

IMF and Developing Countries

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Unlovely

I am surprised that GPD ('Sinister Times', September 21) has described the book *Great Britain or Little England?*, as 'lovely'. The book, published as a Penguin Special in 1963, was written by one John Mander, an 'Encounter intellectual' and like all of that ideological bent a bigoted cold warrior mongering for a hot war. It was a truly hateful book, full of hatred towards those who were arguing for British neutrality in the US-Soviet Union contention, then building up to a confrontation one of whose peak points was the October 1962 stand-off in Cuba. The immediate context of the book was the huge success in the mobilisation of mass support in Britain for the Campaign for Nuclear Disarmament and its dissident offshoot, the Committee of Hundred, led by Cannon John Collins and Bertrand Russell in the 1950s and the 1960s. Perhaps one should also add that another organisation closely allied to these movements was the London-based International Defence Aid Fund for Southern Africa, also headed by Cannon Collins. Those of GPD's generation (or the EPW generation, if one is permitted to use the expression) do not need to be educated on the linkages between the Campaign for Nuclear Disarmament and support for and solidarity with the victims of racism and apartheid in South Africa and Southern Africa.

That the British establishment was alarmed about such mobilisation and took drastic steps to suppress them can be seen in the fact that it chose to prosecute Bertrand Russell in September 1961 (when he was in his ninetieth year) on charges of incitement to civil disobedience under a legislation going back to 1361, and imprisoned him.

All this happened under a so-called Labour government headed by the despicable Harold Wilson (Russell's description), the ideological mentor of

his successors heading Tory and Labour governments, all toadying in an entirely non-partisan manner to the United States. The even more unspeakably vile Tony Blair and his so-called New Labour Party (which is not so new at all), now raring to go to war against Iraq as auxiliaries of the United States, are truly the legitimate inheritors of Harold Wilson.

M S PRABHAKARA
Guwahati.

IMF and Developing Countries

D N Ghosh's appraisal (September 28) of Joseph Stiglitz's sweeping and unbalanced obloquy of the IMF and its functioning in his book *Globalisation and Its Discontents* is indeed praiseworthy. Without being overwhelmed by Stiglitz's Nobel Laureate glitter, Ghosh exposes the chinks in his policy strategy as an alternative to IMF policies. While Stiglitz has made valid criticisms of the Fund's policies during the east Asian and Russian economic crises of the late 1990s, he has slyly avoided mention of the Indian case (one may add, also the Mexican one) as Ghosh rightly points out. The omission is due not to amnesia but to Stiglitz's penchant for dodging inconvenient counter examples which dent the thrust of his argument.

Ghosh puts his finger on the main problem faced by the developing world by bluntly stating that "if the developing countries are not developing, it is not so much because of what the IMF does or does not do, but because of the way the political class in every country crafts and

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cause. If they are referred to in general, called the 'dalits in India', especially when they are represented in international fora, then this single identity becomes meaningful and useful. This shows the importance of the term and the reasons for it being more acceptable and extensively used in today's scenario.

In conclusion I would like to propose that social scientists should be specific about the jatis and sub-jatis while studying at a micro level; for example, if they are

focusing on discrimination or oppression, employment or educational levels, i.e., when the scope and objective is to highlight the problems or provide welfare measures, reservations, etc. But at the macro level analysis, when one is studying caste phenomena and the scheduled castes in general, then dalits is an appropriate term. This term that caters to and helps in uniting and integrating all the jatis within the scheduled castes for a common cause is welcomed. **EPW**

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Letters to editor

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pursues its development policy and strategy". For this reason, as Ghosh so perspicaciously points out, "whatever policy prescriptions came down from the IMF, however imperious, had more to do with the abject failure of governance that preceded the crisis which brought in the IMF in the first place and which in most places continued thereafter". Even if the IMF did not exist or the countries in distress had not used the Fund's resources with all its much-advertised pernicious policy menu, these countries would have been in the same economic morass – with the difference that they would not have the IMF to berate.

Stiglitz recognises market failure but his naive faith in the virtues of government intervention leads him to come up with an array of strategy measures to offset the consequences of market failure. He however fails to recognise the government failure which has rendered the developing economies greatly vulnerable and pushed them into the IMF's arms. Stiglitz showed great insight in his work on asymmetric information problems, but ignored the importance of the transaction cost involved in government mediation of economic relationships. Here again Ghosh is on the ball when he says that "whether a country pursues the IMF agenda, within the framework of the global economy as it functions today, or the alternative strategy set out by

Stiglitz, it can never reliably know whether the consequence of IMF policies was worse than what it would be under Stiglitz's alternative proposals".

The 'Washington Consensus' has now become a much-maligned expression among critics of economic reforms and many treat it as synonymous with IMF policies. But the Washington Consensus is not a shorthand expression for 'trade, capital market liberalisation and privatisation' with total disregard for accompanying institutions and regulatory apparatus, whether they relate to trade, financial sector liberalisation or privatisation. In all the literature on economic reforms, regulatory changes and institution-building are given the pride of place. If some country or countries implement economic reforms disregarding these prerequisites, they would be ignoring the core elements of the Washington Consensus. The same is true of capital account convertibility. To go in for it without meeting prior conditions of a sound financial system and fiscal policy and prudential control of banks is not a policy economic reformers have ever advocated. It is true that the IMF has been guilty in this respect and it beat a hasty retreat when it was made to see the light by its numerous critics. The Fund is now moving towards a Sovereign Debt Restructuring Mechanism which even Stiglitz has applauded, while unjustifiably claiming credit for originating the idea. Once

that is in place – and there is some hope that it will be, judging by the latest communique of the IMF's International Monetary and Financial Committee – there will be space for global collective action.

No one will be foolish enough to turn a blind eye to the challenges of globalisation. It is true that the international financial system is in dire need of reform to remove what the WIDER study quoted by Ghosh calls a "democratic deficit". At present the G-7 is most dominant, misappropriating the Fund's functions by setting up a Group of 20 and the Financial Stability Forum outside the Fund's remit, which Stiglitz and others have upbraided. Then again the US, sometimes referred to as the 'Group of One', often directly or indirectly sways the Fund's decisions its way. These are the areas where reform of the international monetary system is urgently needed. It might surprise many that even the Fund has become fully aware of these challenges to the way it has been doing business. There are winds of change blowing. A recent monograph *Governance of the IMF: Decision Making, Institutional Oversight, Transparency and Accountability* by Leo Van Houtven, a former secretary to the IMF Board, has forcefully made the case for a radical change.

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