

REFORMING

I.M.F.

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1. Fostering pluralism

- IMF unchallenged monopoly of diagnosis and prescription of remedies for economic ills
- Major IMF goals limited: growth , balanced budgets, low inflation and financially viable long term growth in international trade
- Economic ideology (not politically neutral) : **neo-liberalism** incl. marketization , liberalization, privatization , opening of domestic markets to foreign investment

1. Fostering pluralism

- **Neo-liberalism** = ?

“a theory of economic and political practices that propose that human well-being can best be advanced by liberating entrepreneurial freedoms and skills within an institutional framework characterized by strong property rights , free markets and free trade ” *D.Harvey , Neo-liberalism (OUP 2005) p.2*

- Past economic successes and 1997 financial crisis in SE Asia indicate possible existence of more than a single route to development and solving related crises
- Now after criticism IMF (like WB) have broadened concerns and more sensitive to issues of poverty and diseases as well as education

2.Reforming the voting structure

- Voting structure based 250 votes @ member with additional votes proportional to a member nation's subscription quota ,now meaningless
- Additional economic power of creditor nations guarantee dominance of industrialized economies

2.Reforming the voting structure

- So largely the IMF (like WB) operates under undemocratic conditions: with 23 (industrialized) out of 184 (total members) controlling 60% of voting rights : biggest 5 accounting for 40% and USA alone with a 16% obstructive minority with which it can derail any crucial decision.

2.Reforming the voting structure

- Africa's 50 or so economies (with about 7.4% votes) have only 2 seats on Executive Board and Brazil+Mexico (possibly more economically significant) with less voting power than NL+BEL+ SWIT
- Various positive suggestions have been made on changes to subscription quotas and original allotments.
- But even with such suggestions , Africa's 7.4% of votes, for example , hardly doubles !!

3. Expand transparency and evaluation

- Secrecy or summary info on procedures and diagnosis published to public
- Resistance to independent external evaluation
- Now , after criticism, IMF (and WB) more open and allows its policies to be assessed by an Evaluation office/agency which operates independently of its management ; more focus on poverty reduction ; combating corruption money laundering and funding terrorism
- BUT not as yet a good and hard look at their economic policies and macro-economic prescriptions

4. Insolvency procedures for sovereign debtors

- Bankruptcy laws provide chance for a new start and spread the burden of financial loss among all parties concerned
- Bail-outs (eg. \$17b for Thailand , 23b Indonesia , \$60 S.Korea) presuppose additional funding of IMF and cushion careless investors
- Bail-outs meant to rescue Western investors/banks at the expense of debt overburden for nationals ?

5. Curbing short-term capital movements

- 1995 Mexican and 1997 SE-Asian crises exacerbated by such movements
- Taxation (eg. Chile) as suggested by J.Tobin

6. Ensuring social priorities

- Military vs. social program government spending cuts to be distinguished
- Special tax advantages to privileged classes to be eliminated

7. Fostering sustainable development

- To be added as new goal to IMF mandate for 21st century
- Does for example IMF-recorded growth in Ghana reflect deforestation and depletion of its gold mines ?
- Such goal to provide framework within which IMF to pursue original goals