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From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe by Grigore Pop-Eleches (Book Review)

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Grigore Pop-Eleches's book on the interaction of international and domestic determinants of IMF-style reforms in developing countries makes a significant contribution to international and comparative political economy literature. His effort to capture the dynamics of the contentious and complex relationship between the IMF and developing countries/emerging markets in Latin America and Eastern Europe represents mid-range theorizing at its best. The author combines insights from international and comparative political economy literatures to pursue complementary questions. From the international effect perspective: what role do economic crises play in the initiation and implementation of IMF-backed economic reform? Is the IMF impartial in its policy and financial support for countries in need? In what ways do IMF lending patterns reflect the changing demands of international financial markets, as well as the shifting priorities of advanced industrialized democracies (p.2)?

The domestic perspective is equally important for the analysis as the author investigates which constellations of domestic interests and institutions are conducive to the initiation and implementation of IMF-style reforms (p. 2). Specifically, he asks how the ideology of the governing coalition, coalition cohesion and stability, state bureaucratic capacity, and electoral considerations mediate the above international pressures. More fundamentally, he contributes to one of the most important debates in international political economy, namely the relationship between neoliberalism and democracy.

Pop-Eleches's theoretical claim is that domestic and external economic crises do not uniformly drive the IMF programs (a frequent assumption), but rather, these are mediated by politics at the domestic and international levels (p.6). Thus, the government engages in a balancing act of its partisan policy preferences and financial considerations inherent in IMF programs, all while being subject to the political constraint represented by the opposition. The IMF, on the other hand, prefers to lend to reliable partners as it wants a return on its investment, but it also strives to maintain international financial stability (p. 289). The author then methodically unpacks the economic and political context of interactions between the government and the IMF.

Before turning to Pop-Eleches's findings, it is important to highlight the book's impressive and exemplary research design. It should satisfy proponents of quantitative and qualitative approaches, as well as methodological pluralists alike, as the author combines a formal model with statistical analysis and ten country case studies. In his research design, Pop-Eleches combines the sensitivity to context of a qualitatively oriented scholar with the toolkit of scholars engaging in large-n cross-national studies. To control for temporal and geographical effects, he carries out separate statistical analyses of clusters of Latin American countries during the debt crisis of the 1980s and post-communist European countries in the 1990s. To account for the geopolitical and ideological factors related to the Cold War and potentially affecting both the domestic politics of Latin American countries, as well as the preferences of the IMF and its largest contributors, the author adds a separate analysis of Latin American countries in the 1990s. This enables him to carry out a comparison across time (Latin America in the 1980s and 1990s) and space (Latin America in the 1990s and Eastern Europe in the 1990s).

Pop-Eleches's clearly exposited formal model of the interaction between international pressures and domestic-level variables (with the formal model details provided in the appendix) yields testable hypotheses that are analyzed quantitatively in the remainder of the book. To provide analytical clarity, statistical analysis first focuses on the international drivers of IMF programs, and then on the domestic ones. The statistical findings are also mirrored by the case studies entailing no less than eight countries: six to illustrate the international politics of IMF-recipient state interaction (Bolivia, Argentina, Peru, Chile, Moldova, and Slovakia) and eight to illustrate the domestic ones (six countries already discussed, plus Bulgaria and Romania). The case studies are intended to show support for the broad causal story while highlighting its nuances, but they also complement the statistical findings as they vividly illustrate that statistical analysis alone is prone to miss important aspects of IMF-borrowing state interaction. For example, the IMF may depart from the statistical norm of preferential treatment of systemically important countries as it searches for "poster children" of neoliberal success and provide uncommonly generous support for small states (case in point: Bolivia and Moldova).

The rich analysis produces results that paint a comprehensive picture of the dynamics of the international and domestic politics of IMF – borrowing state interaction.

The findings confirm that while the presence of economic crisis matters for the initiation of an IMF agreement, the nature of crisis differs by regional context (debt crisis in Latin America of the 1980s and low foreign reserve levels in post-communist countries). Moreover, the IMF tends to pay more attention to the bigger market players and debtors who threaten international financial stability than to smaller, otherwise equally (or even relatively more) needy states. However, as Pop-Eleches demonstrates, the link between economic crisis and IMF-style reforms is not automatic. Rather, ideology plays a mediating role, which depends on the nature and severity of the crisis.

In the ideologically polarized Cold War world, Latin America of the 1980s generally experienced partisan policy divergence as the right-of-center governments embraced IMF-style reforms when faced with an economic crisis, while the left eschewed them, often despite considerable costs. The exception was the liquidity crises, which resulted in crisis-driven partisan policy convergence. However, the much more prominent role played by the debt crisis and attendant social dynamics led to the persistent role of ideology in Latin American political economy of the 1980s. This is in stark contrast to Eastern Europe, where partisan policy convergence followed an onset of significant economic crisis and ideology only mattered in low-crisis situations. A similar pattern occurred in Latin America in the 1990s, as Washington Consensus became the dominant paradigm and organized labor decreased in strength.

However, as Pop-Eleches contends, the decreased role of ideology and consequent neoliberal dominance in Latin America of the 1990s is far from a stable outcome, as an altered combination of incentives can reactivate political forces that benefit from anti-neoliberal rhetoric and perhaps policies as well. Thus, the recent leftist turn in Latin American politics may not necessarily be transient.

Addressing the question of compatibility of democracy with neoliberal reforms, Pop-Eleches finds that while neoliberal reforms were at odds with democracy in Latin America in the 1980s, the same was not the case in the 1990s. The changed nature of the economic woes, lower social mobilization and greater sense of security by the well-off resulted in greater stability of electoral democracy. However, the demobilization of society can be a detrimental development in the long-run, not only in normative terms, but also when considering specific political and economic outcomes. By contrast, in Eastern Europe, democracy went hand-in-hand with economic reform, even spurring on the economic reform process.

As the preceding summary indicates, the findings include numerous interaction effects and, given their context specificity, elude sweeping generalizations. While the book systematically explores different facets of the various contexts, what would make the presentation even stronger would be a comprehensive summary of the original hypotheses and the findings.

One of the book's greatest achievements is its portrayal of the nuance of the relationship between international pressures and domestic context. This kind of analysis is conducive to the discussion of policy implications. The author makes several recommendations, most importantly, the increase in financial rewards of compliance, support for state capacity building, striving for impartiality and curbing the practice of "soft conditionality," as well as greater flexibility in the "timing and details of policy reforms" (p. 305). However, where is the line between flexibility and favoritism by the IMF? Given the logic of partial reform and state capture, the governments may ask for flexibility precisely to protect the economic interests of their clients, benefiting from the government's largesse or protection, which, in turn, contributes to the country's economic problems in the first place.

A related question the book raises is: under what conditions do IMF programs actually deliver the intended economic effects? The cases are illuminating in this respect. While Peru's first orthodox neoliberal program failed, Chile's program succeeded, albeit following deviations from the orthodox prescriptions (p. 191); Bulgaria's program was a resounding success while Romania's a failure, all despite similar legacies and starting points. As the author stated in the preface, the effects of IMF policies were the original motivating question, which he abandoned in favor of exploring the causally prior step of the determinants of IMF programs. Now seems to be a good time to revisit the original question. In fact, the individual case studies seem to suggest that these outcomes may also depend on similar variables to the ones discussed in the present study, namely global/regional economic shocks, corruption, and bureaucratic capacity to come up with solutions that complement orthodox policies.

All in all, *From Economic Crisis to Reform* is a very rich, carefully researched work that is especially commendable for its ambitious research design, aimed at accounting for the dynamics of international and domestic-level interactions regarding economic reform. Its comprehensive and illuminating nature should make it an indispensable reading for students of international and comparative political economy, international relations and comparative politics more broadly. Its nuanced discussion should also make the book of great interest to area specialists and practitioners alike.