

THE IMF TODAY AND TOMORROW

SOME CIVIL SOCIETY PERSPECTIVES

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The question regarding the International Monetary Fund (IMF) for many civil society organizations (CSOs) is whether the organization is worth salvaging. Certainly the IMF is in trouble. Below we offer a North-South perspective on current problems and future prospects of the Fund. Ugarteche presents different civil society arguments for shrinking the IMF and changing its role while Griesgraber proposes far-reaching reform of the IMF towards a fair and effective system of global governance.

The IMF today: troubled and besieged

At its origins in the 1940s the IMF was designed to prevent a recurrence of the Great Depression of the 1930s. To this end, the institution was to provide short-term financial support to countries suffering a negative trade imbalance. The early Fund operated in a system of adjustable fixed exchange rates, with the US dollar as the central currency with its value pegged to gold.³

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³ James Boughton, "Why White, Not Keynes? Inventing the Post war International Monetary System" IMF Working Paper, WP/02/52, 2002

The world at the start of the twenty-first century could hardly be more different from that of 1944 when the IMF's Articles of Agreement were first written. The dollar has been delinked from gold and floats in value along with other currencies. The value of trade in goods and services has been dwarfed by the size of international financial flows.

Yet the Fund seems to be caught in a time warp. Its policies tend still to emphasize short-term stabilization, often at the cost of inducing recession. In spite of claims to tailor prescriptions to particular needs, in practice the Fund still recommends the same policies regardless of the context. Moreover, the IMF's governance structures continue to reflect the economic and military power distribution of the 1940s.⁵

In the opening decade of this century the Fund has proven incapable of preventing or resolving the great global imbalance whereby China and several other East Asian countries have accumulated enormous amounts of US Treasury bills as reserves and created an Asian Monetary Unit (AMU), while the United States attracts approximately 70 per cent of global investments to service its trade and fiscal deficits. Neither Japan nor the European Union (EU) has been able to grow at a pace sufficient to serve as the engine of the global economy, replacing the US or challenging emergent China. Central bankers live in fear of inflation, rising interest rates, the collapse of the dollar, and the slump of global demand resulting from the China-US led global imbalances. One might expect a global monetary institution to prevent such imbalances.

The IMF has also lost credibility in respect of crisis management.⁶ With regard to the middle-income countries (MICs), during the Asian crisis of 1997-8 the Fund almost provoked a greater problem than the one it had been called in to solve. Its standard policy recommendations prescribed government belt tightening in countries which had fiscal

⁵ A.Buira, "The Bretton Woods Institutions: Governance without Legitimacy?" in *Reforming the Governance of the IMF and World Bank* edited by Ariel.Buira, London, Anthem Press(2005).

⁶ See Joseph Stiglitz, *Globalization and its discontents*. Allen Lane, London, 2002.

surpluses.⁷ The onset of the Argentina's crisis in 2001 was also largely attributable to the country's excessive adherence to Fund advice.⁸ Yet, in the crunch, the Fund washed its hands of the affair.⁹ Former communist countries also received Fund advice that, instead of helping them move from central command economies to liberalized markets, exacerbated their crises in the 1990s.¹⁰

With these problems the IMF and its policies have suffered a widespread loss of faith, not only in civil society circles, but among debtor country governments and private bankers, too. Several MICs (Argentina¹¹, Brazil¹², and Indonesia¹³ to name a few) have even repaid their loans from the IMF early as a "declaration of independence" from the Fund's conditions.

These early repayments have also confronted the IMF with an unforeseen loss of income. Even as the institution boasts of the countries' successes which enable them to make the early payments, the Managing Director (MD) has set-up a "high level panel" to advise the IMF Board on how to invest the institution's reserves.¹⁴ For the first time the Fund is no longer able to pay its operating costs from the interest charges paid by borrowers.

The low-income countries (LICs) remain bound to the Fund through the Poverty Reduction and Growth Facility (PRGF) and the associated Poverty Reduction Strategy

⁷ See for example Wade, Robert. 'The US Role in the Long Asian Crisis of 1990-2000.' In *The Political Economy of the East Asian Crisis and its Aftermath: Tigers in Distress*. Edited by Lukauskis, A.; Batista-Rivera, F. Edward Elgar, 2001, pp. 195-226.

⁸ See for example Paul Blustein, *And The Money Kept Rolling In (And Out): Wall Street, the IMF and the Bankrupting of Argentina* (New York: Public Affairs, 2005).

⁹ See Michael Mussa, *Argentina and the Fund : from triumph to tragedy* . Institute of International Economics, Washington D.C. 2002

¹⁰ On the collapse of the real economies of Central Asia, see: Johannes Linn, lead author, *Central Asia Human Development Report 2005: Bringing down barriers: Regional cooperation for human development and human security* (United Nations: 2006), p. 43. Of course not all of these troubles can be laid at the feet of the IMF.

¹¹ "Argentina Announces its Intention to Complete Early Repayment of its Entire Outstanding Obligations to the IMF" International Monetary Fund, Press Release No. 05/278, December 15, 2005.

¹² "IMF Welcomes Brazil's Intention to Make an Early Repayment of Its Supplemental Reserve Facility Obligations to the IMF," International Monetary Fund, Press Release No 05/164, July 14, 2005.

¹³ "Indonesia to Make Early Repayment of Half of its Outstanding Obligations to the IMF," International Monetary Fund, Press Release No 06/139, June 22, 2006.

¹⁴ "Communique of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund," Press Release No. 06/81, April 22, 2006, see paragraph 19.

Paper (PRSP) process. Those seeking debt relief must adhere to the additional conditions of the Heavily Indebted Poor Country (HIPC) Initiative (versions I and II)¹⁵. A select few debtors must conform to still more conditions for additional debt relief through the Multilateral Debt Relief Initiative (MDRI). The Fund has been charged with streamlining the number and breadth of the conditions attached, but little has changed in fact.¹⁶ Instead, a new arrangement, the Policy Support Instrument (PSI), has been put in place whereby poor countries will continue to be under the constraints of conditions without any lightening of the load through financial support.¹⁷

With increased development assistance flowing into LICs in order to achieve the Millennium Development Goals (MDGs), the Fund has acquired a new role: pointing out the dangers of too much aid; encouraging slower aid flows; and directing more aid into reserve funds because of concerns about inflation, absorptive capacity, “Dutch disease”, price increases of imports, and decreased exports because of increased domestic demand or higher prices for exported goods.¹⁸

In short, the present condition is that governments of wealthy countries do not borrow from the Fund but control the decision-making apparatus. Those MICs that can do so are buying their independence through the self-insurance of reserve funds and early repayment of IMF loans.¹⁹ Only the LICs remain as Fund clients.

15 See the work of Tony Killick of the Overseas Development Institute; ‘The ‘Streamlining’ of IMF Conditionality: Aspirations, Reality and Repercussions’ A report for the Department for International Development. 2002

¹⁶“Review of the 2002 Conditionality Guidelines,” International Monetary Fund, Policy and Development Review Department, March 3, 2005. <http://www.imf.org/external/np/pp/eng/2005/030305.htm>

¹⁷ “Nigeria: First Review Under the Policy Support Instrument—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Nigeria”, International Monetary Fund, Country Report No. 06/180, May 2006. <http://www.imf.org/external/pubs/ft/scr/2006/cr06180.pdf>

¹⁸ See for example Contradicting Commitments: How the Achievement of Education for All is Being Undermined by the International Monetary Fund, ActionAid International, 2005. The IMF’s summary approach to the least developed countries is described in “A Medium-Term Strategy for the IMF: Meeting the Challenges of Globalization,” IMF Staff, 06/01, April 2006. <http://www.imf.org/external/np/exr/ib/2006/041806.htm>

¹⁹ “Latin America sends IMF packing”, News, Bretton Woods Project, 23rd January 2006, update 49|url at <http://www.brettonwoodsproject.org/art.shtml?x=507679>

The IMF tomorrow: four scenarios

If the above analysis sets out the current position of the IMF, what is its future likely to be? What should it be? Four ways forward are available.

Scenario 1: piecemeal change

One course ahead is to follow the IMF's own prescription. The current MD, Rodrigo de Rato, is alert to the Fund's problems. His analysis and proposed solutions are captured in *The Fund's Medium-Term Strategy* (September 2005) and *Implementing the Fund's Medium-Term Strategy* (April 2006).

To address the global imbalance, de Rato has heeded the criticisms of the US Under-Secretary of the Treasury, Tim Adams,²⁰ and has begun to organize multilateral surveillance. This process calls together: (a) China, Japan and Saudi Arabia as major surplus countries; (b) the Euro Zone as a possible growth region; and (c) the United States as the major debtor country.²¹ The first multilateral discussions are expected to focus on China's challenge to the US to control its fiscal deficit and the US's challenge to China to stop undervaluing its currency, which gives it an unfair trade advantage.

To address the legitimacy deficit, the MD has proposed a two-step approach.²² First, an ad hoc adjustment of quotas would bring additional subscriptions and votes to China, South Korea, Mexico and Turkey. The subsequent second step remains vague. Indeed, some doubt that there will be a second step. Others worry that it will be small and half-hearted. Any significant move will be hard to achieve. The US does not support a quota increase, and European governments do not want to reduce their representation on the

²⁰ Address to Conference on Reform of the IMF, Institute for International Economics, 2005.

²¹ "IMF to Begin Multilateral Consultations with Focus on Global Imbalances," Press Release No. 06/118, June 5, 2006.

²² *Governance of the Fund, A Medium Term Strategy for the IMF*, April 2006. For concerns of developing countries, see for example Summary of the "International Institutional Reform and Global Governance" Conference held on May 4-5, 2006, at The Brookings Institution in Washington, DC. The conference was sponsored by the Wolfensohn Initiative at Brookings, the Centre for Global Studies, and The Centre for International Governance Innovation

Board. Without a quota increase, it becomes all but impossible to redistribute the quota percentages, since the Fund's Articles of Agreement stipulate that no country can suffer a loss of quota without its agreement. European governments control approximately one-third of the votes as well as 8-10 of the 24 chairs on the Executive Board. Both positions are grossly out of step with the actual size of the EU and the Eurozone within the global economy.²³

To address the concerns of the MICs about financial crises, especially for countries unable to self-insure, the MD proposes a crisis fund.²⁴ Most aspects of this fund remain ill-defined or undefined, including the overall amount, the modes of financing it, and the borrowing conditions.

For the LICs, the MD proposes that the IMF would monitor the inflows of foreign assistance, continue to monitor debt relief through the HIPC arrangement, and offer advice through PSI to ensure donors that the country remains "on the right track".

Scenario 2: abolition

A second future scenario for the Fund would be even more extreme than that proposed by the several CSOs of the Global South. This is an abolitionist scenario, espoused mainly by bankers, who argue for closing down both the World Bank and the IMF on grounds that they have done more harm than good, and have the capacity for continuing to do more harm than good. If it is true that it does more harm than good, this refers to the conditions attached to the use of lifesavers and not to the fact that there is a lifesaver. The IMF did too little too late agreeing with alterglobalists but leaving up to the market the resolution of balance of payments problems. Milton Friedman and Walter Wriston, are spokespersons for this view. Milton Friedman²⁵, after the Asian crisis wrote that the IMF should be abolished because it had done more harm than good there.

²³ Ariel Buira, Editor. Reforming the Governance of the IMF and the World Bank. Anthem Press, 2005, or virtually any of the essays by Buira on the G-24 website. www.G-24.org

²⁴ This is what the IMF was created for.

²⁵ See Milton Friedman "[Abolish the IMF](#)" Forbes, Nov. 2 1998

Former Secretaries of the Treasury Schultz and Simon together with former Citibank Chairman Wriston wrote:

*“It is the IMF's promise of massive intervention that has spurred a global meltdown of financial markets. When such hysteria sweeps world markets, it becomes more difficult to do what should have been done earlier--namely, to let the private parties most involved share the pain and resolve their difficulties, perhaps with the help of a modest program of public financial support and policy guidance. With the IMF standing in the background ready to bail them out, the parties at interest have little incentive to take these painful, though necessary, steps”.*²⁶

Their position is that the gold standard has been replaced by the information standard and that exchange rates are adjusted very quickly by currency traders once they know what is occurring in an economy. This opens way for less market distortions, better lending decisions and more automatic adjustments. When the Thai decided to peg their currency to the US dollar, goes their argument, they fell. It was not a problem of lack of savings, or major fiscal deficits. It was a monetary policy problem that adjusted itself, with the costs this brings. Having the IMF postpones the costs to the players who acted irresponsibly. They argue the IMF is *“ineffective, unnecessary, and obsolete”*.

The counter argument to this is that if in effect the existing IMF postpones the cost of adjustment to irresponsible international bankers, it should bring more stability to the world economy, more so when it is information based with actors trading currencies instantly with their knowledge of the available information. A currency stabilization fund does bring about more stability by definition. The usual question is not the existence of the lifesaver but the instructions on how to use it. The IMF has turned into a lifesaver that coerces nations into unwanted and unnecessary decisions, to put it in Stiglitz words. More so, it abuses its power in times of economic distress.

²⁶ See the thoughtful text by former Secretaries of State and Treasury George P. Shultz, and William E. Simon, and former Citibank chairman Walter B. Wriston, “Who needs the IMF?” Hoover Institution, Hoover Digest, 1998, no. 2

Scenario 3: regionalisation

The third option for the IMF's future comes from many CSO's from the Global South. Their view is that the Fund should shut its doors, and the global community should admit the failure of the "Washington Consensus" and surrender the wealthy countries' overt control of developing countries' domestic policies as exercised through the IMF. Bello and de los Reyes hold that "The Fund (at its Annual 1999 meetings) could no longer pretend that adjustment had not been a massive disaster in Africa, Latin America, and South Asia. During the World Bank-IMF meetings in September 1999, the Fund conceded failure by renaming the extended structural adjustment facility (ESAF) the "poverty reduction and growth facility" and promised to learn from the World Bank in making the elimination of poverty the "centerpiece" of its programs. But this was too little, too late, and too incredible".²⁷

In the Fund's place, regional currency stabilization funds would be established to provide insurance against financial instability. Ugarteche and Bello have developed this line of thought in a debate on international regulations in 2005. (<http://intreg.socioeco.org/en/documents.php>) The complete argument is that the international financial architecture is obsolete and while Bello stresses the point that the IMF was discredited in Asia, as being the architect of capital account liberalization that created the crisis, and of the severe contraction that followed. This was only made worse by the Argentine crises, argues Ugarteche.²⁸ "The IMF is suffering a triple crisis – a crisis of legitimacy, a budget crisis, and a role crisis – that is unparalleled in its 62 years of existence. These circumstances provide critics of the Fund with an opportunity to radically shrink, disempower, if not decommission it altogether"²⁹, says Bello.

²⁷ Julie de los Reyes & Walden Bello, "Can the IMF be Reformed?" in <http://intreg.socioeco.org/en/documents.php>

²⁸ Oscar Ugarteche & Alberto Acosta, "Proposal for a new international financial architecture: towards an international board of arbitration" in <http://r0.unctad.org/dmfas/pdfs/ugarteche.pdf>

²⁹ See Walden Bello's Strategy Paper for "The IMF: Shrink it or Sink it" Campaign (FINAL DRAFT), 2006

“The Fund suffered three devastating hits during the crisis. First, it was seen as being responsible for the policy of eliminating capital controls that many of the governments of East Asia followed in the years preceding the crisis. This policy of capital account liberalization did attract millions of dollars of speculative capital in the years from 1993 to 1997, but it also ensured that there would be no barriers to the outflow of capital during the panic in the summer of 1997, when about \$100 billion left the economies of Indonesia, Philippines, Thailand, Malaysia, and South Korea in a few short weeks.

The second hit was the widespread perception that the multibillion rescue packages assembled by the IMF for the afflicted countries did not actually go to rescuing the economies but to pay off foreign creditors and speculative investors. Citibank, for instance, though heavily overexposed in Asia, did not lose a cent in the crisis. This scandalous development led to strong criticism of the IMF, even from free-market partisans such as George Shultz, former Secretary of State under Richard Nixon, who said that the Fund was encouraging “moral hazard” and should therefore be abolished.

The third blow to the Fund sprang from the results of the stabilization programs it pushed on the crisis economies. With their wrongheaded emphasis on cutting back on government spending in order to fight inflation, these programs actually accelerated the descent of these economies into recession.³⁰

Additionally, crossed conditionality turned the IMF and the World Bank into political parties that export policies, accompanied by resources and economists around the world, without any far reaching results for the developing nations.³¹ Mistaken projections, or policies bear no cost to these institutions nor to their professionals while those policies

³⁰ Quoted from Bello’s draft on the IMF: Shrink it or Sink it campaign.

³¹ See Ugarteche, *Adiós Estado, Bienvenido Mercado*, Fundación Ebert, Lima, 2005, chapter 1. It is a detailed account on how the State apparatus was taken over by IMF and WB advisors in Peru between 1990 and 1992 and how economic reforms were introduced in Peru the day after the coup d’etat of April, 1992 that kept Fujimori in power until 2000 with the support of the Armed Forces and intelligence services, and the entrepreneurs association. The economic think tank was the IMF/WB team assigned to Peru since 1990.

place the governance of the developing nations at stake.³² Argentina is the case in point. Independent policy making more closely tied to the needs of the country is required. So is a currency stabilization fund that does not feed down the throat policies that are inconvenient for growth, income distribution, and governance.

The loss of credibility can be seen in the quality of the supporters for total abolishment of the IMF, one former Treasury Secretary, one former Secretary of State and a Citibank former chairman. More recently Charles Dallara of the Institute of International Finance, expressed his skepticisms in the way the IMF helps countries.³³ Civil society has expressed its doubts on the IMF since the late 1970's. It has been seen as an arm of US foreign policy since before the debt crises of 1982.

If no actor believes in the IMF, it has two ways forward, from the point of view of civil society organizations from the Global South. It can be shut, or it can be transformed with its functions distributed regionally while keeping a small base in Washington. Some of the functions it holds, namely stabilization of currencies, could be done by regional agencies. The advise for negotiations at the Paris and London Clubs could be done away with as the debt could be restructured in an international board of arbitration for sovereign debt where all creditors would sit and which would follow an international financial law, to be agreed upon. When not even bankers do not believe in what the IMF is doing, something is severely wrong. The Institute of International Finance, announced in may 2006 that they were working on an outline of principles for how creditors and emerging market governments manage financial crisis and that this should be finished by the end 2006 and endorsed by groups such as G20 finance ministers. Was this not the original role of the IMF? Bankers have gone beyond what the IMF does, in self- defense. Dallara, IIF president, recognizes in his letter to Gordon Brown that the IMF had 21 standby programmes in 1998 and has only 5 by may 2006. By July it has three. IMF credibility is gone together with its money and legitimacy.

³² It is worth reading the report on the Argentine mistake by the IMF written by an IMF officer. In the end no one at the Fund is responsible because Governments are responsible for their actions. As if IMF coercion did not exist.

³³ Letter to Gordon Brown, april 14, 2006 http://www.iif.com/data/public/policyletter_0406.pdf

Bello says that “The upshot of these developments is that payments of charges and interests, according to Fund projections, will be cut by more than half, from \$3.19 billion in 2005 to \$1.39 billion, in 2006 and again by half, to \$635 million in 2009, creating what Ngaire Woods, an Oxford University specialist on the Fund, described as “a huge squeeze on the budget of the organization.”³⁴

Adds Bello, “In short, the three pillars on which the Fund stood for over sixty years—a belief in its indispensability on the part of developing countries, an “internationalist consensus” among the US elite, and the “transatlantic consensus” among the European and US elites—have been eroded significantly, opening up real possibilities for a global civil society campaign to disempower or decommission the Fund.”

Currently there are signs that the IMF has been substituted as a source of funds within the region given the adjustment fatigue. Asia has begun with the Chiang Mai agreement and this would be followed by other equivalent regional agreements. Latin America has a small but successful Latin American Reserve Fund. Europe has a European Central Bank leaving the Middle East and Africa as two regions where monetary institutions would need to be created. The rejection to the Asian monetary fund expressed by the IMF and the US Government in 1999 have now translated into an IMF supported conference on regional monetary fund in 2006, particularly after Chiang Mai.

Abandon the Washington Consensus model and support indigenous routes to development. The consensus of the moment for many outspoken CSOs from the South is that the neoliberal or Washington Consensus paradigm has failed.³⁵ The effects of unwanted migration and the paradox of balance of payments supported by workers remittances, are the example of policy failure. It is clear that since 1980 there is no

³⁴ Ngaire Woods, “The Globalizers in Search of a Future: Four Reasons why the IMF and World Bank Must Change, and Four Ways they can,” *CDG (Center for Global Development) Brief*, April 2006, quoted by Bello.

³⁵ See Oscar Ugarteche y Fidel Aroche, “Las políticas para la globalización vista desde América latina: Exportaciones, Inversión Real, Flujos de Capital y Migraciones: algunas paradojas Paradojas de las Reformas Económicas”. Ponencia presentada en la 6ta reunión de SDE, OIT, Quito, noviembre, 2005. Before that see the Barcelona declaration, 2004.

economic growth in Latin America while Asia grew without IMF policies. GDP per capita in constant dollars remains more or less stable since 1980 in Latin America, with the exception of Chile, while China is the prime example, so is Malaysia, that growth is possible with domestically defined policies. Beyond a general agreement on a key role for market economies there is little articulated agreement on ways forward. This may itself be the agreed way forward: support for diverse solutions

Scenario 4: reformism

A fourth approach to the future of the Fund recognizes the many flaws of the current institution, but is pessimistic about the establishment of any new global economic institution in the short, medium or even long term. Further, in light of the fact of the global economy, they assert the need for (a) global institution(s) to regulate that economy and to protect the more vulnerable countries from its volatility.

The ideal global financial regulatory institution would ensure that all economic players, regardless of size, would “play by the rules” that were designed openly to ensure that growth is equitable, inclusive and consistent with the limitations of the environment.

Having to work with the current institution, reformers in Europe and the US as well as many parts of the Global South, focus greatest attention on reforming the governance structure of the Fund.³⁶ A first dimension of required a redesigning the formula by which quotas are assigned to member countries.

- Proposals range from the ideal whereby purchasing power parity would measure the size of the domestic economy, and population would be taken into consideration. Less than perfect formulas would still require that trade in the same currency (notably the euro) would be treated as domestic transactions and would not serve to enhance the size of the economy. GDP would be acceptable, but not measuring a country’s economy in terms of a its exchange rate value.

³⁶ The reforms listed below are derived from a wide range of publications. For a bibliography, go to <http://www.new-rules.org>

- Changing the formula would also mean changing the relative weight of the votes among member countries, with some countries gaining proportionately, which others would lose. This would mean a corresponding gaining of seats for some members and loss of chairs for others.
- Increasing the number of votes allocated to all member countries by virtue of being sovereign states and members. Each member is allocated 250 basic votes. Originally these votes constituted 11.3% of the total. However, with the increased number of countries joining the Fund, plus the increases in votes that accompanied quota increases, the basic votes only amount to 2.3% of the total. Thus the power of smaller economies is further reduced.
- Recognizing that developing countries interests may conflict with those of the wealthy share holders, the Reformers propose mechanisms for weighted voting. When issues central to a developing country or region are decided, the majority of developing countries would need to support the policy change, as well as the majority of votes corresponding to economic size.

Optional changes in membership of the Board could include redesigning the constituencies so they are roughly equal in voting power and in number of members. Some argue for a smaller Board, or a Board that only meets quarterly.

A second dimension of required change in Fund governance would be the selection of the Managing Director, and his/her senior deputies by open and inclusive process. The tradition of the US nominating the single candidate for President of the World Bank and the Europeans nominating the candidate for Managing Director is anachronistic and anti-democratic. The Bank and Fund Boards have themselves proposed a merit-based, inclusive process for selecting both leaders. The US and the EU have both ignored with impunity the proposed reforms.

A third dimension of governance reform flows from the fact that the Fund is a public institution. Therefore its Board's proceedings should be public. Debates and votes should

be made public. The US Federal Reserve Board has operated with the votes and minutes published after six weeks; transcripts available after five years.

Fourth, the Board, Management and Staff must be held accountable for their actions. National Parliaments should have the right—and exercise it—to question Executive Directors about positions taken. EDs need to consult and report regularly to Parliaments and the public. Their selection should be public, merit based, and subject to review.

Good governance implies that all levels of the institution are accountable for their actions and the consequences flowing from them. In order for staff and management to be assessed on the quality of their work, their policy recommendations need to be evaluation according to their ability to stabilize an economy and lead to equitable growth with the lowest negative impact on employment, poverty and the environment. Such assessments are not currently available: 1. because the conditions applied to loans are attached because of theoretical, not empirical, rationale; 2. because the macro-economists assert there is not impact on poverty, or if there is, it cannot be known (cf. assertions about the counter-factuals involved in demonstrating that structural adjustment policies had to be better than any alternative, including totally fictionalized options); 3. because all negative outcomes are the responsibility of the government because they failed to implement all conditions fully and on time, or they failed to come to the IMF soon enough.³⁷

The Reformists' fifth dimension is similar to that of the Southern CSO "Alterglobalists" proposal for the IMF withdrawing from the business of serving as the global debt collector. As a creditor, it cannot presume to be a neutral party. An arbitration panel, independent of all creditors, is an essential element of any global market economy.

³⁷Marc J. Cohen, Bernhard G. Gunter, and Hans Lofgren, editors, "Analysing Macro-Poverty Linkages," Development Policy Review, Volume 23, Number 3, May 2005; Francois Bourguignon and Luiz A. Pereira da Silva, editors, The Impact of Economic Policies on Poverty and Income Distribution: Evaluation Techniques and Tools: The World Bank and Oxford University Press, 2003; and the Poverty and Social Impact Analysis Handbook on the World Bank website <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPSIA/0,,contentMDK:20466271~menuPK:1108016~pagePK:148956~piPK:216618~theSitePK:490130,00.html>

Sixth, if the Fund is to serve as a lender of last resort, or provide a form of crisis insurance, then member countries need access to much larger amounts of money very quickly. The amount of money currently available is too small. Larger amounts of funding are only available to a limited number of countries and comes with excessive political conditions, since the funds come not from the common pool, but from specific rich countries who insist on calling the tunes at the time the money is made available. Larger quotas and the use of SDRs could provide ample funds available on short notice to prevent the collapse of country economies.

Conclusion

The global economy requires global rules, fairly arrived at and fairly applied. The multi-lateral surveillance proposed by the Managing Director is a nano-step in the right direction. However, unless and until the major political and economic powers are able to be compelled to comply, the institution becomes is unable to serve the needs of the global community and the global economy. No know current or proposed arrangements can compel superpower to do what they don't choose to do. This is the remaining dilemma for global governance.