Around two decades after the outbreak of the financial crises that devastated several major emerging economies during the 1990s, various combinations of macroeconomic policies and financial reforms were implemented. Efforts towards increased financial regulation and supervision, as well as political commitment to macroeconomic stability enabled most of the large emerging economies to pass through the 2008-2009 international crisis without crashing. What was so different this time? How intensively have the domestic financial systems changed? To which extent capital controls were reintroduced as a current policy instrument afterwards?

The paper aims to analyse the recent financial trajectories of four large emerging economies: Brazil, India, Mexico and Argentina, in order to compare the changes and reforms implemented both domestically and regarding foreign capitals. The hypothesis to test is that domestic concerns were the priority driver to financial policies to each of the four countries, regardless the changes in the international perception of the matter and the IMF’s institutional view.

Introduction

The resilience of several emerging economies to the global financial crisis (GFC) has been widely discussed and could be partially explained by a new de facto situation in their financial systems, due to the set of reforms implemented during the previous decades. Twenty years passed since the outbreak of the series of financial crashes in emerging economies in 1994 with the Tequila crisis. During this time, waves of different economic policy models have alternated and the changes in monetary policy, exchange rate regimes and the approach towards capital have been particularly extreme.

Apart from being fairly large emerging democratic economies, Argentina, Brazil, India and Mexico have in common the fact of having been affected by deep financial crises and implemented economic reforms in which the financial aspects played a key role. Looking back at the four countries in the early 1990s one would see radically different situations from the one they are in now. For good and for bad.

This paper argues that even considering the impacts of their own financial crises and external pressures, domestic factors were, above all, the key driver of their financial reforms. At the same time it argues that these idiosyncratic features were crucial to protect their financial system during the GFC. It is organized as follows: after this introduction, a brief review of each country’s reform process is made. The following session reviews the capital control measures implemented after the crisis and finally some preliminary conclusions are presented.