are available. I employ data for 2006, as this provides the most comprehensive coverage for a variety of independent variables. The results from these analyses,[17] with sample sizes between 40 and 50 observations, bear out some of the predictions above. More democratic governments are associated significantly with higher levels of compliance, and this result is robust across a wide variety of specifications. Developing nations with higher incomes per capita also display significantly higher Estandards scores, suggesting that technical capacity (or, at least, level of development) helps to explain outcomes. Economic growth (operationalized as the average rate of growth per capita during the preceding three years) also is significantly linked with compliance, providing support for the argument that domestic interest groups are less likely to block regulatory reform when times are good (i.e. Walter, 2008).

Financial systems characterized by higher levels of deposits or loans in government-owned financial institutions display lower levels of compliance, although the coefficient estimates are not always statistically significant. Additionally, where central banks are more independent from politicians, compliance rates also tend to be higher. At the same time, the degree of capital account openness is never a significant predictor of compliance with global standards. This suggests that external pressures may have little impact on governments' willingness to implement standards. Bank concentration ratios also fail to predict significantly the degree of compliance; such a measure may account for the economic, but not necessarily the political, power of the financial sector. Or financial system characteristics may be more important in interaction with political and institutional factors, rather than as an independent causal factor.

These statistical analyses reveal some interesting patterns, in terms of the role of regime type and development level, but they also point to the shortcomings of such tools in testing the predictions of – and in identifying the causal pathways central to – historical institutionalism. To illustrate the plausibility of these causal pathways, I consider evidence from a variety of developing nations, with respect to a range of financial codes and standards. This section draws on the IMF and World Bank's Reports on the Observation of Standards and Codes, as well as Estandard's various country compliance assessments and other secondary sources. While these cases do not systematically test the causal connection between the embeddedness of private financial actors, for instance, and regulatory outcomes, they illustrate the dynamics at play in many developing nations. As such, they serve to establish the utility of a causal account that considers not only interests (in terms of market-based benefits for compliance, as well as pluralist-oriented pressures on national governments), but also longer-standing institutional structures.

Given the often-closed nature of financial regulation and governance, it can be difficult to trace the national implementation of codes and standards. Indeed, judging compliance – much less the reasons behind it – can be difficult, as it is not always clear whether national firms are following a given standard, or whether a government's policy-making is as transparent as it claims (also see Walter, 2008). Again, the bias is likely to overestimate compliance: governments that have done well with adopting a given code or standard are likely to highlight their behavior.

A key thread that characterizes numerous assessments of the adoption of codes and standards is that prevailing local conditions are central. In many instances, these local conditions – political as well as economic – point to the inappropriateness of universal standards in low- and middle-income countries. While such standards, if implemented, *could* serve to improve financial system efficiency and to prevent financial sector booms and busts, the obstacles to their implementation are substantial. Moreover, given the limited resources available to regulators in Southern nations, it is not clear that the best use of such resources is in efforts to meet universal standards.

To begin, many low (and middle) income nations face issues of technical capacity, as well as domestic political resistance. During the last few years, as international investors sought further diversification and global interest rates remained low, some African nations sought to expand their stock exchanges and government securities markets. The hope was that financial liberalization would facilitate greater economic growth and efficiency. As part of this process, several African nations took part in the IMF/World Bank ROSC and FSAP programs; of the approximately 650 ROSCS completed by the IMF and World Bank through to March 2008, 15 percent have involved African governments.[18] The most frequently-assessed areas to date are data dissemination and fiscal transparency, followed by banking supervision; the most frequently-assessed countries include Tunisia, Uganda and Mozambique; in total, 28 African nations have had at least one ROSC assessment. Many ROSCs point to progress in implementing international codes and standards: for instance, Tanzania's banking system displays a high capital adequacy ratio (in excess of 20 per cent) and its supervision generally is consistent with the Basel core principles. And Namibia's financial system is characterized by a profitable and well-capitalized banking sector, as well as a well-developed set of non-bank financial institutions, accounting for more than half of financial system assets. Ghana is described as making progress in adopting international standards for securities market regulation, while Madagascar is praised for its progress in strengthening banking system oversight.

Yet, as we might expect, the more general pattern that emerges from these reports is one of great difficulty in adequately supervising and regulating local financial institutions, as well as in managing government debt and developing financial sectors. Some of these problems are related to low capital endowments and large informal economic sectors, which render the expansion of financial services difficult. Others stem from technical capacity: a lack of skilled staff is cited as problematic for financial regulators in Madagascar, Mozambique, Namibia and Tanzania, among others. Adopting international accounting standards would be prohibitively expensive for many small- and medium-sized firms in Mozambique; it would make more sense for such firms to continue to follow the national accounting standards, which are less complex and easier to implement (IMF, 2004). And in Namibia, government officials announced in 2005 that they would move to implement the Basel II banking accords. But given that many financial institutions there are not in compliance with the Basel Core Principles (underlying Basel I), such an effort appears premature. Pillar I of Basel II, with its provisions for reliance on banks' internal risk assessments, is likely beyond the capacity of Namibia's banks and financial regulator. Perhaps, then, a focus on supervision by the national regulator (as implied by Basel I) is more appropriate to Namibia's current situation (IMF, 2007).

But another set of problems is much more political in nature: the close relationships between the financial sector on the one hand, and national governments on the other, has limited the extent to which internationally-based regulations have been enforced. We see this most explicitly in nations where government-owned banks are prevalent: those banking systems are, on average, characterized by bank supervisors with less autonomy from political authorities, lower levels of private sector-based monitoring and lower minimum capital requirements (Barth *et al.*, 2006; also see Quillin, 2008). As noted above, bank holdings of government securities provide a source of financing for national governments, but they also reflects numerous conflicts of interest. Private banks are often a captive source of capital for national governments: they may have other options for investing their capital (i.e. in the private sector), yet bankers worry about the negative consequences that would follow from divesting of government securities. At the same time, governments will hesitate to take a hard regulatory line with banks that help to fund government operations. So, in Ghana, for instance, several local banks have high levels of past due and non-performing loans (IMF, 2003). International banking standards would suggest that such banks face the threat of closure, as they can destabilize the financial system. But given that these banks also hold a large proportion of government paper, financial regulators will be hesitant to do so. As a result, weak enforcement of prudential banking regulations occurs, as is the case in Ghana (IMF, 2003).

A similar pattern characterizes other nations in the region, including Uganda, and the practice is by no means limited to sub-Saharan Africa. In the Caribbean nation of St Kitts and Nevis, for instance, banks also are highly exposed to public sector debt: as of June 2007, private banks in St Kitts and Nevis held 44 per cent of public debt.[19] Holdings of public debt were particularly high for indigenous (compared with foreign-owned) banks. And when these banks hold government securities, they are treated with a zero risk weighting on bank balance sheets, even if the securities are in arrears (FSAP, 2004). Such balance sheet treatment may overstate the capital adequacy of local banks, generating weaknesses in the financial sector. Perhaps more importantly, from the point of view of the political interaction between banks and regulators, the Eastern Caribbean Central Bank (the entity responsible for bank regulation in the region) has tended to allow a high proportion of non-performing loans and to make relatively infrequent site visits to banks. Technical capacity surely plays a role here, but so do the incentives of regulators: if regulators are concerned with preserving governments' access to financing (via banks), then they will be less likely to take a hard line in enforcing regulations. Even with formal commitments to arms' length regulation, such systems are likely to be characterized by low levels of enforcement – just as a historical institutionalist account would expect.

Another common characteristic of financial systems in low-income countries is weak competition in the banking sector. Often, this reflects political concerns about the entry of foreign banks, particularly by long-protected domestic financial actors. While many of the arguments against financial liberalization tend to raise the possibility that foreign institutions will destabilize the national financial system, it often is the case that foreign entry can improve local firms' access to credit (Kose *et al.*, 2006). Indeed, much of the opposition to foreign entry comes from local banking institutions, which would stand to lose from greater competition in many developing nations. Local banks tend to prefer regulations (or lack thereof) that maximize profits, but that increase the costs of capital to borrowers, or heighten the risk of financial crisis. Consumers and local firms, on the other hand, will be interested in relatively low-cost access to bank credit, as well as in the security of their bank deposits (i.e. Haggard and Maxfield, 1996; Rosenbluth and Schaap, 2003; Singer, 2007). Governments, then, may attempt to balance the interests of these various groups, depending on the political weight of each. In many low-income nations, the balance historically has favored local banks over local consumers and non-bank firms.

The embeddedness of local financial actors often stems from a historical pattern of close bank-government relations, which characterized nations including Indonesia, South Korea and Thailand as well, and which facilitated a certain set of industrial policies during the 1970s and 1980s. Reform efforts in the wake of the Asian financial crisis often stalled: in Thailand, a decade passed between the drafting of an Act making the Bank of Thailand fully accountable for banking supervision and the actual passage of the law by parliament. Furthermore, in Malaysia – as well as in many Northern countries, including the US (Singer, 2009) – securities market governance continues to be hampered by the overlapping jurisdictions of multiple regulators (World Bank, 2005). Such regulatory overlap often is the result of the historical development of financial market governance (new regulators are created in response to new instruments and markets, perhaps reflecting a preference for regulatory fragmentation); the danger, of course, is that regulatory authority is fragmented while financial markets are more tightly connected.

Rules regarding corporate governance practices offer another example of the importance of domestic institutions to understanding regulatory implementation. The general principles of corporate governance, the development of which is overseen by the OECD, aim to govern the relationships between managers and shareholders of firms. By emphasizing the rights of shareholders, the linkages between corporate boards and managers, and the protection of minority shareholders, the OECD aims to increase financial markets' confidence in listed companies and to avoid corporate corruption and malfeasance.

While some developing countries have implemented several of the OECD's corporate governance principles, substantial obstacles have emerged. Corporate governance involves choices regarding deeply-rooted political–economic structures. In some polities, a model of concentrated firm ownership and governance evolved historically; in others, the model has been one of diffuse ownership and governance. The development of these patterns reflects the political interests of firms, shareholders, labor unions and governments, as well as the longer-term interaction among these groups (Gourevitch and Shinn, 2005).Given historically low levels of stock market capitalization (and low domestic capital endowments generally), as well as concentrations of wealth, in many countries, it is not surprising that a narrow set of firms and individuals retain ownership of many firms. In Turkey, for instance, family-controlled groups of companies are common, and there exists a high degree of cross-ownership among large firms. Moreover, the regulatory system is one that has not emphasized shareholder rights or governance: there are limits on the capacity of pension and mutual funds to participate actively in the governance of firms in which they have ownership stakes (OECD 2006). Market discipline, an idea at the heart of a US-based view of corporate governance, is weakly developed; powerful interest groups, embedded in the political process, have pronounced incentives to resist the movement toward a more shareholder-based set of arrangements.

While the OECD's corporate governance principles emphasize an equity market-based form of corporate governance, this is only one of several possible types of governance. Where the prevailing type of governance has been one of bank ownership and financing (i.e. Germany) or one of state ownership of banks (i.e. South Korea), or one of family ownership and financing (i.e. Latin America; see Schneider, 2009), political resistance to corporate governance reform has been marked. Numerous assessments of progress in implementing the OECD's corporate governance standards point to the resistance generated from these concentrated sets of business owners. In many cases (such as Peru and Tunisia), such resistance means that, while corporate governance reforms are legislated, they are not enacted or enforced.

To take the example of Thailand, the slippage between corporate governance laws and practice reflects a longer-standing trend during the last decade, in which prominent business actors have assumed a direct role in politics and government (Prasirtsuk, 2007). One effect of the Asian financial crisis in Thailand was a reduction in commercial banks' influence in politics: as foreign ownership of banks grew, competition from non-bank financial institutions expanded, and government reliance on banks to finance industrial projects diminished, these actors became less important politically. Put differently, their embeddedness declined as a result of the crisis. But, at the same time, other business owners, especially those in the media, telecommunications and transportation sectors became more directly involved in national politics. Worried about threats to their economic position that would result from IMF- and WTO-backed reforms, and enabled by a 1997 Constitution which eased their direct access to politics, these businesspeople assumed direct political roles, often serving in cabinet-level positions. Thaksin Shinawatra, the prime minister during 2001–06, most embodied this trend, but he was by no means alone. These actors strongly resisted the equity market-based model of global corporate governance standards, leading to compliance in law, but not in practice (World Bank, 2005). The World Bank and other observers have identified a similar pattern in Indonesia – a formal commitment to the OECD corporate governance principles, but a political–economic configuration of interests that makes enforcement very unlikely (World Bank, 2004) – as well as in Malaysia and the Philippines (World Bank, 2006; also see Walter, 2008). While this relates to a much deeper system of 'crony capitalism' that characterized some Asian nations for many decades, it also involves qualities that recur across many developing nations – concentrated ownership of large businesses, family ownership of key business, and a narrow set of controlling shareholders.

In Latin America, similar patterns persist, even in nations with relatively high incomes, stable political systems and a track record of economic reform. While Chile's pension privatization program offered the promise of increased shareholder activism (thereby enhancing market enforcement of global corporate governance norms), shareholder concentration persists there. Pension fund administrators are largely inactive on corporate governance issues, again reflecting the privileged political–economic position of large business groups (Allen and Gourevitch, 2008). International observers (including Estandards Forum, the Institute of International Finance and the World Bank) identify similar patterns in Brazil, Ecuador, and Mexico.

Outcomes in the areas of corporate governance and financial regulation, then, suggest that attention to domestic regulatory dynamics is a necessary component of explaining, as well as predicting, the success of global regulatory efforts. As a historical-institutionalist approach suggests, the interaction among government regulators, political officials and private actors is a central determinant of compliance outcomes. Often, it is this interaction, rather than external capital market pressures, that determines the extent to which international commitments are followed domestically. Moreover, this interaction may well be conditioned by longer-standing institutional qualities, so that, even as some groups become less important economically, they retain veto power politically. Particularly given that most financial codes and standards are based on regulatory practices (and on political institutions) in Northern nations, we should expect to find low levels of implementation among developing nations. This is particularly likely where the potential 'losers' from new regulations have long-running ties to political elites (in democratic or non-democratic systems), and when regulatory authorities do not operate autonomously from political leaders, and when technical capacity is low. What historical institutionalism, then, would find surprising is not the low levels of standards adoption in developing nations, but the expectation in the late 1990s that global market pressures would facilitate high levels of adoption.

5. CONCLUSION

Financial regulation is very much a political process in low- and middle-income nations – just as it is in Northern nations. While interest groups in Southern nations were not involved in the creation of global codes and standards in the late 1990s, they play a central role in the domestic implementation of these codes. Although external economic pressures may compel governments to declare adherence to various codes, such pressures often are insufficient to effect compliance. Given that many of these codes embody policies that run counter to the preferences of important domestic actors, and given the access to policy-making that such domestic actors possess, low levels of compliance should not be surprising. Indeed, what is more surprising, from the perspective of a historical-institutionalist account, are the universalistic ambitions of the standards and codes project.

In many ways, these ambitions parallel those of other efforts in the realm of international finance – the use of 'one size fits all' conditionality and structural adjustment programs by international financial institutions in the 1980s and 1990s, and the push for capital account liberalization – without regard for issues of sequencing or suitability – around the developing world in the early 1990s. Such efforts have been marked by some successes (i.e. the rush of private investment into many middle-income nations in the early to mid-1990s), but also later by failures (the speculative build-ups and subsequent financial crises of the late 1990s), and ultimately by a shift to a more modest set of policy ambitions (i.e. the IMF's acknowledgment of its policy mistakes both before and in the wake of the Asian financial crisis).

What, then, should we expect from the current effort at global codes and standards? One possible argument is that, despite problems of compliance thus far, the effort remains in its infancy, especially in the South. Reports on standards and codes tend to point to some progress, even as they also identify myriad problems. Advocates of universal standards would emphasize the former, while historical institutionalism points to the latter. As scholars continue to trace the process of standards' implementation over time in various nations, we will gain a better appreciation of the factors that promote – and preclude – compliance with universal standards. Such analyses also could include primary source materials, such as interviews with or surveys of national regulators and private sector actors.

At the same time, however, the economic and financial crisis of 2007–09 may have important implications for the global effort at standards. Given that weak regulation of capital markets *within* the developed economies has played a central role in the current crisis, its occurrence is likely to diminish the desire for emulation. If one of the principal advocates of standards has market regulation problems of its own, it may be more difficult to convince others of the utility of standards that often reflect US 'best practices'. Along similar lines, the private financial actors who played a key role in the global standards movement (through the FSF) may retrench, as they focus more on avoiding greater regulation within mature markets.

Moreover, the market-based rewards for compliance with international standards – if these ever existed – may be less relevant in the midst of a global financial downturn. In 2008, many investors reallocated investments from crisis-hit high-income to relatively stable low- and middle-income nations. At that time, investors appeared far more interested in the prospects for economic growth and the ability to avoid turmoil in developed-country markets than in the adoption of internationally-accepted standards and codes in Southern nations.

By early 2009, though, emerging market destinations also had begun to suffer, rendering this 'reverse flight to quality' only a temporary phenomenon. As global capital markets recover, investors may be more attuned to regulatory issues, which could increase the extent to which developing countries benefit from adoption and implementation of regulatory reforms. Government regulations, eager to respond to market pressures and to political demands (see Singer, 2007), may seek to enhance national and global financial governance. Such an effort could include recognition of the role of emerging market governments and financial actors in crafting truly global standards. The implications of recent membership expansions of transnational and intergovernmental regulatory bodies for policy outcomes are as yet unclear, but they open up the possibility for the inclusion of at least some developing nations – especially Brazil, India and China – in rule-making efforts.

A final issue related to the success of the standards and codes project is that many issues now central to global capital markets have *not* been part of the codes and standards effort. Many of the entities that have played a role in the current US crisis, for instance, would not be covered directly by the codes. This includes hedge funds and various non-bank financial institutions (investment banks, mortgage companies that issue asset-backed securities). At the international as well as the national level, there is an important process of selection at work: it is not only a question of how (private versus public, club versus universe) rules are created, but of what sorts of rules are created in the first place. In his contribution to this issue, Fioretos addresses this question, with a focus on the regulation of hedge and sovereign wealth funds. I leave further exploration of this issue as a subject for future research.

Regardless of the eventual outcome of the global standards process, scholars of international and comparative political economy would do well to focus on the impact of domestic institutions. While changes in the composition of international standard-setting bodies may change some of the dynamics and substantive results of the negotiation stage, the implementation stage will remain the critical determinant of standards' success or failure. Even if standards are revised to reflect some developing nation concerns, implementation will hinge on the interplay of domestic interest groups and domestic political and regulatory institutions. Variation in the ways in which private actors are embedded in the political system, for instance, will generate differences in the extent to which global standards are translated into domestic policy change. It is here that historical institutionalism stands to make a marked contribution.

NOTES

1 For a greater exploration of the impact of ideology on governments' policies vis-à-vis capital account openness, see Chwieroth (2007).

2 Simmons (2000) also claims that formal commitments to current account openness are an important influence on state behavior. Von Stein (2005), on the other hand, argues that such commitments largely reflect a selection process. Also see Simmons and Hopkins (2005).

3 See Levi-Faur (2005) for a discussion of horizontal versus 'top-down' approaches to explaining cross-national regulatory diffusion.

4 This raises the issue of whether government officials who make global commitments do so because of external pressures (coercion), or if they do so because they view the standards as serving their individual interests. Indeed, given the questions raised above regarding the effectiveness of international pressures, it is likely that coercion explains only *some* commitments by middle-income countries. Identifying the motivations behind national governments' external commitments, however, is beyond the scope of the present study.

5 Eleven of 22 high-income countries have not declared their intention to comply with the auditing standards. The other standards with a relatively high number of non-declarations among wealthy countries are banking supervision and securities regulation (five of 22 not declared).This paragraph draws on Estandards Forum information from 2006, which is the year with the highest levels of standards compliance.

6 These data also raise the issue of variation *across* standards, which I do not address in this article.

7 On the origins of developmental states in Asia, see Doner *et al*. (2005). See Johnson (1982) for a discussion of similar policies in Japan.

8 Data are based on Barth *et al*.'s (2006) survey of national banking authorities, covering 152 countries. In regional terms, denial rates are highest in sub-Saharan Africa (57.6 per cent) and East Asia (32.9 per cent). A similar difference exists for petitions for entry from domestic financial institutions. The average rate of denial is 9.9 per cent among high-income nations, compared with 30.9 per cent in developing (low- and middle-income) countries.

9 For a review of work on private sector participation in financial regulation, see Mosley (2009).

10 Data are from the 2007 Bank Regulation and Supervision survey (Barth *et al*., 2008). Averages are calculated for OECD versus non-OECD nations, using survey items 3.13.1 (loans in government-owned banks) and 7.9 (commercial bank assets in government securities).

11 In some elements of financial regulation, domestic regulatory practices are linked closely with political institutions. Barth *et al*. (2006) find, for instance, that democratic governments tend to grant greater independence to bank supervisors; to facilitate higher levels of private sector monitoring of banks' activities; and to impose fewer regulatory restrictions on banks' activities.

12 In 2009, the Financial Stability Board (FSB) replaced the FSF. The FSB retains a focus on global regulatory harmonization; its membership increased from 41 to 63 seats. Many of the new seats belong to finance ministries, central banks and other regulatory bodies from emerging market nations, including Argentina, Brazil, China, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey. See <www.financialstabilityboard.org>. A similar set of emerging market nations is now represented on the Basel Committee on Banking Supervision.

13 For a summary of the '12 key financial codes and standards', see Drezner (2007).

14 All data are from <www.estandardsforum.com> (accessed 1 September 2008). The Institute of International Finance also has begun ranking countries according to investor relations and data transparency. See <http://www.iif.com/download.php?id=73v3bVskbvM>.

15 Walter (2008) argues that, because Estandards' assessments rely on publicly-available data, they do not capture fully the extent of (non) compliance.

16 Data on ROSCs are based on the IMF's ROSCs site, <http://www.imf.org/external/np/rosc/rosc.asp> (accessed 3 September 2008).

17 Results of these statistical analyses, as well as data definitions and sources, are available from the author.

18 Data on ROSCs are based on the IMF's ROSC site, <http://www.imf.org/external/np/rosc/rosc.asp> (accessed 16 October 2009).

19 IMF Article IV Report, St. Kitts and Nevis, Statistical Appendix (December 2007), <http://www.imf.org/external/pubs/ft/scr/2008/cr08127.pdf> (accessed 1 November 2008).

NOTES ON CONTRIBUTORS

Layna Mosley is Associate Professor in the Department of Political Science at the University of North Carolina, Chapel Hill. She is author of *Global Capital and National Governments* (Cambridge, 2003) and *Working Globally? Multinational Production and Labor Rights* (Cambridge, forthcoming), as well as numerous articles on the politics of international finance.

REFERENCES

Abbott, K.W. and Snidal, D. (2009) 'The Governance Triangle: Regulatory Standards Institutions and the Shadow of the State', in W. Mattli and N. Woods (eds) *The Politics of Global Regulation*, Princeton: Princeton University Press, pp. 44–88.

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

Allen, J. and Gourevitch, P. (2008) 'Pension Privatization and Corporate Governance: The Chilean System in Comparative Perspective', Paper presented at the Annual Meeting of the International Studies Association, San Francisco, California, USA, 26–29 March.

Amsden, A. (1989) *Asia's Next Giant: South Korea and Late Industrialization*, Oxford: Oxford University Press.

Barnett, M. and Finnemore, M. (2004). *Rules for the World: International Organizations in Global Politics*, Ithaca: Cornell University Press.

Barth, J. R., Caprio, Jr. G. and Levine, R. (2006) *Rethinking Bank Regulation: Till Angels Govern*, Cambridge: Cambridge University Press.

Barth, J. R., Caprio, Jr. G. and Levine, R. (2008) 'Bank Regulations are Changing: But for Better or Worse?', Working Paper, World Bank.

Best, J. (2005) *The Limits of Transparency: Ambiguity and the History of International Finance*, Ithaca: Cornell University Press.

Bhinda, N. and Martin, M. (2005) 'Monitoring and Analyzing Foreign Investment: How to Build Sustainable Institutions', FPC CBP Series No. 1, London: Debt Relief International.

Büthe, T. and Mattli, W. (2005) 'Global Private Governance: Lessons from a National Model of Setting Standards in Accounting', *Law & Contemporary Problems*, 68(3/4): 225–62.

Chayes, A. and Handler Chayes, A. (1993) 'On Compliance', *International Organization*, 47(2): 175–205.

Chwieroth, J. (2007) 'Neoliberal Economists and Capital Account Liberalization in Emerging Markets.' *International Organization*, 61(2): 443–63.

Copelovitch, M. (2009) Master or Servant? 'Common Agency and the Political Economy of IMF Lending', *International Studies Quarterly*, forthcoming.

Copelovitch, M. and Singer, D. A. (2008) 'Financial Regulation, Monetary Policy and Inflation in the Industrialized World', *Journal of Politics*, 70: 663–80.

Doner, R., Ritchie, B. and Slater, D. (2005) 'Systemic Vulnerability and the Origins of Developmental States', *International Organization*, 59(2).

Downs, G. W., Rocke , D. M. and Barsoom, P. N. (1996) 'Is the Good News about Compliance Good News about Cooperation?', *International Organization*, 50(3): 379–406.

Drezner, D. W. (2001) 'Globalization and Policy Convergence', *International Studies Review*, 3(1): 53–78.

Drezner, D. (2007) *All Politics is Global: Explaining International Regulatory Regimes*, Princeton: Princeton University Press.

Edwards, S. (2008) 'Capital Controls, Capital Flow Contractions and Macroeconomic Vulnerability', *Journal of International Money and Finance*, forthcoming.
Eichengreen, B. (2003) *Capital Flows and Crises*, Cambridge: MIT Press.
Elkins, Z, Guzman, A. and Simmons, B. A. (2006) 'Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1959–2000', *International Organization*, 60(4): 811–46.
Farrell, H. and Newman, A. (2010) 'The Domestic Institutional Determinants of International Market Regulation' Review of inernational political economy, London: Routledge.
Financial Sector Assessment Program (FSAP) (2004) *Eastern Caribbean Currency Union, Financial Sector Assessment*, Washington: International Monetary Fund and World Bank.
Fioretos, O. (2010) 'Capitalist Diversity and the International Regulation of Hedge Funds Capitalist Diversity', *Review of international political economy*, London: Routledge.
Gourevitch, P. and Shinn, J. A. (2005) *Political Power and Corporate Control: The New Global Politics of Corporate Governance*, Princeton: Princeton University Press.
Haggard, S. (2000) 'The Political Economy of the Asian Financial Crisis', Washington, D.C.: Institute for International Economics.
Haggard, S. and Maxfield, S. (1996) 'The Political Economy of Financial Internationalization in the Developing World', *International Organization*, 50(1): 35–68.
Hamilton-Hart, N. (2002) *Asian States, Asian Bankers: Central Banking in Southeast Asia*, Ithaca: Cornell University Press.
Helleiner, E. (2002) 'The Politics of Global Financial Regulation: Lessons from the Fight against Money Laundering', in J. Eatwell and L. Taylor (eds) *International Capital Markets: Systems in Transition*, Oxford: Oxford University Press, pp. 177–204.
Hellman, J. S. (1998) 'Winners Take All: The Politics of Partial Reforms in Post-Communist Transitions', *World Politics*, 50(2): 203–34.
International Monetary Fund (2003) *Ghana: Financial System Stability Assessment Update*, IMF Country Report 03/396, December.
International Monetary Fund (2004) *Republic of Mozambique: Financial System Stability Assessment, including Reports on the Observation of Standards and Codes on the following topics: Banking Supervision, Payments Systems, and Anti-Money Laundering and Combating the Financing of Terrorism*, IMF Country Report No. 04/52, March.
International Monetary Fund and the World Bank (2005) 'The Standards and Codes Initiative – Is it Effective? And How Can It Be Improved?', 1 July, <http://www.imf.org/external/np/pp/eng/2005/070105a.htm> (accessed 21 May 2008).
International Monetary Fund (2007) *Namibia: Financial System Stability Assessment, including Reports on the Observation of Standards and Codes on Banking Supervision*, IMF Country Report No. 07/83, February.
Johnson, Chalmers. ed. (1982). 'MITI' and the Japanese Miracle. Stanford: Stanford University Press.
Kapstein, E. B. (1992) 'Between Power and Purpose: Central Bankers and the Politics of Regulatory Convergence', *International Organization*, 46(1): 265–87.
Kaul, I., Conceição, P., Le Goulven, K. and Mendoza, R. U. (2003) *Providing Global Public Goods: Managing Globalization*, Oxford: Oxford University Press.
Kose, M. A., Prasad, E., Rogoff, K. and Shang-Jin Wei (2006) 'Financial Globalization: A Reappraisal', IMF Working Paper 06/189.

Krasner, S. D. (1991) 'Global Communications and National Power: Life on the Pareto Frontier', *World Politics*, 43(3): 336–366.

Levi-Faur, D. (2005) 'The Global Diffusion of Regulatory Capitalism', *The Annals of the American Academy of Political and Social Science*, 598: 12–32.

Mattli, W. and Woods, N. (eds) (2009) *The Politics of Global Regulation*, Princeton: Princeton University Press.

Mettler, S. (2002) 'Bringing the State Back in to Civic Engagement: Policy Feedback Effects of the G.I. Bill for World War II Veterans', *American Political Science Review*, 96(2): 351–65.

Mitchell, R. B. (1994) 'Regime Design Matters: International Oil Pollution and Treaty Compliance', *International Organization*, 48(3): 425–58.

Mosley, L. (2003) 'Attempting Global Standards? National Governments, International Finance, and the IMF's Data Regime', *Review of International Political Economy*, 10(2): 332–63.

Mosley, L. (2009) 'Private Governance for the Public Good? Exploring Private Sector Participation in Global Financial Regulation', in H.V. Milner and A. Moravcsik (eds) *Power, Interdependence and Non-State Actors in World Politics*, Princeton: Princeton University Press, pp. 126–145.

Oatley, T. and Nabors, R. (1998) 'Redistributive Cooperation: Market Failure, Wealth Transfers, and the Basle Accord', *International Organization*, 52(1): 35–54.

Organization for Economic Cooperation and Development (OECD) (2006) *Corporate Governance in Turkey: A Pilot Study*, Paris: OECD.

Perry, J. and Nölke, A. (2006) 'The Political Economy of International Accounting Standards', *Review of International Political Economy*, 13(4): 559–86.

Posner, E. (2010) 'Sequence as Explanation: The International Politics of Accounting Standards', *Review of International Political Economy*, London: Routledge.

Prakash, A. and Potoski, M. (2006) 'Racing to the Bottom? Trade, Environmental Governance and ISO 14001', *American Journal of Political Science*, 50(2): 350–64.

Prasad, E., Rajan, R. and Subramanian, A. (2007) 'Foreign Capital and Economic Growth', NBER Working Paper 13619.

Prasirtsuk, K. (2007) 'From Political Reform and Economic Crisis to Coup d'état in Thailand: The Twists and Turns of the Political Economy, 1997–2006', *Asian Survey*, 47(6): 872–93.

Quillin, B. (2008) *International Financial Cooperation: Political Economics of Compliance with the 1988 Basel Accord*, London: Routledge.

Rodrik, D. (2006) 'Goodbye Washington Consensus, Hello Washington Confusion?', *Journal of Economic Literature*, 44(4): 973–87.

Rosenbluth, F. and Schaap, R. (2003) 'The Domestic Politics of Banking Regulation', *International Organization*, 57(2): 307–336.

Rudra, N. (2008) Globalization and the Poor: Who Really Gets Hurt? Cambridge: Cambridge University Press.

Schneider, B. (2005) 'Do Global Standards and Codes Prevent Financial Crises? Some Proposals on Modifying the Standards-Based Approach', UNCTAD Discussion Paper No. 177, April.

Schneider, B. R. (2009) 'A Comparative Political Economy of Diversified Business Groups, or How States Organize Big Business', *Review of International Political Economy*, 16(2): 178–201.

Simmons, B. A. (2000) 'International Law and State Behavior: Commitment and Compliance in International Monetary Affairs', *American Political Science Review*, 94(4): 819–35.

Simmons, B. A. (2001) 'The International Politics of Harmonization: The Case of Capital Market Regulation', *International Organization*, 55(3): 589–620.

Simmons, B. A., Dobbin, F. and Garrett, G. (eds) (2008) *The Global Diffusion of Markets and Democracy*, Cambridge: Cambridge University Press.

Simmons, B. A. and Elkins, Z. (2004) 'The Globalization of Liberalization: Policy Diffusion in the International Economy', *American Political Science Review*, 98(1): 171–89.

Simmons, B. A. and Hopkins, D. (2005) 'The Constraining Power of International Treaties: Theory and Methods', *American Political Science Review*, 99(4): 623–31.

Singer, D. A. (2004) 'Capital Rules: The Domestic Politics of International Regulatory Harmonization', *International Organization*, 58(3): 531–65.

Singer, D. A. (2007) *Regulating Capital: Setting Standards for the International Financial System*, Ithaca: Cornell University Press.

Singer, D. A. (2009) 'The Subprime Accountability Deficit and the Obstacles to International Standard Setting', *Global Governance*, 15(1): 21–27.

Skocpol, T. (1992) *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*, Cambridge: Harvard University Press.

Slaughter, A.-M. (2004) *A New World Order*, Princeton: Princeton University Press.

Stone, R. (2008) 'The Scope of IMF Conditionality', *International Organization*, 62(4): 589–620.

Van De Walle, N. (2001) *African Economies and the Politics of Permanent Crisis, 1979–1999*, Cambridge: Cambridge University Press.

Vogel, D. (2008) 'Private Global Business Regulation', *Annual Review of Political Science*, 11: 261–82.

Vogel, S. K. (1998) *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*, Ithaca: Cornell University Press.

Von Stein, J. (2005) 'Do Treaties Constrain or Screen? Selection Bias and Treaty Compliance', *The American Political Science Review*, 99(4): 611–22.

Walter, A. (2008) *Governing Finance: East Asia's Adoption of International Standards*, Ithaca: Cornell University Press.

Wibbels, E. (2006) 'Dependency Revisited: International Markets, Business Cycles, and Social Spending in the Developing World', *International Organization*, 60(3): 433–68.

Woo-Cumings, M. (1997) 'Slouching toward the Market: The Politics of Financial Liberalization in South Korea', in M. M. Loriaux and M. Woo-Cumings (eds) *Capital Ungoverned: Liberalizing Finance in Interventionist States*, Ithaca: Cornell University Press.

World Bank (2004) 'Report on the Observance of Standards and Codes: Corporate Governance Country Assessment, Republic of Indonesia', Washington, DC: World Bank, <http://www.worldbank.org/ifa/rosc_cg_idn.pdf> (accessed 25 August 2009).

World Bank (2005) 'Report on the Observance of Standards and Codes: Corporate Governance Country Assessment, Thailand', Washington, DC: World Bank, <http://www.worldbank.org/ifa/rosc_cg_tha.pdf> (accessed 21 August 2009).

World Bank (2006) 'Report on the Observance of Standards and Codes: Corporate Governance Country Assessment, Philippines', Washington, DC: World Bank, <http://www.worldbank.org/ifa/rosc_cg_phl_07.pdf> (accessed 24 August 2009).