

CHARLES UNIVERSITY IN PRAGUE

FACULTY OF SOCIAL SCIENCES

Institute of Political Studies

Jakub Szabo

**International Monetary Fund:
Trends in the Scope of Activity in 1989-2014**

Bachelor Thesis

Prague 2015

Author: **Jakub Szabo**

Supervisor: **Michal Parízek, M.Sc., Ph.D.**

Year of Defense: 2015

Bibliographic Entry

Szabo, Jakub. *International Monetary Fund: Trends in the Scope of Activity 1989-2014*. Prague, 2015. 45 pages. Bachelor Thesis (Bc.) Charles University, Faculty of Social Sciences, Institute of Political Studies. Department of Political Science. Supervisor of the Thesis Michal Parížek, M.Sc., Ph.D.

Abstract

The main goal of this bachelor thesis is to evaluate possible ideological changes inside the IMF in the time period from 1989 to 2014. This goal is achieved by examining annual reports published by the IMF, with attention on the most important tools of the IMF. Issues discussed through the IMF's surveillance and conditionality are the main indicator of possible reforms and changes. Based on the existent literature and example of the reform of the World Bank four hypotheses are formulated. Those hypotheses are dedicated to monitoring changes in perceived importance of welfare state, small government, good governance and fiscal policy. Firstly, current literature is presented with definition of the main concepts used in this thesis. Secondly, important tools of the IMF are described. Thirdly, collected data is described and this thesis concludes with data evaluation. With application of the methods of descriptive statistics and content analysis this thesis concludes with statement, that important shift from emphasis on weak state to strong state occurred and good governance became important theme of IMF's interest. However importance of the theme fiscal policy persisted.

Abstrakt

Hlavnou úlohou tejto bakalárskej práce je vyhodnotiť možnosť ideologických zmien v MMF počas rokov 1989 až 2014. Tento cieľ je dosiahnutý preskúmaním výročných správ publikovaných MMF, s dôrazom na najdôležitejšie nástroje využívané MMF. Témy diskutované v podmienenosti (conditionality) a dohľade (surveillance) MMF sú hlavnými indikátormi možných zmien a reforiem. Na základe existujúcej literatúry a príkladu reformy vo Svetovej Banke boli formulované štyri hypotézy. Tieto hypotézy sú venované monitorovaniu zmenám v vnímaní dôležitosti konceptov slabý štát, silný štát, dobrá

správa vecí verejných a fiškálna politika. Najskôr je predstavená súčasná literatúra a definície hlavných konceptov používaných v tejto práci. Potom sú popísané dôležité nástroje MMF. Nasledovne sú opísané získané dáta. Nakoniec sú dáta vyhodnotené. S využitím metód deskriptívnej štatistiky a obsahovej analýzy táto téza dospela k záveru, že nastala významná zmena z dôrazu na slabý štát na dôraz na silný štát. Dobrá správa vecí verejných sa stala významnou témou záujmu MMF. Dôležitosť fiškálnej politiky vo výročných správach však zostala zachovaná.

Keywords

IMF, good governance, small government, welfare state, liberalism, conditionality, surveillance

Klíčové slová

MMF, dobrá správa vecí verejných, malá vláda, sociálny štát, liberalizmus, podmienenosť, dohľad

Length: 67 721 characters

Declaration

1. The author hereby declares, that he compiled this thesis independently, using only the listed resources and literature.
2. The author further declares, that the thesis has not been used for obtaining any previous university degree.
3. The author consents to the distribution of the thesis for study and research purposes.

Prague, 11 May 2015

Jakub Szabo

Acknowledgments

I would like to thank my supervisor Michal Parízek, M.Sc., Ph.D. for his valuable comments and advices, Jaroslav Mida for his helpful insight and my family for support.

Institute of Political Studies
Project of the Thesis

Univerzita Karlova v Prahe

Fakulta sociálních věd

Institut politologických studií

Téza bakalářské práce

**Medzinárodný menový fond: trendy v rozsahu
poľa pôsobnosti v rokoch 1989-2014**

Meno: Jakub Szabo

Obor: Politológia a medzinárodné vzťahy

Akademický rok: 2013/2014

Úvod

V bakalárskej práci sa budem sústrediť na Medzinárodný menový fond (ďalej MMF) a okruhu tém, ktorým sa venuje. Budú ma zaujímať prípadné zmeny týchto tém a zamerania MMF v časovom období rokov od 1989 do 2014.

Kontext témy

Medzinárodný menový fond patrí k najdôležitejším medzinárodným organizáciám. Od jeho založenia v roku 1944 sa jeho úloha zvyšuje. Vyhlásenia a rozhodnutia MMF majú priamy vplyv na ekonomický a politický chod krajín. Od názoru MMF o stave ekonomiky sa pre danú krajinu odvíjajú nálady investorov, úrokové sadzby pre nové pôžičky alebo aj rozhodnutia politikov. MMF má okrem iného možnosť poskytnúť pôžičku krajine, ktorá sa nachádza v ťažkostiach. Tieto pôžičky sú spojené s ekonomickými podmienkami a so súhlasom s dozorom MMF nad krajinou.

Napriek výraznému vplyvu, MMF stojí pomimo demokratických štruktúr a vedenie inštitúcie sa nemusí zodpovedať rovnakým spôsobom ako politici. Napriek tomu má IMF schopnosť ovplyvňovať chod krajiny.

Tvrde podmienky kladené MMF pri pôžičkách, namierené najmä na šetrenie, prílišný tlak na liberalizáciu obchodu bez ohľadu na ekonomickú situáciu a rôzny vývoj v krajinách, mnohokrát nepresvedčivé ekonomické ukazovatele krajín ktoré dodržiavajú nariadenia a podmienky MMF, spolu s nedostatkom demokratických štruktúr v tak dôležitej a vplyvnej organizácii vyvolali vlnu kritiky na MMF [Peet 2003: 67]. MMF sa tak dostal pod tlak potreby zmeny ideologického východiska, nástrojov na podporu problémovým krajinám, svojich rozhodovacích štruktúr a zvýšenia transparentnosti.

MMF je často spájaný so Svetovou bankou, ktorá vznikala v rovnakom čase, na rovnakom mieste a nesie ten istý ideologický základ ako MMF. Tieto dve organizácie sú preto považované za Bretton Woodske dvojčičky alebo dva piliere toho istého systému. Svetová banka však po vlne kritiky uskutočnila niekoľko reforiem svojho fungovania a zamerania [Santiso 2001: 16-18]. Preto som sa rozhodol venovať sa MMF a zistiť či tak isto došlo ku zmene.

Výskumný problém

MMF je dlhodobo považovaný za nástroj presadzovania liberálneho alebo neoliberálneho pojatia ekonomickej politiky. Tá je charakterizovaná takzvaným malým štátom,

minimalizovaním štátnych zásahov do ekonomiky a škrtním výdajov v časoch hospodárskej krízy, čo sa často dotýka sociálnych programov krajiny. Dôraz na šetrenie v časoch krízy tak môže mať dopad na najzraniteľnejších ľudí, ktorí sú závislí na štáte. Teoretickou alternatívou k malému štátu neoliberalizmu je koncept good governance, ktorý hovorí v prospech budovania funkčných a efektívnych inštitúcií v štáte, ktoré majú za úlohu vytvárať rozhodnutia. Úlohou good governance je uspokojovanie potrieb verejnosti. Good governance a medzinárodné organizácie sú témami ktorým sa venuje množstvo autorov, napríklad Francis Fukuyama alebo Joseph Stiglitz.

Ďalšou teóriou súvisiacou s good governance je path dependence pri ktorej Douglas North poukazuje, že inštitúcie treba vytvárať v závislosti na historickom a kultúrnom vývoji jednotlivých krajín.

Nakoľko sa fungovanie MMF dostalo v 90-tych rokoch pod kritiku [Peet 2003: 67], budem si klásť otázky: Prebehla v rokoch 1989 až 2014 v MMF zmena tém alebo úprava zamerania? Menilo sa ideologické východisko?

Na základe teórií očakávam, že výsledkom mojej práce bude viditeľný posun MMF od dôrazu na malý štát ku good governance. MMF bude prezentovať nové programy určené na podporu obyvateľov krajín a medzi jeho odporúčania bude patriť budovanie efektívnych inštitúcií na zásadách zvýšenia zodpovednosti (redukcia korupcie), vlády zákona, podpory participácie občanov v systéme a smerovania ku demokratickému vládnutiu. Ohľadne vlastného fungovania sa bude MMF meniť na transparentnejšiu organizáciu.

Metodológia

Pre svoj výskum som si zvolil deskriptívnu štatistiku, spadajúcu pod kvantitatívne metódy výskumu. Podľa môjho zdroju dát si zvolím určité slová a frázy, ktorým podľa kontextu priradím príslušnosť k rôznym teoretickým pohľadom. Medzi tieto kľúčové slová som predbežne zvolil: conditionality, social, spending cuts, poor, austerity measures, governance, regulation, liberation. K týmto frázam priradím ďalšie podľa ich dôležitosti vyplývajúcej z môjho zdroju dát.

Za svoj primárny zdroj dát som zvolil výročné správy MMF v priebehu štvrtstoročia od roku 1989 do roku 2014. Všetky sú dostupné na internetovej stránke MMF <http://www.imf.org/external/pubs/ft/ar/index.htm>. Každá zo správ má okolo 100-150 strán, pre môj výskum je ale podstatných okolo 20-50 strán z každej správy.

Predpokladám že mojim primárnym zdrojom dát bude okolo 1000 strán dát od MMF. Ďalším dôležitým zdrojom pre môj výskum budú Svetové ekonomické výhľady od MMF, publikované a upravované každoročne, dostupné od roku 1993 na stránke <http://www.imf.org/external/ns/cs.aspx?id=29>. MMF poskytuje množstvo ďalších materiálov, ktoré sú vhodné pre moju bakalársku prácu ako napríklad správy pre konkrétne krajiny, reporty regionálnych ekonomík alebo správy o financiách a rozvoji. Niektoré z nich pre svoju prácu môžem prípadne taktiež využiť.

V týchto správach si budem všímať frekvenciu a kontext vybraných slov. Prípadné zmeny vyjadrovania sa MMF mi poslúžia ako indikátor zmeny zamerania sa alebo postoja MMF. Pomocou zvolenej metódy vyhodnotím, či k zmenám dochádza a či sa s prípadnými zmenami mení okrem zamerania aj teoretické východisko MMF. Následne budem môcť identifikovať aké témy sa dostávajú do pozornosti MMF a aké teoretické východiská sa stávajú dominantnejšími. Výsledné dáta pozorovania zhrniem do päťročných období a zhodnotím, ktoré obdobia boli prechodnými a či sa zmeny zastavili a MMF stabilizovalo alebo či zmena poľa pôsobnosti stále prebieha.

Predpokladaná štruktúra práce

1. Úvod
2. Rozbor literatúry
 - MMF v 90-tych rokoch
 - Kritika MMF
 - Good governance
 - Zmeny v Svetovej banke
 - Reformovanie MMF
3. Postup výskumu
 - Metóda – deskriptívna štatistika
 - Výber kľúčových slov
 - Kódovanie
 - Hypotéza
 - Cieľ výskumu
4. Spracovanie výsledných dát
 - Deskripcia výsledkov – popis zmien

- Analýza výsledkov – prebiehajúce zmeny alebo stabilizácia situácie
- Návrhy pre budúci výskum

5. Záver

Na písanie bakalárskej práce využijem anglický jazyk. Väčšina použitej literatúry spolu so zdrojom dát bude v angličtine. Zároveň pre zabezpečenie čo najmenej straty kontextového významu kľúčových slov bude angličtina ideálna.

Konzultant

Michal Parížek, Ph.D.

Predbežné zdroje:

ARNEBERG, Marie W. *Theory and practice in the World Bank and IMF economic policy models*. Oslo: Statistisk sentralbyrå, 1996, 28 p. Rapporten (Norway. Statistisk sentralbyrå), 96/13.

BARNETT, Michael N a Martha FINNEMORE. *Rules for the world: international organizations in global politics*. Ithaca, N.Y.: Cornell University Press, 2004, xi, 226 s.

BARNETT, Michael N a Raymond DUVALL. *Power in global governance*. New York: Cambridge University Press, 2005, xiii, 368 p.

BUIRA, Ariel. The Bretton Woods Institutions: Governance Without Legitimacy?. *University of Warwick: Centre for the Study of Globalisation and Regionalisation* [online]. 2005, č. 180, s. 33 [cit. 2014-05-31]. Dostupné z: <http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2005/wp18005.pdf>

DERVIŞ, Kemal. The Bretton Woods Institutions after 60 Years: Some Thoughts on Markets, Governance and the Role of the IMF. *Workshops: Proceedings of OeNB Workshops*. 2004, č. 3, s. 37-50.

DREHER, Axel a Roland VAUBEL. The Causes and Consequences of IMF Conditionality. *Emerging Markets Finance & Trade*. 2004, č. 40, s. 26-54.

EVANS, Peter B, Dietrich RUESCHEMEYER a Theda SKOCPOL. *Bringing the state back in*. New York: Cambridge University Press, 1985, x, 390 p.

FELDSTEIN, Martin. Refocusing the IMF. *Foreign Affairs*. 1998, č. 77, s. 20-33.

FUKUYAMA, Francis. *State-building: governance and world order in the 21st century*. Ithaca, N.Y.: Cornell University Press, c2004, xiii, 137 p.

KARLAS, Jan. Současné teorie mezinárodních institucí. *Mezinárodní Vztahy*. 2007, č. 1, s. 66-85.

NORTH, Douglass C. *Institutions, institutional change, and economic performance*. New York: Cambridge University Press, 1990, viii, 152 p.

PEET, Richard. *Unholy trinity: the IMF, World bank and WTO*. 1st pub. London: Zed Books, 2003, x, 250 p.

POLAK, J. *The changing nature of IMF conditionality*. Princeton, N.J.: International Finance Section, Dept. of Economics, Princeton University, c1991, 76 p.

SANTISO, Carlos. Good Governance and Aid Effectiveness: The World Bank and Conditionality. *The Georgetown Public Policy Review*. 2001, č. 1, s. 22.

STIGLITZ, Joseph E. *Globalization and its discontents*. 1st ed. New York: W. W. Norton, c2002, xxii, 282 p.

WILKINSON, Rorden. *The WTO: crisis and the governance of global trade*. 1. Aufl. London [u.a.]: Routledge, 2006.

WOODS, Ngaire. *The globalizers: the IMF, the World Bank, and their borrowers*. Ithaca, N.Y.: Cornell University Press, 2006, x, 253 p. Cornell studies in money.

WOODS, Ngaire a Amrita NARLIKAR. Governance and the Limits of Accountability: The WTO, the IMF, and the World Bank. *International Social Science Journal*. 2001, vol. 53, issue 170, s. 569-583. Dostupné z: <http://doi.wiley.com/10.1111/1468-2451.00345>

ZÜRN, Michael: Globalization and Global Governance. In: Carlsnaes, Walter E. Risse, Thomas Simmons, Beth A. (eds.): *Handbook of International Relations* (2nd ed.). London: Sage, 2012, p. 401–425.

Abbreviations

| | |
|------|---|
| AIIB | Asian Infrastructure Investment Bank |
| GDP | Gross Domestic Product |
| IBRD | International Bank for Reconstruction and Development |
| IMF | International Monetary Fund |
| WB | World Bank |
| WBG | World Bank Group |
| WWII | World War II |

Table of Contents

| | |
|---|-----------|
| INTRODUCTION | 2 |
| 1 LITERATURE AND THEORETICAL CONCEPTS..... | 5 |
| 1.1 Hypotheses | 5 |
| 1.2 Theoretical concepts | 6 |
| 1.2.1 Welfare state | 6 |
| 1.2.2 Small government | 7 |
| 1.2.3 Good governance..... | 8 |
| 1.2.4 Fiscal and monetary policy..... | 8 |
| 2 DATA COLLECTION AND METHODOLOGY | 10 |
| 2.1 Data collection..... | 10 |
| 2.2 Methodology | 11 |
| 3 THE IMF AND ITS CRITICISM..... | 12 |
| 3.1 Establishment..... | 12 |
| 3.2 Surveillance..... | 13 |
| 3.3 Lending | 15 |
| 3.4 Conditionality | 16 |
| 3.5 Governance of the IMF | 17 |
| 3.6 Criticism of the IMF..... | 18 |
| 3.6.1 Criticism of IMF's Governance..... | 18 |
| 3.6.2 Criticism of IMF's Conditionality | 19 |
| 4 DATA EVALUATION..... | 24 |
| 4.1 Data description..... | 24 |
| 4.1.1 Small government – Welfare state | 25 |
| 4.1.2 Good governance..... | 29 |
| 4.1.3 Monetary and fiscal policy | 32 |
| 4.2 Discussion | 33 |
| CONCLUSION | 36 |
| BIBLIOGRAPHY | 38 |

Introduction

The International Monetary Fund is considered to be one of the most important and influential international organizations in the world. Since its establishment its importance and scope of activity gradually increased. Recent events, such as the financial crisis of 2007-2008 and European debt crisis further underlined the role of the IMF in the international financial system. The IMF is often described and compared to the World Bank¹. Both organizations were formed together in 1944 at the Bretton Woods Conference. They are based in Washington, D.C. right opposite to each other, on the same street. For the reasons of their establishment, their locational and ideological proximity they are often referred to as Bretton Woods Twins. Together they were originally supposed to assist with the reconstruction of the post war world and to ensure balanced growth and stability in the new international financial system. The Bretton Wood Twins gradually evolved into the organizations promoting economic and trade growth through liberalization and globalization.

Important position of the IMF and the World Bank puts these organizations in the spotlight of the scientific community. Although the Bretton Woods Twins often celebrate success in the accomplishment of their goals, criticism arose for their excessive focus on growth through liberalization and for their disregard of social security and living conditions of the poorest people. In the late 90s the World Bank undergone reforms to accommodate some of their critics. During the transition period of the World Bank, criticism of the IMF was ever growing for numerous failures of the liberal policies advocated by the Fund. The IMF has been further criticized for being non-transparent, undemocratic, out of touch with economic situation of individual countries and importantly for its damaging conditionality.

The purpose of this thesis is to determine, if the IMF underwent similar transformation as did the World Bank in the late 90s. Twenty-five annual reports published by the IMF are examined to evaluate, if the Fund abandoned or limited its pro liberalism rhetoric and replaced it with emphasis on social welfare. Emphasis on fiscal policy is also monitored to evaluate possibilities of changes in the Fund's conditionality. Furthermore, it will be

¹ International Bank for Reconstruction and Development is considered to be the original World Bank. Today the World Bank Group include the IBRD as one of the institutions operating under the WBG

established, if the Fund embraced new areas for its activity, namely emphasis on the issue of the good governance. Goal of this thesis is achieved by examining Fund's most fundamental operational tools, namely the surveillance, lending and conditionality. Time period observed for the purposes of this thesis is quarter of century from 1989 to 2014. During this period several world changing events occurred, that were relevant to the IMF. Most important of them include the collapse of the communist block and following transformation of centrally planned economies to the market economies, economic crises in South Asia and Latin America, financial crisis of 2007-2008 and European debt crisis. Each of these events required Fund's substantial involvement and resources and had the potential to influence its operation, organization and scope of activity.

The literature dedicated to the criticism of the IMF is plentiful and is in detail introduced later in the thesis. The literature concerning reforms inside the IMF is more scarce and mostly in a form of advices for the IMF how to reform and become more effective and useful. Publications of the scientific community dedicated to the good governance, role of the state in social and political sphere, to description of the surveillance, lending, conditionality and Fund's governance will be used for the purpose of this thesis. Other major source of information are IMF's publications, mainly annual reports. In documents published by the IMF, it is declared that the Fund did undergo several reforms during the observed time period. Therefore, there is the need to test these claims and evaluate the extent of proclaimed changes and reforms.

The project of the thesis presumed the concept of the good governance to be theoretical alternative to the liberalization and small government. By further research it was determined that stronger state within the meaning of welfare state serves better role for the comparison. The concept of the good governance still bears great importance for the purpose of this thesis and the occurrences of the themes connected to the good governance are monitored.

This thesis consists of four major parts. In the first chapter current literature and theory is presented. Also concepts used in this thesis are explained and hypotheses are set. In the second chapter methodology and details concerning data collection are introduced. Third

chapter describes the most important tools of the IMF and criticism directed to the Fund. The results of data analysis and findings are evaluated in the final chapter of the thesis.

1 Literature and theoretical concepts

There is an enormous amount of literature dedicated to the IMF. For the purposes of this thesis mainly articles, studies and books from the IMF critics has been used. Authors such as Joseph Stiglitz (2002), Richard Peet (2009) or Ngaire Woods (2006) offer several examples of failure of the liberal policies advised by the IMF. Great criticism is dedicated to the conditionality by the IMF and its non-transparency by Martin Feldstein (1998). However, Woods in his book *The Globalizers* defends the IMF in some cases and offers several ways of how to reform the IMF to be more effective. Other authors as Buira (2003), Muchhala (2011), Fisher (2001) and Santiso (2001) also offer their view on how the IMF should reform its operation. Overall the authors agree upon the need for reduction of the liberal conditions in favour of emphasis on good governance and social issues or welfare state.

1.1 Hypotheses

Hypotheses used in this thesis were formulated in consideration of the current literature concerning the IMF.

The IMF together with the World Bank are considered to be great advocates of the globalization and liberalization [Paris 1997: 66]. Critics often claim that adoption of liberal or neoliberal policies advocated by these organizations, have caused worsening of the living conditions of the most vulnerable people [Stiglitz 2002: 71] [Fisher 2001: 20]. Furthermore, fiscal policy advices and conditionality given by the IMF are usually restrictive and aim to reduce fiscal deficit by restraining public expenditure. With reduction in social spending the burden of the deficit reduction falls again on the poor [Muchhala 2011: 7].

During the late 90s World Bank, the other Bretton Woods organization, undergone reforms to accommodate some of their critics. In 1995 new president of the World Bank James Wolfensohn started the transformation of the World Bank to an organization focused on achieving a world without poverty through promoting good governance, building of effective institutions, strengthening the rule of law and combating the corruption [Santiso 2001: 18]. With the new agenda emphasis on social issues of

education, healthcare and empowering the poor was also introduced [Einhorn 2006: 21]. This new path was also followed by Wolfensohn's successors. Although the World Bank still has to deal with unresolved issues, namely in its governance, its current role in poverty alleviation is praised and considered to be essential for the Bank's resources and capabilities [Ravallion 2015: 23].

With respect to the changes in the World Bank three main themes were chosen to be observed in the annual reports of the IMF. Good governance, fiscal policy and level of governmental involvement in social policies. Governmental involvement was divided into the welfare state and the small government. This division is in line with Francis Fukuyama's strong and weak state [Fukuyama 2004: 3-4]. Hypotheses concentrate around these themes.

- H1: During the years 1989 to 2014, there has been an increase of the emphasis on the welfare state in the annual reports.
- H2: During the years 1989 to 2014 the emphasis on the welfare state became more important than the emphasis on the small government in the annual reports.
- H3: During the years 1989 to 2014, there has been an increase of the emphasis on good governance in the annual reports.
- H4: During the years 1989 to 2014, there has been a decline of the emphasis on fiscal policy.

1.2 Theoretical concepts

With these hypotheses formulated there is need to clarify the usage of several theoretical concepts frequently used in this thesis. According to the definitions of following concepts, passages of the annual reports are labelled into the codes.

1.2.1 Welfare state

Welfare state is a concept included in the social democratic theories. In economy it is considered to be part of the Keynesianism. Keynesianism states that invisible hand of the market does not always work and economic processes need to be supervised. The intervention by the government is often needed. Therefore, welfare state might be also

considered as governmental involvement in the economy. Granting subsidies and bail-outs, establishment of regulation and supervision in economic processes is also considered to be included in the concept of welfare state [Barr 1993].

From the position of the social democracy welfare state policies are focused on the social issues. Main goals of these policies is to ensure the protection of living conditions of the people and achievement of equality of opportunity. Under the Welfare state belong policies involving, unemployment, sickness and disability assistance, healthcare, retirement pensions, education, housing, etc. These policies require a lot of governmental spending, therefore the more benefits the state offers, the more tax revenues are needed. With more areas of governmental involvement in social issues and high tax burdens, the welfare state might be labelled as big state. Although the term big state might be an indication of the undesirable condition of inefficient and bureaucratic government, welfare state does work in several countries and is considered to be beneficial. Poverty reduction derived from the welfare policies leads to more stable political situation. Furthermore, increasing of the education investments leads to considerable GDP growth in medium and long term [Krueger, Lindahl 2001: 1131].

1.2.2 Small government

Small state is a concept advocated by the liberal or neoliberal economic theory and for the purposes of this thesis is considered to be synonymous with the term liberalization. Neoliberalism in economy argues that the invisible hand of the market will ensure that economic processes are most effective, when there is no governmental intervention and regulation. Therefore the small government stands in the opposition of the welfare state and is characterized by small tax burdens and also smaller social and governmental spending. Regulation of the economic processes and state owned companies is also undesirable. To fully embrace the idea of the small government even public goods as healthcare and education are supposed to be privatized, which should in theory ensure better quality of the services through competition. Overall what people do not pay through taxes to the state, they pay to private companies. This concept does not include principle of responsibility for those unable to avail themselves of the minimal provisions for a good life and may have negative effect on the living conditions of the poorest and the most

vulnerable people. Equality of opportunity and social mobility are in this situation impeded.

Liberalization in economy is described as a process of relaxation of the governmental control over economic sphere. Trade liberalization, capital accounts liberalization, cancellation of subsidies, renouncement of protectionism and already mentioned privatization fall into the concept of liberalization. Transformation of the post-communist countries, in the sense of transition from centrally planned economies to free market economies, is also included [Sullivan, Sheffrin 2002]. Among the most known authors contributing to the liberal theories belong Friedrich von Hayek or Milton Friedman.

1.2.3 Good governance

Good governance in the context of countries is mainly understood as implementation of the basic democratic principles and building of sound institutions. Important themes are rule of law, independence of the justice system, transparency, accountability, criminality and corruption reduction, representation and sound institutions building [Grindle 2002: 4-6]. In context of supranational organizations such as the IMF, transparency and accountability are extremely important [Woods 1999: 44]. Good governance also involves policies oriented towards poverty reduction and standards of living [Craig, Porter 2003: 53].

1.2.4 Fiscal and monetary policy

Fiscal and monetary policy allow the state to some degree control the economy. Through monetary policy the state controls money supply by changing the interest rates. With decline of the interest rates the loans are cheaper and saving are not profitable. This situation promotes private investments and supports the growth of the GDP. However with increasing money supply inflation may increase and currency exchange rate may decline, which influences regional or global international financial system. Therefore, interest rates have to be used responsibly and with caution. Through fiscal policy, the state decides upon tax rates and the governmental spending. With increased governmental spending the government can support the growth of the GDP and finance social programs.

In the situation of recession there is fundamental contradiction between advices offered by neoliberal and Keynesian theory. Neoliberal theory advises austerity measures, government spending cuts and tax increases to keep budgetary balance and to avoid amassing dangerous amounts of debt. However, government spending is included in the basic formula for the calculation of the GDP². Spending cuts may therefore mean further decline of the GDP. Keynesian theory advocates increased government spending in the time of recession to support the economy. Increased spending will substitute decline in other categories included in GDP calculation formula and soften the impact of the crisis. Programs included in New Deal are often presented as the success of the Keynesian theory.

² Consumption, investments, government spending and net exports make up the GDP

2 Data collection and methodology

2.1 Data collection

All data used in this thesis were collected from the annual reports of the IMF. It is one of the only series of regular publications by the IMF, published for the desirable time period and it summarizes Fund's advices and operation. All annual reports of the IMF since its establishment are easily accessible from the IMF's webpage. Together twenty-five annual reports were used starting with 1990 report concluding with 2014 report. These reports include time span from year 1989 to 2014 due to the fact that annual reports deal with financial year ending on 30th of April. Length of the annual reports changed in time. Some comprised of more than 250 pages, later reports had only around 80 pages. Relevant parts and chapters for this thesis remained relatively constant with 30-50 pages per annual report giving approximately 1000 pages to analyse.

In each annual report passages dedicated to various issues were labelled and assigned to the final code, creating following coding system³. Issues concerning building efficient social nets, sound social policies, increased regulation and supervision, increased social spending, increased state investments and increasing subsidies were assigned to the code welfare state. On the contrary, issues involving trade liberalization, economic transformation, social spending and subsidies cuts, privatization, capital accounts liberalization and protectionism reduction were considered to be part of code for small government. Code for good governance included transparency, efficiency of the institutions, sound institutions establishment, rule of law, criminal activity reduction, accountability, protection of the poor and poverty reduction. Code for fiscal policy was defined mainly by budget, budget surplus and deficit. Code for monetary policy incorporated theme connected to the interest rates, inflation and deflation⁴, quantitative easing and tightening.

To illustrate, following passage was considered to be a code: *“There was also a need to promote trade liberalization in nonprogram countries through the IMF's surveillance*

³ For the extensive scope of the collected data, individual codes could not be included in appendix. They were however included as online attachment.

⁴ Not caused by prices changes in commodity markets

activities” [IMF 1998: 52]. This passage stands for trade liberalization, therefore is considered to be code for the small government. Next passage represents the need for transparency and is coded under good governance: “*Greater openness and transparency in economic policymaking and in the dissemination of data on economic and financial developments are key elements of the international community’s efforts to prevent financial crises*” [IMF 2001: 33].

During the data collection some basic rules had to be set to ensure relevance of the collected codes. In the 90s annual reports often described individual countries. Most of these reports were formalized and description of every country could contain code for monetary and fiscal policy and advices to implement policies on small government of welfare state. Those codes weren’t proof of importance of those themes, only result of the structure of the report. Latter annual reports were shorter, simpler and more focused on regions and general global situation. Therefore relevant codes for this thesis were defined as description and universal advices for regions and groups of countries. Passages describing global and regional situations were represented in the annual reports equally during the whole observed period.

2.2 Methodology

For the purposes of this thesis descriptive statistics and content analysis methods were applied. Importance of some collected data was measured by assigning weight to the code to determine importance of the code despite of imbalances of the total number of codes collected. The weight of the code was calculated by dividing total number of symbols representing one code in one time period by aggregate amount of symbols of all codes collected in the same time period. Result was multiplied by 100. One code usually consists of 100 to 200 symbols.

3 The IMF and its criticism

3.1 *Establishment*

The establishment of the IMF was an important determinant of the future operation of the fund. Numerous problems of today's Fund are unresolved consequences resulting from the situation of the Fund's beginning. Although important tools of conditionality and surveillance were not present in the IMF since its establishment, they are results of the Fund's governance set in 1940s.

During the first talks concerning the creation of the IMF there was a discussion about framework and functionality of the newly proposed organization. Two major ideas were presented, one from USA and the second from Great Britain. British vision of IMF, introduced by John Maynard Keynes, was independent institution funded by all countries, where no currency is dominant. Lending would be unconditional and automatic for countries experiencing fiscal imbalances after the request. This proposition was understandable for a country heavily indebted from WWII, trying to preserve its status as the global superpower and the world dominance of its currency. Great Britain even firstly proposed to be granted the biggest quota in the Fund in 1943. USA, on the other hand, wanted an organisation over which they would maintain control with U.S. dollar as dominant currency. Lending would be conditional and although organization would be governed from within, USA would through its position be able to influence the IMF [Gardner 1969]. Due to the economic dominance of the U.S. economy latter proposal prevailed. USA was the only country with available resources to be able to design new supranational institutions. Other countries could choose between becoming part of this new international framework or to stay out. Preserving the old regime did not remain a viable option. Choice of accepting a benevolent hegemon for the possibility of benefiting from the new system did not present any disadvantages [Gruber 2000: 257]. Richard Peet further considers establishment of the IMF⁵ as the institutional framework for moving world's financial centre from City of London to the Wall Street and for establishing U.S. dominance in the international trade [Peet 2009: 50].

⁵ And also the establishment of the World Bank

However, countries firstly considered funding of the IMF and quota payments as building the reserves for their needs in the possible future event of fiscal imbalances. For some time they did not have any troubles collecting resource from the IMF at all. USA with its veto right gradually started to block request for financing and began enforcing conditions linked with the IMF loans [Peet 2009: 66].

The IMF is today considered to be one of the most important and influential international organizations in the world. Since its establishment its role in the international economic system progressively grows and from organization responsible for supervision of exchange rates of international currencies and balanced growth then, emerged organization described as the biggest lender of last resort for countries experiencing fiscal deficits and debt sustainability troubles. IMF today is also economic and social policies advisor, supervisor of economic health and stability of the countries and the whole world, important actor in debt reduction and poverty alleviation and much more. Most of the roles of the IMF are possible through exercising of the competence given by the Article IV of the Agreement of the International Monetary Fund [IMF 2011b: 6]. This article contains framework for surveillance, instrument for IMF to inspect country's economic situation.

3.2 Surveillance

To help its members and borrowers more than just financially, IMF issue policy advices to all its members. To make sure that those advices are not in contrary to the economic growth, the tool is needed to evaluate best possible policies for specific members. To fulfil this purpose IMF was given the authority to inspect and review policies of member countries under the article IV of Agreement of International Monetary Fund called surveillance, to be able to offer the most effective advices [IMF 2011b: 6]. There has been some criticism of the IMF for being out of touch from the actual needs of its members and of flawed nature of its surveillance [Cammack 2009: 6].

Under the surveillance the IMF monitors the economic and financial policies of the member countries. Global monetary and financial system are also being overseen to identify factors making countries vulnerable to the financial crises. After the growth of

the importance of the IMF, the Fund began to broaden its focus in surveillance. Not only economic policies started to be reviewed. IMF now monitors the impact of the policies on poverty in its member countries. Social policies and good governance are also gradually receiving greater importance [IMF 1997: 42]. Through the surveillance the IMF has unique insight into its member's economies and strategies. Thanks to the surveillance, substantial funding, huge economically educated manpower and almost universal international membership, IMF is supposed to be able to provide the most effective and helpful economic policy advices. However there is no obligation for the members to implement policies advised by the IMF. There are several possibilities for the Fund to influence its members to implement advised policies. It can use its position to criticize uncooperative country and cause doubts about soundness of current economic policies of the member. Second opinion presents itself if the member country asks the IMF for a loan. In this case the Fund holds substantial power to pressure member to implement Fund's advices through conditionality. Conditionality is normally used by the IMF, causing some reluctance to ask the fund for resources.

Surveillance was not always present in the IMF's operational framework. It was introduced in 1952. Great emphasis was put on the surveillance during 80s and 90s after de-escalation of the Cold War. Before that, one of the roles of the Bretton Woods organizations was to reward countries aligned to the West [Woods 2006: 34]. After the Cold war the IMF could use surveillance to create conditions used in lending without the risk of troubled country approaching geopolitical rival of the western countries, which dominated the IMF.

The IMF conducts surveillance on three levels. Country surveillance takes form of usually annual consultations with the representatives of the government and the central bank (consultations can be held with representatives of other organizations, e.g. unions). Main themes of these meetings are economic and financial developments and current forecasts for tax revenues, social spending and unemployment. Regional surveillance involves world's monetary unions such as West African Economic and Monetary Union or the euro area. The Fund also offers other types of the regional alignments to submit to the surveillance. Global surveillance reviews global economic trends and developments to

identify possible crises and their potential spillover effect on region or the global financial system [IMF 2014: 18-21].

Importance of the surveillance is given by its ability to collect enormous amount of information about individual countries and regions. Majority of the information presented in the annual reports are results of the surveillance and through it policy advices and conditionality are formulated. Collected codes used in this thesis are results of the surveillance. Interpretation of the information based on surveillance offers insight into the Fund's operation. For these reasons the surveillance is essential for the purposes of this thesis.

3.3 Lending

One of the most important roles of the IMF after its establishment was to monitor monetary policies and exchange rates of member countries. After the collapse of the Breton Woods system and the establishment of floating currencies it appeared that IMF would have lost its purpose. Important reason to the continuance of existence of the IMF was lending. Since its establishment, funding of the IMF was sufficient for assistance to the war ravaged countries in form of lending. Although the Marshall Plan initially substituted IMF's lending in post-war Europe, the IMF still became important creditor. Today the most recognizable role of the IMF is to lend financial resources to the countries experiencing economic troubles.

Lending greatly participates on the utilization of the IMF's budget. It is also a source of additional funding of the IMF through interest and fees. For reasons discussed later, the IMF has the status of the lender of the last resort. Countries apply for an IMF loan usually only if there is no other sustainable way to overcome economic difficulties or if there is no other possible creditor on the financial markets. Resources required by the countries in this situation are often substantial therefore there is always need for the IMF to have sufficient reserves. This is done through regular review of member's quota. Last review happened in 2010 in an aftermath of the crisis. It was agreed upon overall quota increase by 100%, the biggest relative and nominal increase since the Fund's establishment [IMF 2015: 2]. Although every member has an opportunity to apply for an IMF loan, usually

only the emerging, developing or countries in transition decide to do so. Industrial countries are not requesting an IMF's loans since the late 70s⁶. The IMF explains this situation as an ability of the developed countries to meet their financial needs in the international capital markets [IMF 2006: 59]. Peet offers other explanation. Until 1976 Great Britain was the single biggest debtor of the IMF enjoying little to no conditionality. After the Labour party had been elected in 70s they started with implementation of the social policies reforms. Despite the recession in 1974-1975, wages and social security have increased, while government was running budget deficit. To resolve fiscal and monetary problems Labour government wanted to impose import restrictions. Poor financial conditions finally pressured Great Britain to ask the IMF for a loan although they tried to avoid it. According to conditions requested by the IMF, Great Britain had to cancel its plans for import restrictions and limit some of its social programs. Due to policies implemented under the pressure of the IMF, originally leftist Labour party entered the 80s with a centrist policies. After this event, other countries considered loans from IMF to be costly and unpractical for tampering with their domestic policies [Peet 2009: 81-82]. This has caused that in practise the IMF is the lender of the last resort, despite the fact that IMF's resources may be requested by any member country with fiscal payments imbalances.

3.4 Conditionality

In the context of the IMF, conditionality is understood as policies a member state has to implement to be able to receive Fund's financial resources in the form of loan. These policies are intended to be a guarantee, that the member will overcome its fiscal payments problems. Conditionality also ensures timely repayment of the country's obligation towards the Fund [Buirra 2003: 3]. The IMF's description of the conditionality corresponds with this only adding, that policies are also designed to foster economic growth of the members [IMF 2001: 41]. The IMF also considers conditionality as a seal of approval. It argues that by accepting conditions, member gains trust of the IMF with their resources. This trust consequently assures other creditors that their resources will also be safe, thus providing additional resources to support member's adjustment efforts [IMF 1989: 33]. Conditionality is the most powerful tool for the IMF in influencing

⁶ Until Greece and Ireland during euro debt crisis

domestic policies of its members and is also considered to be one of the most criticized aspects of the IMF.

Policies required by the Fund's conditionality suggest what theoretical concepts dominate in the Fund. Conditionality as a consequence of lending is usually perceived to be demand for restrictive fiscal policy and liberalization. Analysis of the codes representing those two themes will therefore indicate possible changes in IMF's scope of activity.

3.5 Governance of the IMF

The most essential decisive authority of the IMF is The Board of Governors. Every member country appoints two governors. Board of Governors delegate most of its responsibilities to the Executive Board, keeping only the most important authorities. For example deciding upon quotas and voting powers, acceptance of the new members or expulsion of the member still remains under the authority of the Board of Governors. The Executive Board comprises of twenty-four executive directors. Eight of the directors represent individual countries (USA, Japan, Germany, France, United Kingdom, China, Russia and Saudi Arabia). Sixteen directors represent groups of four to twenty two countries. This situation causes that interests of smaller countries might not be represented by directors representing them, even more distorting representation in the IMF. The highest representative of the IMF is the Managing director, who is selected by the executive board [Mountford 2008] [Krajník 2012: 20].

For most decisions simple majority is required. The most important decisions, discussed especially by the Board of Governors, require 85% majority [Houtven 2002: 73].

Voting power is derived from quotas⁷, giving bigger and economically more developed countries an upper hand. It is important to note that voting power is not distributed evenly according to economies of the members, causing western countries having an advantage. This situation is raising questions of legitimacy and criticism of governance in the IMF.

Representation and governance in the IMF demonstrate, how it would be possible to change operation of the IMF and who would have power to achieve reforms.

⁷ Member's financial contribution

3.6 Criticism of the IMF

3.6.1 Criticism of IMF's Governance

Governance has been continuously problematic topic for the IMF with the issues over accountability, transparency, democratization, failure to resolve question of quota, with unfair distribution of voting power, existence of the U.S. veto, etc.

One of the most problematic issues for the IMF is considered accountability. Resulting from organizational structure and vote distribution, some countries might not be represented at all in some decisions. Moreover the IMF is being criticized for being unfairly represented and dominated by western industrial countries especially by the USA. According to the latest distribution of votes modification (derived from quota) USA controls 16.75% of all votes, while emerging economies like China, Russia, India, Brazil, Mexico, Indonesia and South Africa collectively control less voting power than is needed for the ability to veto proposals with just 13.35% of the total voting power [IMF 2015]. It is important to add, that while these votes distribution was agreed upon in 2010 it still is not in effect. However, the IMF claims its dedication to improve representation of emerging and developing countries while guaranteeing current position of the smallest countries to achieve greater transparency and legitimacy [IMF 2011: 8]. While the USA indeed allowed the IMF to decrease their voting power, there are some aspect ensuring dominant position of the USA. Ngaire Woods sees two reason, why the USA will be able to maintain its dominance indefinitely. Firstly, every change in U.S. financial contribution (quota) to the IMF must be approved by U.S. congress. It is unlikely that the USA would willingly yield is power without some compensation [Nelson, Weiss 2015: 13]. Adding to that, this situation puts the IMF under pressure from the U.S. political actors. Therefore during 1990s U.S. congress was successful in influencing the IMF conditionality over issues of military spending, workers and human rights and the role of the private sector [Woods 2006: 29-30]. Secondly, although the USA allowed decline of their voting power since the establishment of the IMF, it is highly unlikely that U.S. congress would allow the reduction of the U.S. vote percentage below 15%. Controlling 15% of the votes virtually means ability to veto major propositions of the IMF, one of which is any change to the quota and votes. Since the establishment of the IMF, voting power of the USA decreased from 33% to today's 16.75%. This decline was accompanied by expansion of

categories of decisions requiring 85% majority of the votes from nine to sixty-four, effectively increasing power of U.S. veto in important decision-making in the IMF [Woods 2006: 27]. U.S. congress influence and U.S. veto contribute to criticism of the IMF for its lack of transparency and accountability.

However, Woods claims that U.S. influence in the IMF is not omnipresent. IMF will always consider interests and priorities of its biggest contributors. But if neither USA, nor any other major contributor have any particular interests, staff of the IMF become influential [Woods 2006: 35]. That in fact still implies immersive power of the USA over the Fund. Woods further reminds that although there are fixed links between IMF and the U.S., individual policy makers do not share the same view on foreign policy and that different ideas are competing. Even when interest of the U.S. or other major member of the IMF are clear, they are still needed to be translated into policies implemented by other governments [Woods 2006: 38].

The Fund is furthermore criticized for other insufficiencies regarding good governance. The Fund has come under growing scrutiny for its non-transparent operation. With an argument of protecting its member's information many documents were confidential, building the Fund reputation of secretive organization. Stiglitz offers an example of how this secrecy can be damaging. In 2001 U.S. congress passed law requiring U.S representatives in the IMF to oppose proposals of the international financial institutions to charge fees for elementary school. Due to the non-transparency in the IMF there were no means for the U.S. Congress to oversee adherence to this law. Ultimately thanks to the leak it was discovered, that U.S. executive director ignored that law causing outrage in the U.S. Congress [Stiglitz 2002: 44]. Stiglitz's example is also in accordance with Woods' argument, that U.S. power and virtually power of any other members over the Fund is somewhat limited. Non-transparency makes the IMF unaccountable even to its most important and powerful members.

3.6.2 Criticism of IMF's Conditionality

Conditionality and conditions in lending are the most criticized aspects of the IMF. Through the conditionality the IMF has the most direct ability and power to influence domestic policies of its members. While the IMF may issue advices and

recommendations, members are not in any way obliged to follow these recommendations. However, if the country finds itself in situation, where the only answer is to borrow money from the IMF, Fund usually conditions these loans with steps and policies countries must implement, if they want to continually receive IMF's funds. These conditions, according to the IMF, are designed to achieve effective economic adjustment and to ensure that the use of IMF's resources is temporary and consistent with the IMF's objectives [IMF 1992: 49]. IMF considers conditionality as an assurance that provided resources would be fully repaid [IMF 1996: 39]. IMF also claims that it would not interfere with social policies of its borrowers and that conditions are designed to restore economic growth [IMF 1990: 41]. However a number of authors claims, that the Fund's requirement of assurance of repayment causes conditions to be harsh [Woods 2006: 3]. According to some, IMF pressures indebted countries to achieve fiscal balance at all costs to be able to repay Fund's loan as soon as possible [Vreeland 2006: 360] Although the IMF pledges it will not interfere with borrower's social policies, requested fiscal balance is often achieved by cuts in social spending causing worsening living conditions of the poor people. Furthermore the IMF has been firm advocate of social cuts to achieve budgetary balance [IMF 1998: 32]. Another frequent condition is to liberalize trade. By liberalization of trade, lifting subsidies and allowing products from different countries to enter country's market, borrower country exposes its national businesses to risk of inability to compete with cheap imports, and their subsequent failure. That would mean rise of unemployment, less money collected through taxes and even more social cuts needed to meet requirements of fiscal balance and additional decline of the quality of living conditions of the people.

Conditions are overall in line with the Washington consensus requiring countries to adhere to increasing globalization and liberalization. Liberalization is usually beneficial for the IMF members but there are some dangers and disadvantages. While developed countries have experience and tools to deal with these threats, some countries do not possess institutional framework to defend themselves and additionally to be able to take advantage of the opportunities presented with globalization. The IMF did notice that there is need to help some members to be better equipped to contain risk of the globalization [IMF 2001: vii].

Another frequent policy advice or condition from the IMF, also considered to be controversial, is capital accounts liberalization. It is considered to be one of the major processes responsible for crisis in South East Asia in late 90s [Peet 2009: 92]. Even the IMF started to warn about lack of regulation and supervision in capital accounts liberalization after this crisis broke out [IMF 1998: 27]. Still the main reason for the crisis, according to the IMF, was not liberalization itself but the general lack of preparedness for the liberalization in form of weaknesses in financial systems, large deficits, inflated property and stock markets values and dependence on short term capital flows of affected Asian countries [IMF 1998: 23]. The Fund even claims that it warned Thailand to correct deficiencies in these areas year before the crisis started [IMF 1998: 34]. Nowhere in the annual reports is to be found admittance of errors by the IMF in dealing with Asian crisis. Stiglitz however says, that conditions of the loans designated for the Asian countries did not just fail but even added to the problem. Consequences of the conditions were dramatic rise of unemployment, plummeting of the GDP and closing of the banks. Reduction in social spending resulted in suspension in education, forcing some communities to improvise on finding ways how to continue with their children education relying on volunteers [Stiglitz 2002: 71-72]. Peet additionally points to the Fund's active role in lobbying for the liberalization in the south-east Asia before the crisis [Peet 2009: 91-92].

There is a valid argument for criticism of the Fund's conditionality. Evidence for the conditionality causing decline of living conditions and social security are also presented in the case of Argentina. During the 1990s countries of the Latin America began the reforms of their interventionist and protectionist economic policies. Although the restructuring followed IMF approved programs several countries started to experience problems. Argentina was one of the most stricken and with already substantial debt, it needed to borrow more money. After lengthy negotiation mostly with the USA, at first reluctant Bush administration, in 2001 allowed to pump resources to Argentina with conditions assuring fast repayment of the debt. Conditions of the IMF forced Argentinian government to use its people's pension funds to meet the payments. Consequences were suspension of social programs and rapidly rising poverty. In 2003 Argentina defaulted on the IMF loan in hopes to achieve better conditions, which eventually paid off [Peet 2009: 96]. Swift economic recovery followed after the default and ignorance of the IMF's conditions. This event seriously damaged name of the IMF and called in question

statements of the IMF about the goal of the conditions to encourage growth of the members experiencing economic problems. While Argentina abided IMF's conditions, projections wrongly overestimating GDP growth were issued, strongly suggesting these errors were politically motivated [Rosnic, Weisbrot 2007: 12].

In light of the Argentina case, other policy advices of the IMF in Latin America started to be questioned. According to Peet, Brazil, after adopting IMF advised policies to restructure its economy, slowed down its GDP growth, amassed massive debt and lost confidence of the investors. Financial situation and subsequent need of the IMF loan forced all candidates in the nearing election to promise adherence to the conditions set by the IMF, demanding strict austerity measures. Similarly to Argentina, social spending was cut and the most vulnerable segment of the population suffered the most [Peet 2009: 96-97].

In addition the IMF in annual report from 2005 describes benefit of conditionality in curious way: *“Conditionality relating to implementation of the agreed policies, usually in a phased way, gives the country confidence that it will continue to receive financing from the IMF through the duration of the program as long as it implements the policies agreed, while also safeguarding the IMF’s resources.”* [IMF 2005: 35]. It is understandable of the IMF to try to safeguard their resources, but this statement is crafted in the position of power and sounds somewhat arrogant.

IMF is aware of the criticism of its conditionality. It does regularly review and evaluate it. In recent years Fund started to put emphasis on need for the domestic ownership of the reforms to achieve goals requested by conditionality [IMF 2002: iv]. However, it was noticed that conditionality does not encourage additional reforms. Therefore the IMF decided, that within several programs dedicated to fragile states, two staged assistance will be provided. In the first stage the IMF will provide technical assistance but no financing. After the suitable environment for the reforms implementation is established, financial resources will be provided with limited and well-focused conditionality [IMF 2008a: 51]. Although this method may solve problems with member's readiness to implement reforms requested in conditionality, it does not solve problem with the possibility of inadequate and damaging policy implementation requirements conditioned

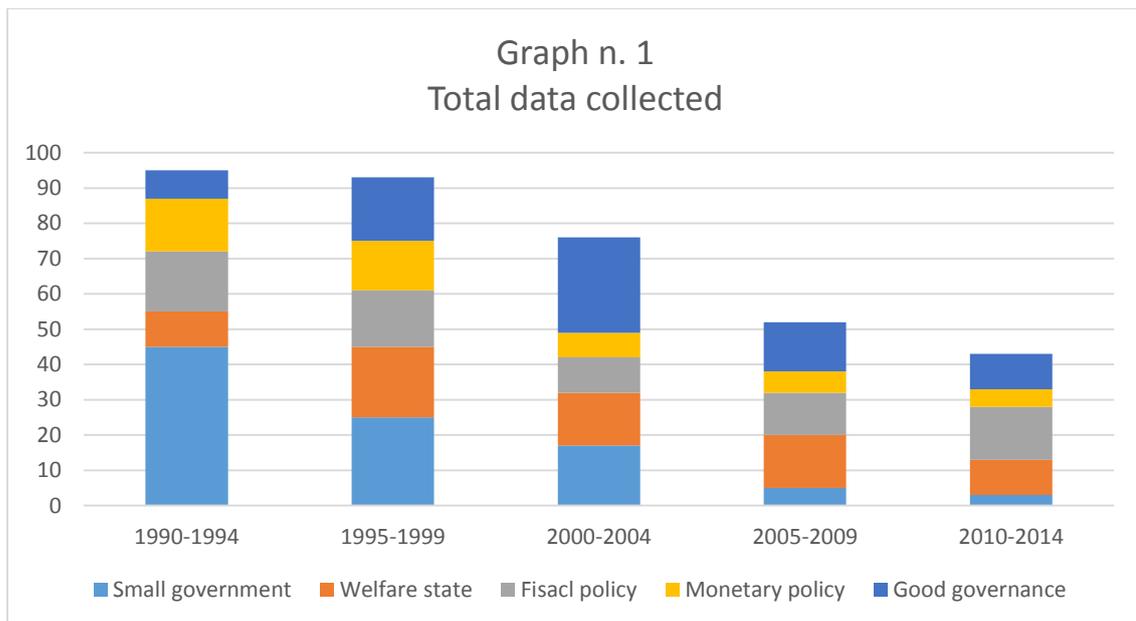
by the Fund. Overall, this might be even considered to be just another method to assure power projection of the IMF and implementation of the policies favoured by the IMF.

Anyway, there has been some development in the issue of conditionality that might be taken optimistically. Although the Fund did not admit it in the annual reports, probably in the light of Argentinian case the IMF acknowledged that its conditions and liberalization might in short term damage living conditions of some segment of member's population. On the other hand, the IMF still considers them to be beneficial in medium and long term. This statement indicates the change in the rhetoric, when the Fund previously claimed that lot of policies included in conditions needed for stabilization are directly beneficial for the poor [IMF 1993: 64]. Passages of the latest annual reports acknowledging the fact, that in some countries, full liberalization is not an appropriate goal, might be welcomed in the eyes of critics. The IMF now does not pressure into capital account liberalization and only with caution suggests, that it is worthy long term goal [IMF 2012: 33] [IMF 2013a: 25].

4 Data evaluation

4.1 Data description

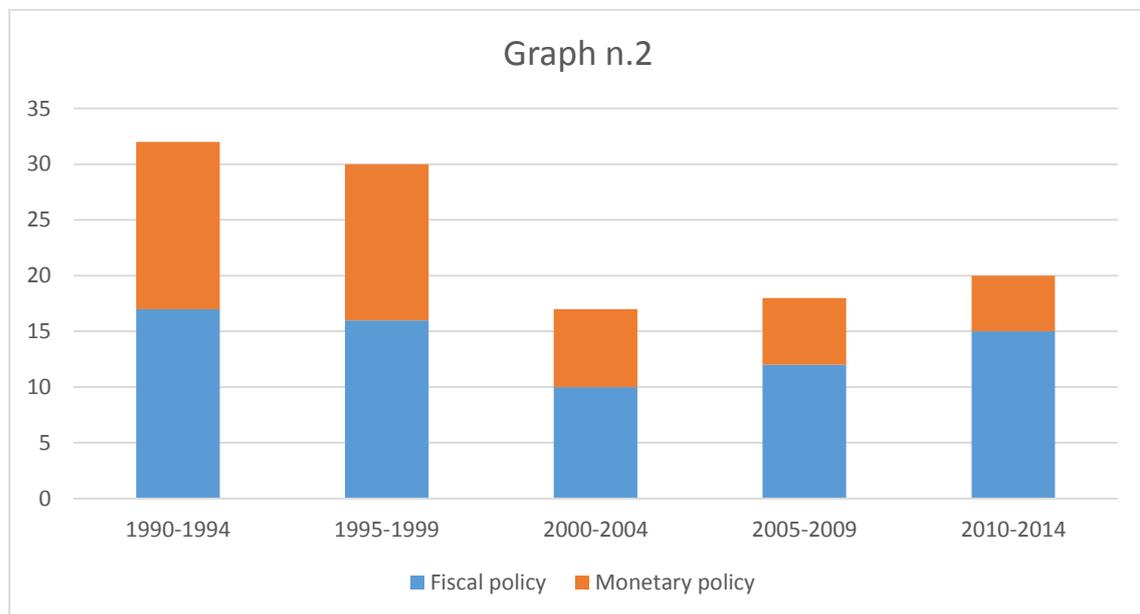
During the analysis of the IMF's annual reports five following categories of codes were established and monitored: small government (liberalization), welfare state, good governance, fiscal policy and monetary policy. In graph n.1 the aggregate results for all categories in five-year long periods are displayed.



Graph n. 1 shows steady decline of the collected data from the annual reports. Period 2010-2014 represents only 45% of data collected in the period 1990-1994. This decline is mainly caused by the changes in structures of the reports during observed period. Other reason are the changes of information presented in these reports. While the new information, such as changing number of employees in the Fund, creation of new tools and programs for financing and most currently analysis of the global financial crisis of 2008 are insightful, they were not relevant for the purposes of this thesis.

Comparison of the graph n. 1 with graph n. 2, which describes the amount of data collected just for fiscal and monetary policy during set time period, offers some similarities between those graphs. Although, lowest amount of fiscal and monetary policy codes collected does not correspond with graph n.1, lower code occurrences since 2000-

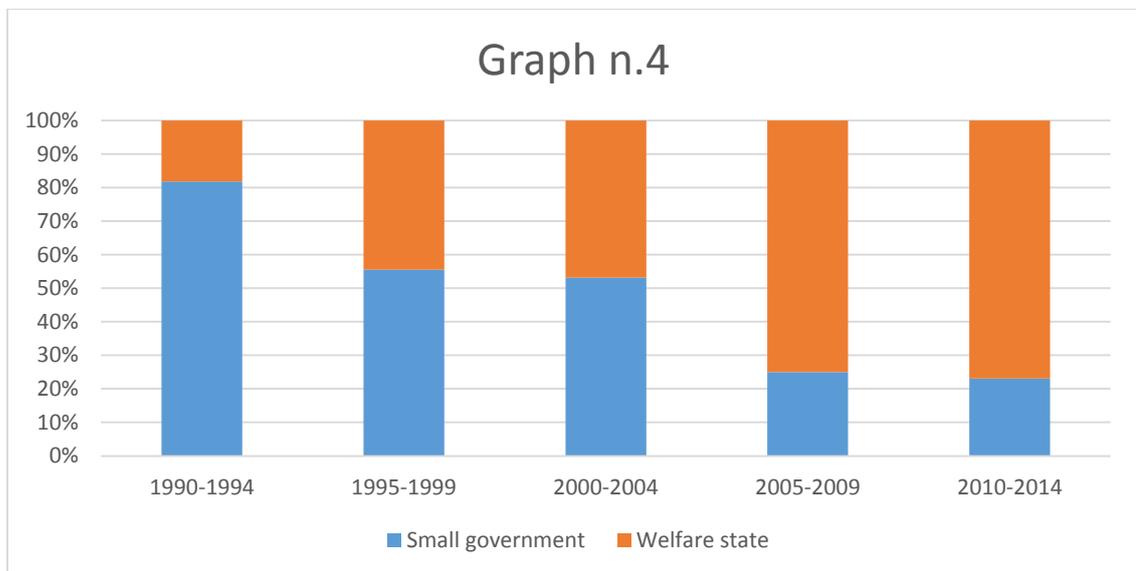
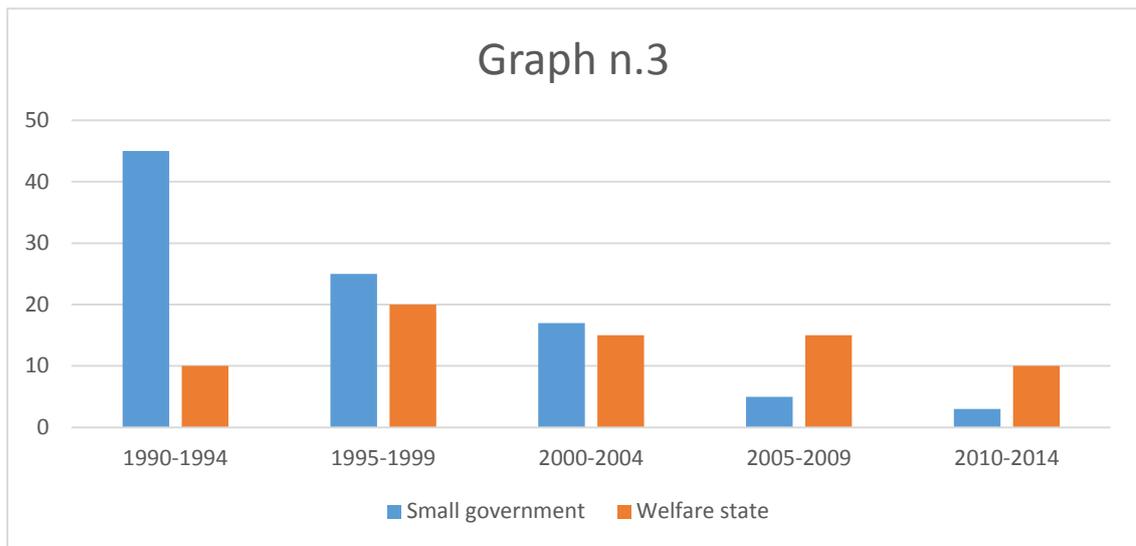
2004 period are in accordance in both graphs implying changes in the structure and discussed issues in the annual reports.



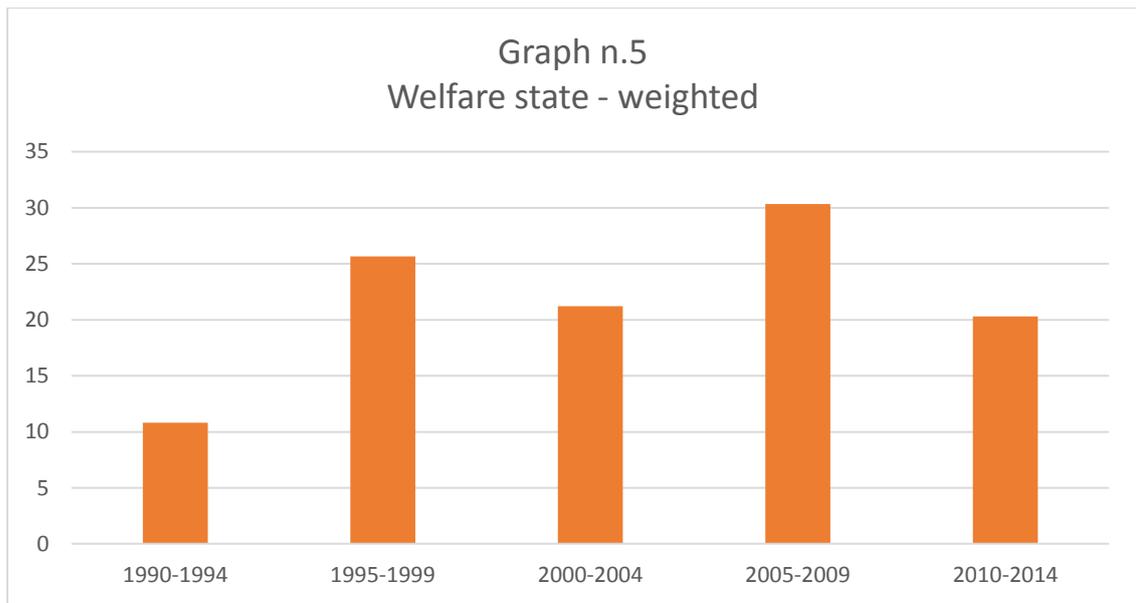
4.1.1 Small government – Welfare state

Due to the criticism of the IMF for their urging on liberalization and their arguable failure to provide the most helpful advices to countries with various economic problems, two of the hypotheses established in this thesis concerns changes of rhetoric by the IMF in the issue of the involvement of the government in social and economic issues.

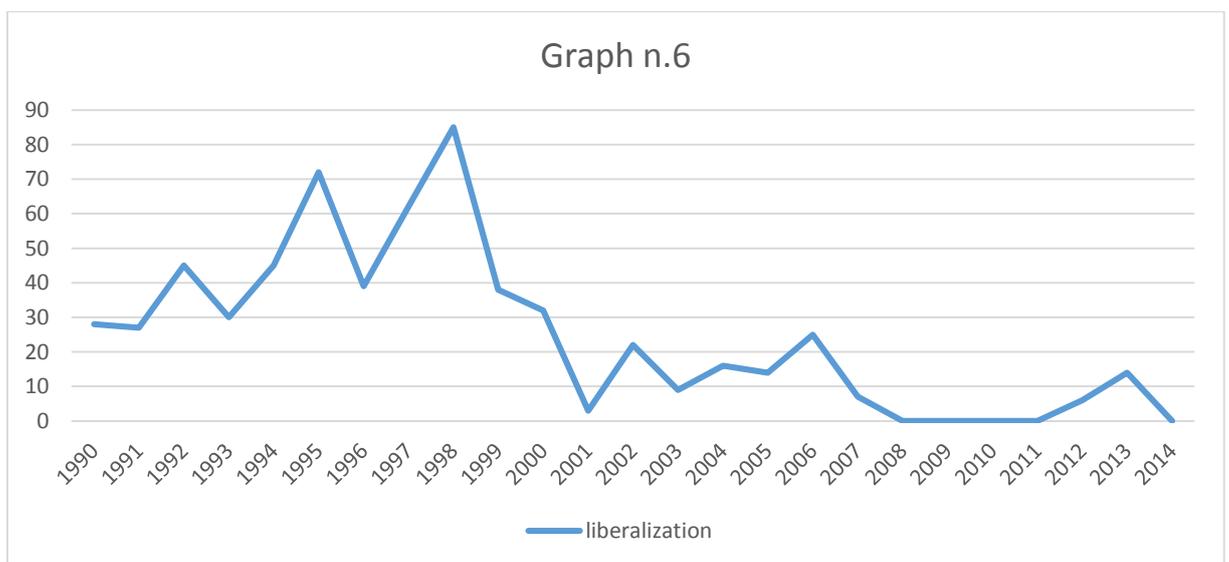
Graph n.3 and graph n.4 show development of code occurrence for small government and welfare state and their comparisons. From the graph n.4 is markedly clear that arguments for welfare state became more prevalent. In the period 1990-1994 they represented only 18.18% of the total number of codes involving arguments toward the governmental involvement. On the other hand in 2010-2014 welfare state codes dominated with 77% of codes concerning the governmental involvement. This data points out that there has been substantial decline in the emphasis on liberalization and small government during observed quarter of century.



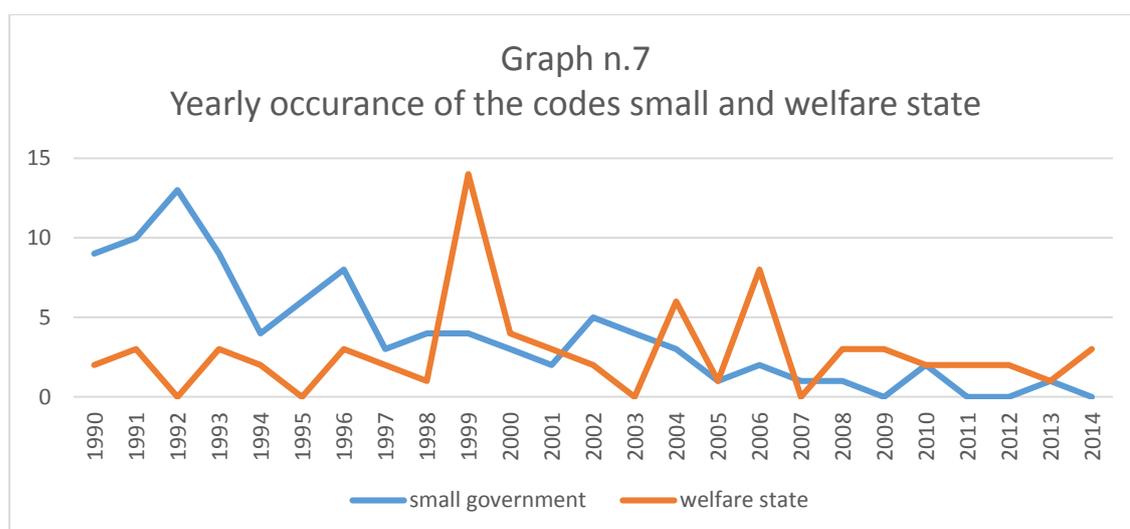
Graph n.4 makes it apparent that code for welfare state became more important in the IMF annual reports than the code for small government, confirming the hypothesis H2. Moreover graph n.3 in comparison to data from graph n.1 presents, that while total amount of codes collected from reports in period 2005-2009 declined relative to period 2000-2004 by almost 31.5%, codes for the argument of the welfare state stayed constant. This suggests the need to weight the importance of the codes to be fully able to describe changes of the importance of the welfare state in the annual reports.



Graph n.5 represents weighted results of welfare state data collected to correct data distortions caused by changes in structure of annual reports. It further proves rising importance of the welfare state in annual reports, when almost every period at least doubles occurrence of the code welfare state in comparison with the first period. Period with the highest occurrence of the code for the welfare state is 2005-2009 and represents 43% increase in comparison with the previous period. Although the second lowest result for weighted codes of welfare state is the last observed period, its value still almost doubles the source period of 1990-1994. This data confirms hypothesis H1 even though collected data in 2010-2014 are lower than in 2005-2009.



Results of the usage of the word liberalization in annual reports is shown in graph n.6. Although usage of the word liberalization shown in this graph is taken out of context and may not only mean argument for the small government but also a discussion over correctness of putting emphasis on need for liberalization and small government, it offers some insight into rhetoric of the IMF's output. For example sudden spike of the word liberalization usage in 1998 is result of the Asian financial crisis in 1997. In this report IMF considered need for the thorough preparation for capital accounts liberalization in form of sound regulation and supervision [IMF 1998: 24]. Questions over importance and soundness of liberalization were asked. Overall, the need for liberalization in 1998 annual report was defended. However, decline in usage of the word liberalization after this point is obvious. Curious are four years since 2008, when IMF did not use the word liberalization in their annual reports at all⁸. Two reasons present themselves to explain this situation. First one is the worst crisis since the Great Depression, the financial crisis of 2007-2008 and subsequent complications in global economy. Just like in the situation from 1997-1998 Asian crisis, global situation might have started the discussion about liberalization inside the IMF with the result of policy not to mention liberalization, to avoid criticism. Second one is nomination of the new IMF managing director, former minister of finance of France for socialist government Dominique Strauss-Kahn in November 2007, whose arrival was welcomed even by harsh critic of the IMF Joseph Stiglitz [Stiglitz 2011: 2]. Strauss-Kahn was replaced as IMF managing director by Christine Lagarde in 2011.



⁸ Except for the usage in appendixes and in footnotes

In Graph n. 7 are presented rates of codes for small government and welfare state on a yearly basis. Consideration of the context is one of the most important reasons explaining the differences in graphs n.6 and n.7. Context is the reason, why the trends in this graph do not really coincide with graph n.6 except the year 1999, when with decline of the use of word liberalization by 55% in comparison with the previous year, there was major spike in arguments for the welfare state. Interestingly the annual report from year 2006 shows increase of the usage of the word liberalization by 78.5 relative to year 2005, while there also was increase of codes of welfare state.

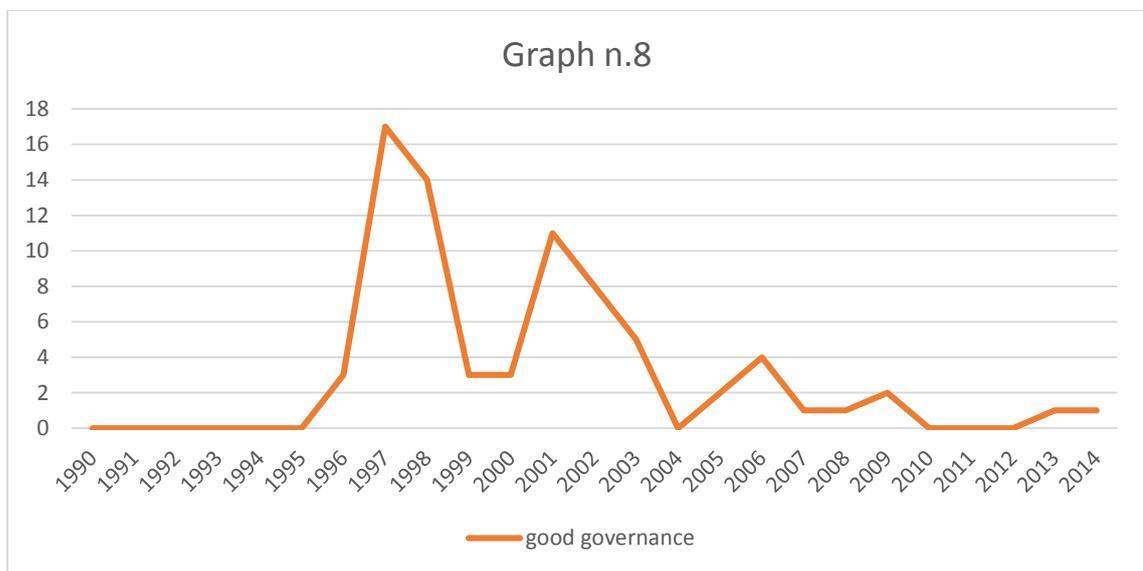
Results from the year 1999 are caused by the discussion, which started after the Asian crisis and by the criticism blaming the IMF for causing and worsening the crisis by its policy advices. Results from the year 2006 can be explained by relative period of prosperity. The IMF advises policies representing welfare state or small government according to the situation in individual country. Therefore, it can advise to cut social spending for one country running fiscal deficit in one paragraph and in the next the Fund advises other country to increase social spending to protect the poor and to help growth by increasing investments. When the global situation is stable and countries' economic indicators are sound, IMF might even advise against the reduction of the fiscal deficit to avoid shocks in the economy.

The emphasis on liberalization has usually declined in the times of crises during the last twenty-five years. Its decline is always a quiet, unannounced and IMF does not comment on it in their annual reports. There is also no admission of previous wrongdoing by IMF in the reports, which is understandable. It would undermine its own authority and pose a threat to its own existence.

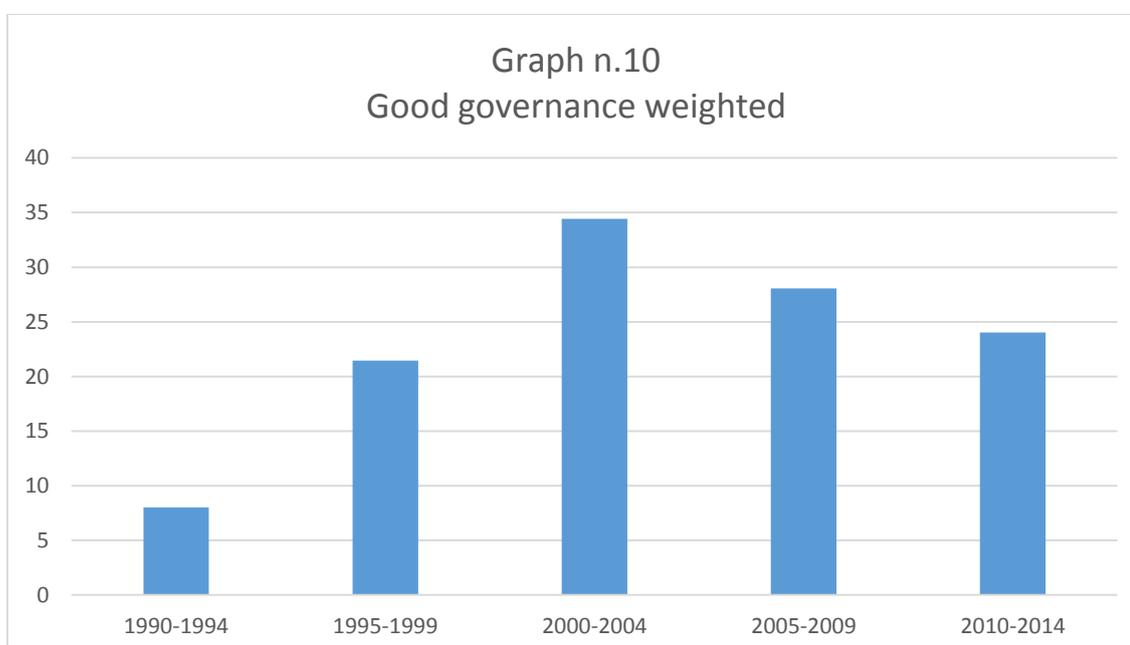
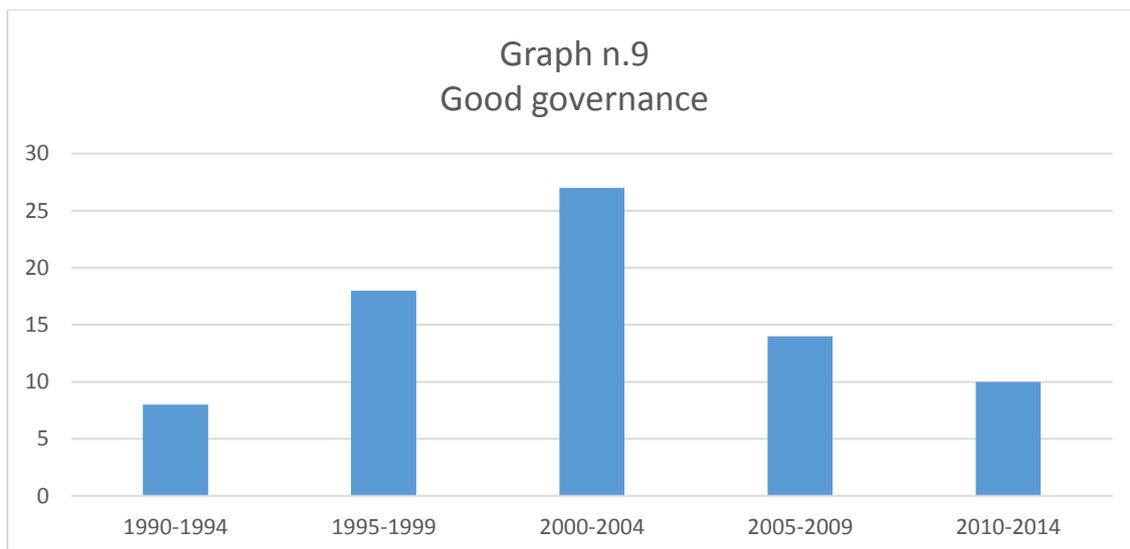
4.1.2 Good governance

Good governance is rather new theme examined by the IMF. Although it was proposed to the Fund to take more interest in good governance only in 1997 annual report, some codes for good governance may be found earlier. In 1997 some directors considered more active approach in promoting the good governance, some stayed reserved, noting that IMF might not be the organisation with sufficient expertise in this field and may be

overreaching its mandate [IMF 1997: 41]. However during the following years, more codes corresponding with good governance started to appear in annual reports. The rate of the usage of collocation good governance is shown in graph n. 8, with highest rates in 1997 and 1998. With the introduction of this new theme, the good governance was discussed in general terms, accounting for the spike of its usage in late 90s. After individual policies started to be examined, more specific subcategories of the good governance appeared, explaining following decline of the use of the collocation good governance.



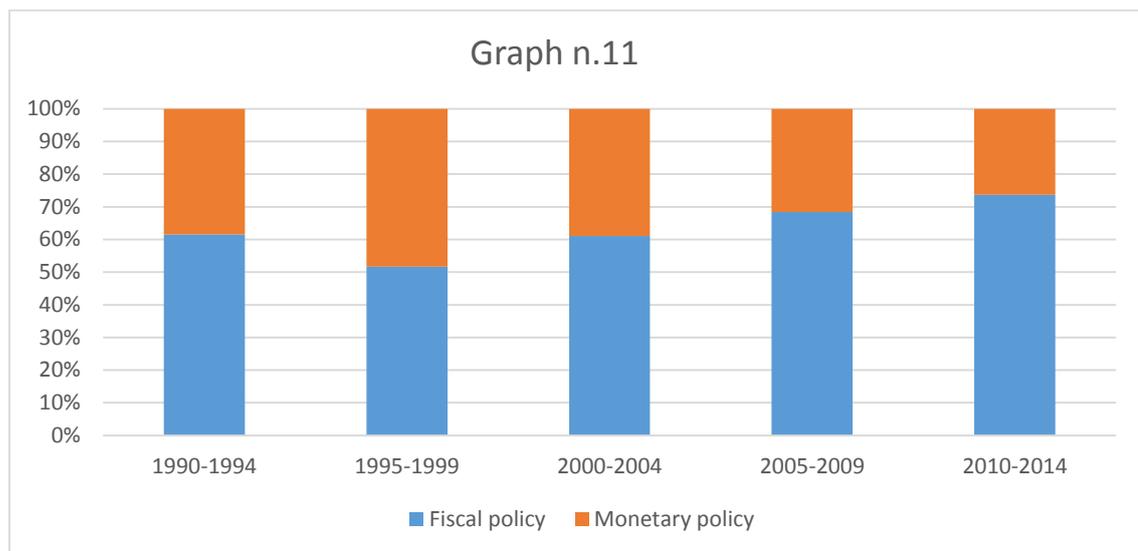
Rates of appearance of the code good governance are presented in graph n.9. They are showing sharp increase in late 90s and continued rising trend during the period 2000-2004. IMF did really start to address good governance more and even after a steep downfall of occurrence during 2005-2009 by almost 48% in relation to previous period, data from graph n.10 with weighted results of the occurrence of the code good governance imply, that the decline of importance was slower and not so considerable. This data further prove increased emphasis on the good governance in annual reports and confirm hypothesis H3.



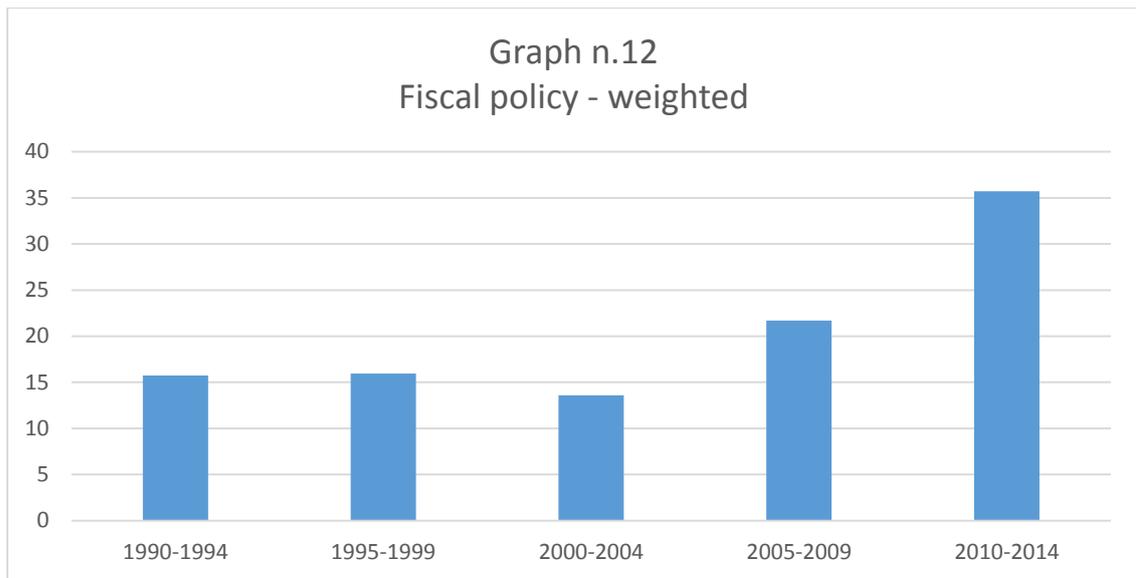
The codes from graph n.9 and n.10 do not concern good governance of the IMF itself, they are only policy advices for Fund's members. However, this new focus is connected to the criticism of the lack of good governance in the IMF following situations in Asia and Latin America in the late 90s and early 00s. IMF is being criticized for its non-transparent operation, lack of accountability and overall governance issues. The Fund started to address the need for the good governance policies implementation by their members together with plans of governance reforms inside its own organization [IMF 2002: vii].

4.1.3 Monetary and fiscal policy

Monetary policy was originally supposed to be one of the most important economic indicator for the IMF. Together with the observation of the global financial system these were the tools to monitor exchange rates of the world's currencies. After the collapse of the Bretton Woods system observing monetary policy remained important for potential to influence regional or global financial system. Fiscal policies were observed even before the collapse of the Bretton Woods system. Important economic indicator, the debt, is deduced from fiscal policy and if member country becomes IMF's debtor, monitoring its fiscal policy is a good way to evaluate, whether the country will be able to repay its debt. Therefore, reducing fiscal deficit is traditional part of the Fund's conditionality. Emphasis on fiscal balance and austerity measures by the Fund is so strong and prevailing, that it earned the IMF nickname: It's Mostly Fiscal.



Occurrence of codes concerning fiscal and monetary policy is already presented in graph n.2. Comparison between emphases on individual policy is shown in graph n.11. Fiscal policy shows overall dominance in the interest of the IMF in comparison with monetary policy, with its gradually increasing importance. Graph n.12 with weighted importance of fiscal policy further shows substantial increase of the occurrence of the code fiscal policy, which started in the period 2005-2009. This data disproves hypothesis H4 and imply, that fiscal themes remain important and its importance even increases.



4.2 Discussion

Firstly, there is a need to remind that, while the annual reports of the IMF may be official output of the IMF, rhetoric used might not be entirely in accordance with the mind-set of the staff or the directors of the IMF. Annual reports serve as a communication tool with the public and could be considered to be a part of the public relations. There is no doubt that data used in the annual reports and description of the events are accurate. Or that the announced reforms really took place.

Important and interesting fact to be noted, based on the information from the annual reports is, that there is no information suggesting, that the IMF provided damaging policy advice. For example after the Asian crisis, the Fund started to question unregulated and unsupervised capital accounts liberalization. However, it did not connect those doubts with the crisis, although the Fund was criticized for starting and worsening this crisis. Of course it is understandable for the IMF not to acknowledge its failures in annual reports. This way the IMF would damage its reputation and future reader of the reports without context might start to question efficiency and necessity of the Fund's existence. Therefore the Fund uses other platforms to announce its errors. In 2013 the IMF published document, where failures concerning evaluation of the Greek debt were made [IMF 2013c: 32] proving its commitment to more transparency.

Increase of the importance of the fiscal policy in last 10 years can be explained by the 2007-2008 financial crisis. Majority of the collected codes representing fiscal policy covered advices to reduce fiscal deficit. Increasing emphasis on restrictive fiscal policies suggests that the main criticism of the conditionality remained unchanged. The IMF still advocates austerity measures and restrictive fiscal policy in times of recession, despite criticism and previous failures of this approach.

During the observed period, The IMF was more than open to the idea of more transparency of its own operation and of its member's governments. Since 2005 first pages of each annual report begins with "messages from the managing director and chair of the executive board", proving more interaction with the public by the IMF's highest ranking staff. Accountability of the IMF still remains unresolved. Although the Fund's declared interest of at least partial solution of vote distribution unfairness, there is still work to be done. Agreed upon quotas from 2010 do not solve the problem and are still not implemented. This situation might prove even more problematic for the IMF, with forming of the Asian Infrastructure Investment Bank (AIIB) in 2014. China as a dominant country in AIIB forwent veto power in successful attempt to gain support and membership of the European countries. Even after U.S. expression of concerns about AIIB's governance policies, lot of developed countries applied to become prospective founding members of this new bank [Wei, Davis 2015]. It is absolutely expectable that the Chinese money will play dominant role in the AIIB and that they will be used to gain more power for the world's second biggest economy. However if the AIIB will avoid errors and controversies of the IMF, it might also become more effective tool to combat poverty.

Overall, good governance became important issue for the IMF, despite slight reluctance of adopting focus on this issue in 1997 by some of the directors. It is important for the Fund to be more transparent to gain more legitimacy. However, advising its members to adopt policies improving good governance might be overstepping of the Fund's mandate [IMF 1997: 41], despite undeniable advantages of the adoption of the good governance policies. The Fund itself started its reform after the Asian crisis [Fisher 2001: 6].

The biggest focus in evaluation of the results of this thesis was placed on arguments for welfare state and small government. From the rhetoric used in annual reports gradual diminishment of emphasis on small government and liberalization can be observed. While during and after the Asian crisis, Fund started to argue for some degree of regulation of capital accounts and for the need for preparedness for liberalization, there was no other warning of risks of liberalization. On the contrary, fund expressed firm support of liberalization even after code occurrence in the reports started to decline [IMF 2004: 41]. That is the reason to believe that this decline is reaction to the criticism of the Fund and not ideological change.

As was noted before, for the purposes of the IMF, the argument for the welfare state does not have to be in contrary with the argument for the small government. Although there is a dominance of the code for the small government at the beginning and for the welfare state at the end of the observed period, in years 1995-2004 there is balance between the emphases on those two concepts. During this period the Fund usually advised to cut social spending, if country had established sufficient safety nets for its people and if there has been the need for reduction of the fiscal deficit. If member country could afford more social programs or did not have established sufficient safety nets, the Fund advised to increase social spending. Despite this, findings in this thesis remain relevant. There has been significant change in rhetoric of the IMF concerning involvement of the government and arguments for the welfare state are in fact in opposition to the arguments for small government.

As for the results of the code welfare state, it is important to note that arguments for bigger regulation and supervision were scarce, usually concerning capital accounts liberalization. Reason behind rising importance of the code welfare state is emphasis on building safety nets and increase in social spending. The overall increase of appearance of the code welfare state is likely caused by three things: firstly, criticism of the IMF from the 90s, criticism for Asian crisis and Argentinian recession. Secondly, electing leftist economist into the highest position in the IMF and thirdly, pursuit to repair its reputation and achieve greater legitimacy.

Conclusion

After taking into consideration current literature concerning the IMF and quarter of century of the annual reports published by the Fund, three out of four hypotheses set in this thesis were confirmed and one rejected. Observable changes in the IMF's rhetoric concerning social issues has been made. Welfare state became important theme implying further creation of programs and policy advices targeting poverty reduction and improvement of the living standards not only of the poorest people. That does not mean that the IMF resigned on the Washington Consensus. Liberalization is still seen as important goal in medium or long term for every member. The IMF only chooses not to be too vocal about this goal in their annual reports. Secondly the good governance established itself as significant theme in the IMF's interest.

With the advent of 2007 crisis emphasis on the fiscal policies has increased, leading to the assumption, that the key problem of the conditionality remains present even after harsh criticism and numerous failures of restrictive fiscal policies advised by the Fund. In addition, based on literature and documents published by the IMF, changes in the Fund's governance did not deal with the most fundamental problems of lack of accountability and issues with representation.

The most acute issues for the IMF to address as soon as possible involve: further advances in good governance, revising current quota and voting rights with evaluating suitability of the U.S veto and rethinking conditionality. Those are practically the same issues needed to be tackled fifteen years ago. Despite prevailing deficiencies, there is low probability of diminishing role of the Fund in short to medium term.

The IMF dispose with one curious characteristic, upon failure to achieve one of its goals, to prevent crises, it receives no real punishment. On the contrary, following the emergence of crisis, the Fund usually broaden its focus and receive additional funding to be able to assist the most affected countries. This way it reinforces its prominent position in the global financial system. For now the IMF remain, despite all its faults, the biggest creditor to the countries in the direst financial situation. For the lack of real comparison it is arguably also the most effective. Despite that there is a lot of space for improvement.

For the additional research to elaborate this topic might be convenient to submit other regular documents published by the IMF to similar inquiry. The biannual World economic outlook is issued only since the year 1999 and their analysis might also only test the rhetoric of the IMF, similarly to the annual reports. Documents containing details of the loans to the members might really put to the test possible theoretical changes to conditionality.

The IMF has managed to change several aspects of its operation. However some of the previously criticized problems still remains. Time will show if the IMF will take lesson from its previous errors and will become more effective tool to accomplish its goals. It will be interesting to follow changes in the global financial system caused by arrival of the AIIB, considered to be the concurrence to the Bretton Woods organizations. Will AIIB try to move some of the importance of the financial centre in New York to the Beijing? What role will western developed countries play in this hypothetical transition? Those as questions worth asking in the following years.

Bibliography

Primary sources

International Monetary Fund. (1989). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1989*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1990). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1990*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1991). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1991*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1992). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1992*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1993). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1993*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1994). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1994*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1995). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1995*. Retrieved from <http://www.imf.org/external/ns/cs.aspx?id=326>

International Monetary Fund. (1996). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1996*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (1997). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1997*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (1998). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1998*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (1999). *Annual Report of the Executive Board for the Financial Year Ended April 30, 1999*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2000). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2000*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2001). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2001*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2002). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2002*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2003). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2003*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2004). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2004*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2005). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2005*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2006). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2006*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2007). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2007*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2008a). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2008*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2008b) *IMF INTEGRITY HOTLINE*. Retrieved from: <http://www.imf.org/external/hrd/integrity/>

International Monetary Fund. (2009). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2009*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2010). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2010*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2011a). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2011*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2011b). *Articles of Agreement of the International Monetary Fund*. Retrieved from <https://www.imf.org/external/pubs/ft/aa/>

International Monetary Fund. (2012). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2012*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2013a). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2013*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2013b) *IMF Quotas*. Retrieved from: <http://www.imf.org/external/np/exr/facts/pdf/quotas.pdf>

International Monetary Fund. (2013c). *Greece: Ex Post Evaluation of Exceptional Access under the 2010 Stand-By Arrangement*. (p. 50). Retrieved from: <http://www.imf.org/external/pubs/ft/scr/2013/cr13156.pdf>

International Monetary Fund. (2014). *Annual Report of the Executive Board for the Financial Year Ended April 30, 2014*. Retrieved from <http://www.imf.org/external/pubs/ft/ar/index.htm>

International Monetary Fund. (2015). *IMF Members' Quotas and Voting Power, and IMF Board of Governors*. Retrieved from: <http://www.imf.org/external/np/sec/memdir/members.aspx>

Secondary sources

Non-periodical

BARR, N. (1993). *The Economics of the Welfare State*. Stanford: Stanford University Press.

BUIRA, A. (2003). *An Analysis of IMF Conditionality*. Port of Spain: XVI Technical Group Meeting of the Intergovernmental Group of 24.

FISHER, S. (2001). *Asia and the IMF*. Washington, D.C.: International Monetary Fund.

FUKUYAMA, F. (2004). *State-building: governance and world order in the 21st century*. Ithaca, N.Y.: Cornell University Press.

GARDNER, R. (1969). *Sterling-dollar diplomacy: Anglo-American collaboration in the reconstruction of multilateral trade*. Oxford: Clarendon Press.

GRINDLE, M. (2002). *Good Enough Governance Revisited: Poverty Reduction and Reform in Developing Countries*. Harvard University.

GRUBER, L. (2000). *Ruling the world: power politics and the rise of supranational institutions*. Princeton, N.J.: Princeton University Press.

HOUTVEN, L. (2002). *Governance of the IMF: decision making, institutional oversight, transparency, and accountability*. Washington, D.C.: International Monetary Fund.

KRAJNÍK, J. (2012). *Demokratická legitimita globálních ekonomických institucí (World Bank, IMF, WTO)* (Bachelor thesis). Charles University in Prague, Prague.

Mountford, A. (2008). *The Formal Governance Structure of the International Monetary Fund*. (p. 30). Washington, D.C.: International Monetary Fund.

- MUCHHALA, B. (2011). *The IMF's Financial Crisis Loans: No Change in Conditionality*. Penang: Third World Network.
- NELSON, R., & WEISS, M. (2015). *IMF Reforms: Issues for Congress*. (p. 16). Washington, D.C.: Congressional Research Service.
- PEET, R. (2009). *Unholy trinity: the IMF, World Bank, and WTO*. New York, NY: Distributed in the USA exclusively by Palgrave Macmillan.
- RAVALLION, M. (2015). *The World Bank: Why it is Still Needed and Why it Still Disappoints*. Washington, D.C.: Center for Global Development.
- ROSNICK, D., & WEISBROT, M. (2007). *Political Forecasting?: The IMF's Flawed Growth Projections For Argentina and Venezuela*. Washington, D.C.: Center for Economic and Policy Research
- SULLIVAN, A., & SHEFFRIN, S. (2002). *Economics: Principles in Action*. New Jersey: Pearson Prentice Hall.
- STIGLITZ J. (2002). *Globalization and its Discontents*. New York: W. W. NORTON & COMPANY.
- WOODS, N. (2006). *The globalizers: the IMF, the World Bank, and their borrowers*. Ithaca, N.Y.: Cornell University Press.

Periodical

- CRAIG, D., & PORTER, D. (2003). Poverty Reduction Strategy Papers: A New Convergence. *World Development*, 31(1), pp. 53-69. Retrieved from: <http://sergiorosendo.pbworks.com/f/Craig+%26+Porter+2003+PRSPs+a+new+convergence.pdf>

EINHORN, J. (2006). Reforming the World Bank: Creative Destruction. *Foreign Affairs*, 85(1), pp. 17-22.

KRUEGER, A., & LINDHAL, M. (2001). Education for Growth: Why and For Whom?. In: *SSRN Electronic Journal*. (pp. 1101-1136).

PARIS, R. (1997). Peacebuilding and the Limits of Liberal Internationalism. In: *International Security*. (pp. 54-89).

SANTISO, C. (2001). Good Governance and Aid Effectiveness: The World Bank and Conditionality. In: *The Georgetown Public Policy Review*. (pp. 1-22).

STIGLITZ, J. (2011). The IMF's Switch in Time. *The Economists' Voice*, vol. 8 (2), (pp. 1 -2).

VREELAND, J. (2006). IMF program compliance: Aggregate index versus policy specific research strategies. *The Review of International Organizations*, vol. 1(issue 4), pp. 359-378.

WAGENER, H. (2004). Good Governance, Welfare, and Transformation. *The European Journal of Comparative Economics*, 1(1), pp. 127-143.

WOODS, N. (1999). Good Governance in International Organizations. *Global Governance*, 5(1), pp. 39-61.

WOODS, N. (2010). Global Governance after the Financial Crisis: A New Multilateralism or the Last Gasps of the Great Powers?. *Global Policy*, 1(1), pp. 51-63.

Online

CAMMACK, P. (2009). *All Power to Global Capital!*. Retrieved from: <http://e-space.openrepository.com/e-space/bitstream/2173/67573/1/All%20Power%20to%20Global%20Capital.pdf>

WEI, L., & DAVIS, B. (2015). *China Forgoes Veto Power at New Bank to Win Key European Nations' Support*. Retrieved from: <http://www.wsj.com/articles/china-forgoes-veto-power-at-new-bank-to-win-key-european-nations-support-1427131055>