AN AUDIENCE WITH C.L.R. JAMES
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C.L.R. JAMES
Trinidadian-born C.L.R. James dismisses the subrubet often applied to him, 'Black Plato'. But the 83 year old intellectual has exerted boundless influence as a philosopher, writer, historian, critic of art and literature. Interviewed by TWBR, James expounds on a number of subjects from Naipaulian pessimism and Marxist theory to his pet love, cricket. In the second part of our tribute to James, Angus Carter traces his development from early articles in Saturday Review through his well-known Minty Alley, and Black Jacobins to his current stature as the West Indies' most brilliant son. Page 6

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IMF: Raging Controversy and Criticism
by Reginald Green


At first glance IMF Conditionality may appear to be a rather flat, conservative and intellectually abstracted volume. Unlike the Arusha South-North Declaration of 1980 on the International Monetary System, it offers no sketch for radical reconstruction. Even in terms of systematic structural reform proposals within the existing IMF framework the Group of 24's Expert Group Report Low Income Countries and the International Monetary System, and Brandt II (Common Crisis) and the Commonwealth Secretariat's Towards a New Bretton Woods are all crisper, easier to read and arguably more far reaching.

Indeed a perusal of the list of participants at the Institute for International Affairs' 1982 Conference from which the book came would suggest that - with a handful of exceptions - the Fund (which was well represented together with the Bank) was among friends and friendly critics. This was a conference of respectable establishment academicians (many with practical experience) from Western Europe and North America plus a scattering of Third World academicians by no means clearly or on average more radical.

That is, however, precisely why IMF Conditionality is important. With no populists and few radicals the majority of the papers, discusants and summaries add up to a devastating, all the more so because very largely non-ideological, criticism of the Fund at all levels from strategic models through technical estimates and target ('trigger clause' or programme suspension) level setting and seasonal phasing.

The IMF's importance as several chapters indicate goes well beyond the funds it makes available in its facilities. On the financial side it is clear that commercial banks, bilateral aid agencies and the World Bank view IMF programme agreement as a necessary condition prior to rescheduling debt and making additional credit available and/or to expanding balance of payments support loans or inaugurating Structural Adjustment Programmes. Ironically this seems to be true of national agencies (e.g. SIDA) and of the World Bank who have significant differences in perspective from the Fund; differences it is far too simple to call complementary (even though both Vice President William Dale and Senior Advisor Stanley Please did stress that aspect of what has since become an increasingly ambiguous interaction).

On the policy side the fact that the IMF does impose conditionality means that a programme can be expected to have positive or negative results which go beyond the direct impact of the external finance secured and may in fact be greater. This point is discussed by the editor in examining ways to evaluate the overall impact of IMF programmes.

Evaluation is important because even the IMF admits that a high proportion of all programmes fail to meet one or more of their targets (especially economic growth and rates of inflation) and that many do not run their full course because binding quarterly requirements (usually ceilings on government and total domestic bank borrowing, short and medium term external debt and external arrears) known as 'trigger clauses' are broken. To have most agreements fail on one or more key targets and barely half run their lives (despite the usually high cost to the borrower and the nuisance to the IMF of a breakdown) must raise questions about the appropriateness of policies, targets and trigger clauses. They cannot by themselves prove a negative as over 1979-83 few nationally set targets have been met either - economic management has been more noted for failure than success.

But the determination of several countries - highlighted in the chapters on Brazil and Tanzania and comments of Carlos Diaz-Alejandro - to avoid going to or negotiating at great length without reaching agreement even when this has demonstrably had high costs does raise questions about the appropriateness of the IMF's approach. Its style is termed 'grandmotherly' by Sidney Dell - and not in the positive sense of that adjective. In his conclusion the editor views the problems arising from avoiding the Fund as long as possible because of disagreement with its approach as reflecting little credit on either borrowers or the Fund and as underlining the need for fuller and more open dialogue.
The period of IMF programmes was queried by several participants including William Klein and G.K Helleiner as was its preference for shock treatment i.e. very large cuts in exchange rates, government deficits and real wages at the beginning of a programme. The problem in terms of length is that three years of drawings, a year of grace and five of repayment may not be adequate to allow structural adjustment especially if external shocks not likely to be reversed caused much of the imbalance and a stagnant world economy hampers building up of new exports. The 'front and loading' or shock approach has somewhat different problems. It may maximise initial inflation and/or make it harder to bring under control (a case assessed somewhat sceptically by Klein). It certainly makes accepting IMF programmes more difficult for representative governments to accept because they entail substantial suffering long before any gains are visible. The IMF is well aware of this - at a previous meeting a senior official remarked that few democratic governments ever adopted a really rigorous IMF programme and none survived serious attempts to implement one. However, the IMF (in David Finch's presentation) and two academic participants (Professor Mikeswell from the USA and Professor Okyor from Turkey) resolutely defended shock tactics as necessary to cause a break with the past and allow a new start.

There was - apart perhaps from Fund participants - fairly general agreement that IMF programmes were rarely large enough to allow major changes in policy to be implemented rapidly without high domestic costs. However, this is not per se the Fund's fault - the increases in quotas have been slower and smaller than its staff would have preferred. This point evidently interacts with the question of programme duration - the money for a maximum programme length of five years of drawings, two of grace and eight of repayment is not available. Indeed as late 1983 events - including a Fund moratorium on new programmes - illustrated, the combination of present levels of Fund resources, present depth of global recession and present levels of Third World external debt already overtaxes the resources available to the Fund.

The IMF's fairly explicit model of imbalances (domestic and external) as caused by unsustainable expansion of demand, curable by demand cuts (especially cuts in government spending and real wages), and achievable fairly quickly and permanently by altering the use of real resources and capacity was queried. It was suggested that it did apply to several cases (e.g. Italy, UK, probably Portugal and Turkey) but less fully to a majority. The assumption of ease in shifting resources from domestic consumption to export generation was viewed as particularly questionable in the Third World. In these cases the symptoms of imbalance were cured by massive deflation but almost as soon as the programme ended they reemerged suggesting that there were deeper structural causes which had not been tackled. The IMF participants, to a certain extent, agreed that many Third World external balance crises since 1973 have been caused in large part by external shocks which reduced national command over real resources and, in particular, imports. However, the case made by several authors that such an imbalance needed to be treated more by measures to enhance supply (including exports) and less by cutting demand appeared to be seen by the Fund as irrelevant. On the one hand they argued that a permanent structural imbalance - however caused - required adjustment (with which no contributor would seem to have disagreed) and on the other that supply enhancement was the Bank's worry not the Fund's. This represents a hardening of position since 1973/74 when in the wake of the...
first oil shock a special low condition-
ality Oil Facility was created and access
to the Compensatory Finance Facility
(to offset export shortfalls) significantly
eased. No similar measures followed the
second oil shock of 1979/80. Since the
IMF has increasingly stressed the need
for trade-led recovery, there would
appear to be a contradiction with its
imposition of import cuts in a substantial
number of programmes and with its
reducing net drawings in 1982 as the
recession reached its trough.

While the Fund Bank (especially
Structural Adjustment Programmes)
relationship was described as a marriage
of macro fiscal and monetary control to
real output orientated sectoral policy
and management, the union appeared
problematic to some participants. The
Bank's supply enhancing approach
seemed to require a longer time span,
less disruptive initial shocks and a
rather less macro monetary focus of
attention than the Fund programmes
usually provided for - albeit in one
case the Bank refused a SAP because it
felt the Fund's requirements of Tanzania
had been too lenient and in
another India appeared to have drawn
on the Fund for purposes which related
to a SAP model than to any
urgent need for short term imbalance
reduction. Since 1982 - especially in
relation to sub-Saharan Africa - the
Bank appears to have had increasing
doubts about some Fund prescriptions
(including massive initial versus phased
devaluations) and has viewed raising
imports to levels consistent with more
adequate maintenance and utilisation
of existing capacity as a key element in
stabilisation and structural adjustment
whereas the Fund still treats import
levels as a residual.

No contributor argues against there
being some conditions. Nor does any
believe that these should not include
targets related to reducing external
imbalance. Beyond that there is very
considerable disagreement. Some -
in general liberal - participants argued
for additional IMF conditions in respect
to growth and income distribution.
The evident purpose of such conditions
would be to bind the IMF (as well as
the borrower) to limit demand cutting
and to protect weaker social and eco-
nomic sub-classes. More conservative
participants tended to believe IMF
conditions were about right in type but
perhaps not strict enough. Several

The technical side of programme
drafting came under attack from a
surprisingly wide range of participants
including neo-liberal monetarists (e.g.
Professor Haberger) as well as centrists
and liberals (e.g. Professors Klein,
Williamson, Helleiner). Fund projec-
tions, especially in poor countries and
during periods of global economic un-
certainty, are subject to a wide margin
of error. This is doubly true when
programmes included major initial
shock elements. Single point project-
ions for inflation, terms of trade, export
volume, government revenue and bank
borrowing are unlikely to be accurate.
Under existing conditions this is inev-
itale - albeit, as Professor Helleiner
has argued more forcefully elsewhere,
the quality of Fund personnel and
analysis deployed in sub-Saharan
Africa often compounds the inevitable
levels of imprecision and inaccuracy.

The problem is that Fund programmes
include fixed quarterly targets breaking
which normally terminates the pro-
gramme. (A majority of the Third World
cases presented include at least one
'busted' programme). Because they are
quarterly the uncertainty problem is
compounded - in some case pro-
grammes that arguably would have
been on target at the end of the year
collapsed because seasonal or stochastic
quarterly savings broke an earlier

The consensus (as expressed in the
closing panel and the editor's concluding
chapter) among non-IMF participants
was for a different approach to target
fixing in three senses. First, where
possible ranges rather than single points
might be set. Second, the assumptions
underlying the targets should be spelled
out along with simple formulae for
adjusting ceilings if - for reasons wholly
or largely beyond the borrowers' con-
rol - the ex ante assumptions proved
significantly divergent from ex post re-
ality. Third, there should be more
flexibility on the IMF side in agreeing
to waive ceilings when significant pro-
gress had been achieved and the bor-
rower was demonstrably making major
efforts to achieve adjustment. Unfor-
tunately, judging by subsequent IMF
performance, even this non-ideological
set of proposals based on a demon-
strable set of technical problems fall on
deaf ears.

This is not a comfortable book. While
the IMF certainly changed its posture
by taking part in such an intellectual
forum (it does not appear actually to
have engaged in dialogue, whereas
Bank participants did), one wonders
why. Each of the criticisms made - all
by serious practitioners and/or acade-
micians who neither reject conditionality
as such nor disagree that imbalances
must be cured within a finite period -
remains valid today. Indeed the situation
has worsened. But the IMF has not
taken any of the criticisms or suggestions
on board; it apparently remains con-
vinced (at least at operational level)
that distaste for approaching it, dis-
agreement with its analysis and con-
ditions and failed programmes are
wholly the result of the errors of others
(or of unpleasant, unalterable economic
conditions) and not the result of mistakes
or rigidities within the IMF.