Preface

There is no shortage of opinion about the International Monetary Fund (IMF). Some see it as the agent of austerity and as being manipulated by wealthier countries for their own commercial and political gain. In a similar vein the Fund is sometimes viewed as acting as a debt collector for private capital markets. From this viewpoint the IMF appears to be no friend of the developing and emerging economies that have, since the mid-1970s and until recently, been its principal clients. Instead it is presented as often forcing poor countries to pursue programs that require macroeconomic overkill and slow down growth and development.

In sharp contrast there is an alternative view that sees the Fund as bailing out countries by providing large amounts of soft finance, rather than forcing them to bite the adjustment bullet. From this perspective the Fund’s activities delay appropriate economic reform, cause international financial crises by encouraging private markets to lend excessively, and create international financial instability.

In a somewhat ironic way both ‘right wing’ and ‘left wing’ critics of the IMF have on occasions argued that the IMF should be closed down, claiming that it is doing more harm than good. Although they reach the same conclusion, they reach it via very different routes. When they do not opt for complete closure, critics argue for substantial reform of the institution, though here their reform agendas often differ quite dramatically.

The challenge for researchers is to try and evaluate the alternative arguments and to distinguish the reality from the rhetoric. This is the challenge that we try to meet in this book. In part, meeting the challenge means undertaking a careful theoretical analysis of the issues involved. But it also means trying to test the arguments empirically. This book is essentially empirical. Is it the case that IMF resources are systematically filtered to friends of the US and other powerful countries and excluded from the rest? Do different countries turn to the IMF in different or similar circumstances? Does the degree to which programs with the IMF are implemented depend on the power of special interest groups to resist economic reform or upon underlying economic factors? Do IMF programs in poor countries exert a negative impact on economic growth? Do programs in
emerging economies have a catalytic effect on other international capital flows, encouraging private markets to lend more than they otherwise would have done? Our main purpose in what follows is to assess these and other questions against the evidence.

We should offer a word of warning at the outset. The IMF is a complex institution. It has a wide and diverse membership. It is open to economic, political and legal influences. There are underlying issues affecting its governance and the balance of power in its decision-making. Historical institutional factors influence its contemporary operations. In these circumstances it is most unlikely that there will be unambiguous answers to questions that may initially appear straightforward. Moreover the Fund has multilateral, regional and bilateral roles that may be interconnected, introducing yet another source of complexity.

In this book we studiously try and avoid making sweeping generalizations that we find to be unsupported by the empirical evidence. There is a danger in adopting this cautious and balanced approach. Sweeping generalizations and an unconstrained use of rhetoric makes things easier to comprehend and more fun to read. How annoying it is when economists insist on pointing out that there are nuances, and revert to their preferred phrase that ‘it all depends’. Whilst recognizing the danger that empirical conclusions that are ambivalent may be frustrating, we have chosen to try and be informative and accurate. This book is not a polemic on the IMF. It is an attempt to offer an objective and scientific analysis of key aspects of the Fund’s operations. We believe that in assessing the Fund’s operations and in considering reform proposals there is a clear need for such empirically informed analysis.

While many of the chapters report original research that we have not published elsewhere, some chapters reproduce work that has already been published in academic journals. Where we do this, we cite the original source and acknowledge the willingness of the publishers to reproduce it. Our approach was to consider what topics needed to be covered in the book. Where we had recently undertaken and published research on a topic that we felt should be included, there seemed little point in replicating it. Where we identified gaps not addressed by our previous work, we undertook new research to fill those gaps and thus provide a more coherent and comprehensive story. The book’s contents are therefore determined by the issues that we thought should be covered and not by what articles were already out there that we could conveniently reproduce.

The list of people who have helped us either directly or indirectly in writing this book is long and we apologize for not acknowledging them individually. Some of them work for the IMF, or have worked for it, and may prefer to retain their anonymity. However, special thanks must go
to those with whom we have collaborated on some of the research that appears here, namely, Ozlem Arpac, Alex Mandilaras and Jim Mylonas.

We see the IMF as an important global institution and one with tremendous power to do good in the world. Our hope is that the contents of this book will make a useful contribution to contemporary debates about the Fund’s future and reform.