PICKING THE ENTRAILS OF THE WASHINGTON CONSENSUS

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This is an extended review of *Money Talks: The International Monetary Fund, Conditionality, and Supplementary Financiers* by Erica R. Gould; Stanford, CA: Stanford University Press, 2006, 280pp + index, $50.00 (cloth) and *The Globalizers: The IMF, the World Bank and Their Borrowers* by Ngaire Woods; Ithaca, NY: Cornell University Press, 2006, 253pp, $29.95 (cloth).

In both the critical political economy literature and among activists, the International Monetary Fund's lending to developing countries has, in recent years, become particularly iconic as a symbol of imperialist domination of the global South by the metropolis (see, for example, Bello 2004). Although there had already been radical criticism of IMF lending conditions prior to the Asian crisis of 1997/98, this became much more mainstream as a result of the economic catastrophe that afflicted most of the countries formerly lauded as "tiger economies" (Stiglitz 2002; Stiglitz and Charlton 2005), whose Cold War status as frontline states had given them unique access to US markets and other key supports (Johnson 2000: 214). Deprived of their former geopolitical rationale, these states were suddenly castigated for their "crony capitalism," in stark contrast to the supposedly transparent and "correct" version being practiced in the United States.[1]

The remedy for many was worse than whatever disease had produced such symptoms, owing to the IMF's insistence on a tightening of credit conditions even as credit had already dried up, thereby driving more firms to bankruptcy. Meanwhile

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the massive and rapid flight of capital drove down currency values and thereby drove up import costs. The results were predictably destructive, with ramifications beyond the strictly economic. In the words of Chalmers Johnson,

> By cloaking its campaign in the rhetoric of market opening and deregulation instead of the need to reform outdated Cold War arrangements, the United States both destroyed the credibility of its economic ideology and betrayed its Cold War supporters. The impoverishment and humiliation of huge populations from Indonesia to South Korea was itself blowback enough, even if the blowback for the time being spared ordinary Americans. But if and when the stricken economies recover, they will almost certainly start to seek leadership elsewhere than from the United States. At a bare minimum, they will try to protect themselves from ever again being smothered by the American embrace. (Johnson 2000: 214)

Japanese and Taiwanese efforts to manage the crisis by establishing an Asian-led fund were "denounced…as a threat to the monopoly of the IMF" by Assistant Secretary Lawrence Summers in Manila in November 1997 (Johnson 2000: 211), and ultimately came to naught. Johnson is absolutely clear about the provenance of the conditions attached to the IMF's loans. In its handling of the Asian Crisis the IMF was not acting as an independent or even quasi-autonomous bureaucratic institution, merely fulfilling its mandate to intervene in the event of balance of payments crises with the aim of restoring order. This is not a view reserved for critics:

> On 8 January 1998, shortly after [US Treasury Secretary Robert] Rubin's return from Seoul, the economist Rudi Dornbusch was quipping on CNBC that the "positive side" of the financial crisis was that South Korea was "now owned and operated by our Treasury". This elicited a knowing chuckle from the other pundits: after all, it used to be the State Department or the Pentagon that ran the Korean franchise—not the Treasury. (Panitch 2000: 5)

The IMF in this instance was the wholly subordinate instrument of US financial interests, themselves heavily represented in the Clinton administration, which saw an opportunity to extend the reach of the neoliberal policies that privilege those interests.

This particular phase of the IMF's evolution can be seen as the high point of the Washington Consensus, so-called because of the relative unanimity regarding economic policy that took hold in the US Treasury, the World Bank and the IMF, especially following the election of Ronald Reagan as US president (but already in development prior to that period). The Washington Consensus marked the triumph of (neoliberal) economics over Cold War politics. Allies of the West, formerly granted significant relative autonomy with respect to domestic economic policy, were subjected to the imposition of neoliberal policies sealed with the imprimatur of

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a new ideological orthodoxy. Statist development models were sidelined or junked in favor of liberalizing policies that reduced or eliminated protectionist measures, enforced budgetary discipline via cuts in social welfare spending, and eliminated restrictions on cross-border financial flows.

The latter set of measures was of particular benefit to Wall Street and London-based financiers who could use their structural power to drive the globalization of financial markets via institutional reforms that privileged transnational financial flows over traditional, local network-based relationship financing. For countries subsumed within the relentlessly expansionist Lockean heartland,[2] this has meant the ongoing "colonization" of country-specific, voice-based stakeholder systems of finance by the universalist, exit-based system that is the anglo-saxon model, integral to the "shareholder value" ideology that assumed pre-eminence during the 1990s (Grahl 2001; Crotty 2003). And for those outside, the "contender states" which must "build up a rival apparatus of wealth creation *within* their separate jurisdictions" (van der Pijl 2006: 13), or the underdeveloped countries suddenly at the center of metropolitan interest (for example, the oil-producing countries of west Africa at the turn of the millennium—for example, see Peel 2002), the economic forces arrayed against them are formidable. Even if successful in this endeavor, the integral processes of class formation dictate a weakening of internal support for the contender state policy, while the creation of economic assets during the development process increases the interest of the transnational capitalist class in their expropriation.

The mechanics of finance-driven globalization involve the full integration of national banking systems into the transnational system, which serves as a "free space for capital" (Palan 2003):

> Foreign exchange markets, with transactions on a truly massive, global scale…are creating a globally integrated and clearing payments system. Large banks draw short-term credit from any point of this payments system they please, and place any surplus wherever they please, in the financing of the imbalance of their positions. This means that any agent seeking short-term accommodation must, at the very least, match the terms of this global interbank market. (Cafruny and Ryner 2007: 58)

According to John Grahl (2001), this fundamentally reconfigures exchange equivalences, opportunity costs and incentives such that entire national cultures of corporate finance are gradually undermined and replaced, as actors acclimatize to the altered environment, which reorders the power relationship in favor of transnational finance.[3] This was certainly the goal of the US and its phalanx of ideologists and policymakers, all of whom pronounced masterfully upon the inferiority and error of non-adherents of neoliberalism. As a result, conditions were attached to loans that forced recipient Asian governments to dismantle the institutions derided as "crony capitalist" and thereby subject all future economic policy to neoliberal criteria. A

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similar story applies to all states that received World Bank or IMF loans during the era of the Washington Consensus.

The Asian crisis is not the only, nor even the most serious, omission from Erica Gould's argument concerning the provenance of IMF conditionality. Theoretically, Gould works well inside the parameters of mainstream social science, enabling her to assert a variety of claims that would raise alarm bells across a wide analytical spectrum and deemed to be heterodox on account of their ideological and methodological inconvenience, and therefore marginalized. Empirically, Gould employs data culled almost exclusively from the IMF's own archive, and focuses primarily on the time period 1952–95. This exculpates her somewhat from the lack of consideration of the Asian crisis, not least because at the time of her research many loan agreements after 1995 remained classified (p. 211), but it does not excuse the more general absence of important contextual data. And even when confronted with evidence that clearly contradicts or at least throws into question the veracity of certain claims, she chooses to ignore either the evidence or the implications deriving from it.

On the book's dustsheet Lisa Martin of Harvard University is quoted as saying that *Money Talks* "is a model of the social scientific approach." This appears to be the approach to social inquiry that C. Wright Mills labeled "abstracted empiricism," in which researchers demonstrate their professional ability according to the mastery of technique rather than expertise in a particular field of knowledge. Method is elevated to Methodology whilst content is relegated to a subsidiary role as fodder for the statistical ritual. Mills viewed this as "liberal practicality," attributing the associated "pretentious over-elaboration of 'method' and 'theory'" to researchers' "lack of firm connection with substantive problems" (Mills 1959: 23, 75). The prioritization of method over both content and conclusion, analogous to the anglosphere business world's elevation of "management" over professional craft, conveniently renders social scientific inquiry much less likely to offer any substantive addition even to the conventional wisdom, let alone any challenge.

The amount of effort that has been expended (by both researcher and reader) in the pursuit of an ultimately paltry set of conclusions is unlikely to commend this book to those wishing to actually learn about the IMF's activities. Instead the book stands as a monument to "the social scientific approach" (there is only one, apparently) as practiced by mainstream economists and political scientists. A far more enlightening and analytical discussion is provided by Ngaire Woods, like Gould a political scientist of decidedly liberal orientation, but using a more informative, institutionalist political economy approach.

Both *Money Talks* and *The Globalizers* are positioned as contributions to the literature of international relations. Theoretically, Gould works within an avowedly liberal analytical framework, following Robert Keohane and Joseph

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Nye in emphasizing the cooperative aspects of international relations such that international institutions and international organizations are viewed as vehicles for mutually beneficial exchange (17; see also Keohane and Nye 1972, 1977; Keohane 1984). This particular theoretical strand, known as neoliberal institutionalism,[4] is popular within Anglo-American international relations discourse because it retains the state-centrism of realism[5] whilst emphasizing the positive-sum outcomes of international cooperation between states. Keohane and Nye have also provided a means by which non-state actors can be incorporated into the model such that they facilitate exchange between states in a Pareto-improving fashion. Gould employs the theorizing of Benjamin Cohen and Charles Lipson in treating the IMF as a facilitator of mutually beneficial exchange between both states and non-state actors (19; see also Cohen 1983; Lipson 1981). Furthermore, the IMF itself is treated as a quasi-autonomous actor: "The Fund is not simply a neutral arbiter… The Fund itself has a vested interest in the success of its programs, and as a result, it is susceptible to influence from the financiers" (19). But whatever the formal separation of powers, it is even more susceptible to the veto power of the US, and has always been so.

Nevertheless, this is not to say that the IMF is simply a passive transmitter of US will. Woods identifies three "distinctive" forces that shape the actions of the Bretton Woods institutions (BWIs): firstly, powerful governments, and here is meant primarily the US; secondly, economists working within a "particular institutional environment" that encompasses the BWIs, the discipline of economics and the wider intellectual and ideological environments; and thirdly, relationships between the lending institutions and borrowing governments (4). Where especially US interests are perceived to be at stake, the IMF and World Bank are forced to work within strict parameters. Where those interests are not so pronounced, there appears to be room for the institutions to exercise greater autonomy. As Sengupta (2009: 188–190) highlights, India's controversial IMF loan of 1981 was opposed by the US, but not to the extent that it was vetoed. Instead the US abstained and allowed passage of the loan, despite the simultaneous purchase by India of French Mirage fighter jets for US$3 billion. This apparent anomaly is explained by Woods, who reminds us that "Competing and different interests within the United States can lead the institutions in different directions" (4).[6] The same is true of the institutions themselves. Sengupta notes that the IMF's supportive Asian department faced the opposition of other departments until Managing Director Jacques de Larosière, together with the support of Mexico and France, tilted the balance in favor of the loan to India.

Nevertheless, for this to be true it would appear that struggles within the US state apparatus would have to be more finely balanced or in a stalemate in order for institutional prerogative to take precedence. In the case of India in 1981, geopolitical sensitivity prevailed over economic orthodoxy, given India's traditionally closer

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relations with the Soviet Union and the undermining of the latter in the developing quagmire of Afghanistan. Five years earlier in Britain, what became economic orthodoxy proved more robust. In his detailed study of the IMF's 1976 loan to the British government, Mark Harmon highlights the struggle between the US Treasury and State Departments over how to handle Britain's balance of payments crisis. While Henry Kissinger was willing to be accommodating, the Treasury was anything but. A weak, outgoing President Gerald Ford was forced to convene a meeting between Department of State, Treasury and Federal Reserve officials in order to work out a common US line. On this occasion the Treasury's hard line prevailed (see Harmon 1997: 222–223).

Woods' basic premise is that the BWIs are political institutions. This is specifically against the criticisms of Joseph Stiglitz, whose depiction of IMF economists as "third-rank students from first-rate universities" (Stiglitz 2000) offers a superficial critique that focuses on relatively low-level individuals rather than the structures in which they must act. In this respect Woods is offering a necessary corrective. But she is less effective in calling into question both the *raison d'être* of the institutions and the mainstream economic theories that inform their work. Instead she draws attention to the compromises, "successes" and failures of the institutions in detailed case studies that encompass the era of neoliberalism or "structural adjustment"—essentially from 1980 onwards. In so doing, she highlights the influence of the "first-rate universities" whose graduates, "third-rank" or otherwise, are to be found in positions of influence extending far beyond the BWIs. Indeed, it is this transnational network of technocratic apparatchiks, centered in Washington, DC, that has facilitated so much of the globalization process and which continues to dominate official discourse and policy.[7] The implications of this arrangement are underdeveloped by Woods for understandable reasons—she is not attempting to challenge the status quo. Nevertheless her findings are useful inasmuch as they cast light upon the workings of the US-anchored transnational policy elite and its efforts to circumvent or block democratic accountability.

The Dominance of Liberal Discourse

Both Gould and Woods are conscious participants in liberal discourses within the disciplinary community of international relations (IR). The discipline of IR took shape following the First World War as liberal internationalist ideas aimed at Great Power conflict resolution and/or avoidance were crystallized in US President Woodrow Wilson's "Fourteen Points" (see Brown 2001: 20–26). The basic idea of a fundamental commonality of interests between peoples was the premise upon which a now familiar notion was built; namely, that wars occur only because of

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the aggression of regimes or leaders that are undemocratic. Allow the people a free choice and they will not choose war.[8]

From the beginning this was challenged by so-called "realists" whose Hobbesian world view was premised upon states vying with each other in a struggle for power. Whether driven by scarcity (haves vs. have-nots) or just plain human nature (aggression, power-seeking behavior), states, as the primary actors on the international stage, are not as inclined to peace as the proponents of liberal internationalism would like to believe.

Following the Second World War realism became the dominant theoretical perspective and unsurprisingly so, given the onset of the Cold War. Only with the collapse of the Soviet Union in 1991 was liberal internationalism apparently triumphant amid claims of a New World Order and the end of history. The Clinton administration continued on the same track with its vigorous promotion of free trade and, latterly, humanitarian intervention (an idea whose time had come, following the efforts of Bernard Kouchner and Tony Blair,[9] most prominently). George W. Bush's administration, dominated by so-called "neoconservatives," eschewed both the rhetoric and practice of multilateralism in an aggressively unilateralist stance that some took to be a variant of realism. However, such was its crude Manichean portrayal of international relations that prominent realists like Samuel Huntington and John Mearsheimer were left aghast, while liberal internationalists like Nye warned against the neglect of "soft power" (Nye 2004).[10] Neoconservative idealism was in a class all of its own.[11]

The debates central to the discipline of IR ultimately concern how best to maintain and enhance US (originally British) primacy in global affairs. Their normative content is plain to see. What is remarkable is that a globally established discipline should be so defined by a discourse so blatantly geared to a particularist purpose. Mainstream economics, at least, is able to disguise its advocacy better under a cloak of radical abstraction, formalism and deductivism; technique giving it a veneer of the presumed respectability accorded the natural sciences.

Thus the discipline of IR has been dominated by liberal (i.e., bourgeois) precepts from its inception, and, since 1945, shaped mainly by debates within US academic and policymaking circles. Both realist and liberal internationalist variants of liberalism have rendered IR profoundly anglocentric in orientation, with the Treaty of Westphalia of 1648 occupying a position as its "constitutive foundation myth" of "a breakthrough to modern inter-state relations" (Teschke 2003: 3). Other perspectives do indeed exist, and there is a lively and productive literature encompassing Marxist and other radical perspectives (for example, see Rupert and Smith 2002). But even these often retain the state-centrism of their liberal counterparts, as the ambitious effort of Kees van der Pijl (2007) to reconceptualize IR as a truly global discipline of foreign relations makes clear. But, as

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in economics, it is liberalism that determines the nature of the "problems" deemed worthy of solution or even mere discussion in the mainstream. Fortunately, the institutionalist approach adopted by Woods makes her analysis a much more insightful and rewarding read than the exercise in technique that comprises most of Gould's book. While both authors are somewhat concerned to exculpate the Bretton Woods institutions from the serious charges made by their respective critics, Gould more so, Woods succeeds in providing a more balanced, nuanced account.

The Conditioning of Conditionality

The issue of investor sentiment, recently of apparently greater importance to certain central bankers than inflation,[12] is integral to Gould's *Money Talks*, which charts the evolution of IMF loan conditionality from the beginning of the organization's existence in 1944 up to almost the present day. Gould focuses particularly on the period 1952–95, where her empirical research is concentrated: "it was not until 1952 that states formally delegated the authority to design and negotiate conditional loan agreements to the [IMF]" (41). Central to Gould's argument is that the ever increasingly detailed conditionality attached to IMF loans can be attributed mainly to supplementary financiers. The growing instability and ultimate collapse of the "gold standard" in 1971 was at least in part caused by the mismatch of agreed exchange rates and investor sentiment, as the case of sterling shows.

The role of investor sentiment is indeed a neglected aspect of the literature concerning IMF lending and conditionality, and for this reason Gould's book should be welcomed as a tentative step in the right direction. Unfortunately, however, *Money Talks* is somewhat hamstrung by its author's theoretical and methodological commitments, from which follow errors of omission and commission.

Gould outlines three conventional arguments employed to explain the apparent paradox of IMF conditionality. The paradox lies in the regular public chastisement of the IMF for its failing to reduce conditionality and to get back to its original purpose of assisting countries experiencing balance of payments problems by providing short-term financing arrangements. Even the IMF itself has admitted failure on account of ill-conceived conditionality (Blustein 2004). Meanwhile, conditionality criteria proliferate. Gould usefully charts the literature, showing that seemingly unlikely individuals such as then-US Treasury Secretary Larry Summers and contemporaneous IMF managing director Horst Köhler (3) were among this chorus of disapproval. This litany of complaint culminated in the IMF's own internal watchdog, the Independent Evaluation Office (IEO), publishing a report in January 2008 outlining the failure of efforts to streamline conditionality since 2000. This, despite the then-US Under Secretary of Treasury for International Affairs John Taylor expressing satisfaction with what he called the "success" of

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"a more streamlined conditionality at the IMF" (Taylor 2004). The IEO report was welcomed by Dominique Strauss-Kahn, current IMF managing director, as supportive of efforts "to ensure parsimony in the selection of conditions in the future" (quoted in Guha 2008).[13]

As a result of this procession of insiders claiming opposition to contemporary IMF lending practices, the first conventional view of conditionality, that it has ballooned owing to the IMF's own bureaucracy, looks less convincing, at least on the surface. Of course what prominent actors say in public need not accord with their actions off-stage, but there is at least sufficient cause to doubt the sufficiency of the bureaucracy argument. After all, while it is ostensibly the creation of states, the IMF will have developed its own autonomous "momentum" and authority deriving from its technical expertise and apparent transcendence of individual states' foreign policies. Expertise enables a bureaucracy to acquire greater responsibility over time (especially if one accepts the public choice argument of bureaucracies as rational rent-seeking maximizers), and ostensible political neutrality lends it added authority.[14] That is, at least until other sources are consulted, after which a more complex picture emerges. Indeed, one might simply begin by looking at Gould's own documentations, as these would appear to fly in the face of her later arguments.

This bears particularly on the second conventional view that it is the United States that is primarily responsible for ever-greater conditionality clauses. This is the so-called realist position, assigning primacy to state actors. Gould sets little store by this argument, and, given the above-cited insiders, again there would appear to be reasonable doubt as to US authorship—why would a US Treasury Secretary complain about IMF conditionality if he were in a position to direct it himself? Nevertheless, Gould's empirical research reveals to the contrary that, almost from the very beginning, the US was pushing for greater conditionality, in spite of opposition from other states. At the original Bretton Woods negotiations, John Maynard Keynes argued against the position taken by US representative Harry Dexter White, that loans should be conditional to some extent, although White did not go as far as to advocate the sort of micro-management that subsequently evolved. But already in 1948 US executive director Frank Southard was applying conditions of his own, and even going so far as to apply them unilaterally, over the opposition of most other executive directors (44–45). When the other executive directors rejected the US position without compromise, from 1949 to 1951 "the Fund as provider of official financing resources ceased to function" (Harmon 1997: 27). And in 1952 when standby arrangements (SBAs) were introduced, it was again thanks to Southard that the conditions attached to these were, to use the description of the British executive director, "stiffer" (47).

Gould's rejection of so-called realist explanations rests on her taking the words of US officials, and especially the US Executive Director, at face value—a somewhat

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self-contradictory logic. Certainly, on this basis, the stream of pronouncements expressing dissatisfaction with unwieldy conditionality and emphasizing the importance of returning to more streamlined, short-term lending in keeping with the IMF's original purpose would appear to justify her rejection. She also rejects analysis of individual conditional loan arrangements as too easily manipulable either way (75). This is true to the extent that anyone can select data to suit a pre-ordained purpose, but spurious neutrality is not the same as objectivity (see Haskell 1997). Gould chooses terms of reference that deliberately exclude what she calls "outliers" (76). In other words, if the data do not conform to a carefully selected measure, itself devoid of much relevant and even necessary content, then don't worry, they are by definition exceptions that do not merit more than cursory consideration. Meanwhile, individual agreements are usually drafted by IMF staff in response to loan requests, and thereafter negotiated by IMF staff and government concerned, with the resulting agreement thereafter placed before the Executive Board. Therefore the intervention of particular states or their representatives is, by definition, exceptional. No harm done!

While Gould appears not to allow empirical evidence to get in the way of her theory, historian Kathleen Burk wastes no time in portraying the IMF as an instrument of US power:

> Since the establishment of the International Monetary Fund in 1944, the US, as the largest shareholder, has wielded predominant influence over its activities. Indeed, it is not too much to say that from the beginning, the IMF acted as a foreign policy surrogate for the US. The Assistant Secretary of the Treasury even had an office in the IMF. (Burk 2003)

Perhaps in relying so heavily on IMF documentation for empirical evidence, Gould has failed to interrogate properly her source, which, for reasons of legitimacy, bureaucratic independence (however apparent) and professional self-image, would not wish to concede this vital but inconvenient point.

The third and less common perspective sees conditionality as the result of willing but politically weak loan recipients trying to bolster their legitimacy against domestic opposition by being able to cite more powerful outside forces that supposedly leave them with little choice (see Vreeland 2002). This is the political deception argument.[15] As Berberoglu (2003: 107) notes, such state actors often "convey a 'technocratic' image with focus on capital accumulation and economic growth, combined with severe repression of labor and other popular sectors of society." Sengupta (2009) offers a compact history of such leveraging within Indian policy circles over five decades. But it is not only unpopular Third World governments that can seek legitimacy from IMF interventions. As the British case reveals, even a metropolitan state nominally governed by a radical social democratic administration can be the site of inter-factional struggles in which the more orthodox elements

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seek leverage by harnessing the power of external actors such as the IMF. All of which is to suggest that the apparent lack of popularity of the third perspective on IMF conditionality results from a combination of theoretical blinkers (the state as a unitary actor, inter-state collaboration in peacetime as necessarily of mutual benefit) and an unwillingness to face potentially unpleasant facts.

Nevertheless Gould rejects the third argument because her Conditionality Data Set reveals too much variation in program design, contrary to Joseph Stiglitz's (2002) description of loan conditionality as the produce of "cookie-cutter" models.[16] But she then claims that there is insufficient variation to justify acceptance of the political deception argument, because for this explanation to be true there would be even more variation than exists already (13). Once again, in order to achieve the necessary clarity and precision for her model to succeed, Gould dispenses with inconvenient evidence.

Fortunately Woods provides a battery of evidence to support the third perspective so casually dismissed by Gould. Her case studies of the Bretton Woods institutions' interventions in Mexico and Russia demonstrate the reality of the subtler means by which neoliberal policies have extended their reach. A capital strike can certainly produce the desired outcome, but a preferred method that has been employed especially by the World Bank is the cultivation of "sympathetic interlocutors who are both willing and able to embrace the priorities preferred by the institutions" (10). More coercive means are also available, but are used more as a last resort. Sengupta's case history of India as a client of the institutions highlights an important and neglected aspect of the "soft power" (or "soft sell," as he terms it, following Judith Teichman)[17] that they possess and use to great effect with strategically important clients:

> The BWIs are in a position to offer an array of rewards to domestic officials who choose to support its preferred pattern of market reform. These incentives are normally conveyed to domestic policy elites by World Bank country officials and include invitations to lectures, seminars and conferences in Washington, DC, which are usually accompanied by handsome honoraria and exceptionally well-paid contracts as consultants in the BWIs and other multilateral organisations… In a country where government officials are highly educated but notoriously underpaid…the lure of foreign travel and lucrative jobs is understandably difficult to resist. (Sengupta 2009: 193)

In the case of Mexico, as detailed by Woods, such was the closeness of the institutions' officials with key reform-minded personnel that two IMF staff disguised as tourists arrived in Mexico to advise on the preparation of the 1989 budget. At around the same time the World Bank's chief economist for Mexico was making secret trips "in order to 'coach' the Mexican team for their visit from the IMF" (97)! Woods is at pains to refute the charge that the institutions "brought about"

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Mexico's transformation (103), instead stressing their grasping of the opportunities for influence at the right time. Given the resources at their disposal, both institutions were guilty of practicing more than the sort of benign opportunism attributed by Woods. As she herself details, the influence of highly ranked US universities, Harvard in particular, together with the beguilingly simplistic and politically attractive (because appealing to powerful elites) economic determinism of the Washington Consensus, tilted the balance of forces heavily against the economic nationalists who tried to resist Mexico's neoliberal transformation.[18] Such was the structural power of the institutions that the IMF's loans to Mexico were designed to empower the Finance Ministry and the Central Bank at the expense of other state departments wherein resided alternative views of economic policy (90). The World Bank's former vice president for Latin America admits to "telling the Mexican authorities that he could not work with Education Minister Manuel Bartlett, and soon linked this communication with the fact that that the education minister was replaced within a couple of months with the young technocrat Ernesto Zedillo" in 1992 (96).

Woods' analysis of the BWIs' sorrowful sojourn in post-Soviet Russia offers a more critical perspective of their activities, tempered with a sympathy borne out of exasperation with Boris Yeltsin's political opportunism. This is in itself a refreshingly sober perspective on an era more often fondly missed by those neoliberal advocates affecting dismay at the turn of events under Vladimir Putin. While there is much more that could have been said (and indeed has been elsewhere—see for example Wedel 2000, Sachs et al. 2000, Wedel 2001), Woods provides a useful addition to that knowledge, as well as recovering some of the memory lost in the historical revisionism that has accompanied Putin's restoration of the Russian state apparatus.[19]

From the outset the geostrategic importance of post-Soviet Russia meant that any effort at economic reform or transition could not be treated as merely an economic matter for economists. However the crude economic determinism of the Washington Consensus proved a very convenient justification for the inattention to political and legal structures taken for granted in the US. According to Woods, "it was assumed that political reform would follow hot on the heels of economic reform as new firms and market actors demanded better legal and political systems" (104). For Michael Hudson, however, the lack of transparency and accountability in the privatization of Soviet industry was deliberate:

> If Wall Street investment bankers wanted to take an investment position in Russia, they could do so most easily—and at a much lower price—if only a few "oligarchs" gained ownership of Russia's prize assets. However, if the Russian government or other parties retained control over these assets, they would not be sold as rapidly, and probably would be sold at a higher price.

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> And so a symbiosis developed between the largest U.S. investors and Russian oligarchs. The largest U.S. investors realized that the kleptocrats for their part wanted to transfer their fortunes abroad. This is what all thieves want to do, for a simple reason: if they keep their money at home, it can be seized by true market reformers. Hence, Russian appropriators sought to move their money to Cyprus, Switzerland and other offshore banking centers, topped by the United States.
>
> To do this, they needed security from Western prosecution. The traditional way to achieve this is to go into partnership with well-placed Westerners. Partnership agreements accordingly were sealed by selling part of their stock ownership to Western investors. Such sales in fact were the only way in which the privatizers were able to realize financial value for their control, for there was no purchasing power within Russia itself to buy their shares. To raise money off the shares they had obtained, Russians needed to sell abroad.
>
> This was well recognized by international investors. It explains why they turned a blind eye to the abuses by [Anatoly] Chubais and other insiders, for they knew that they themselves would be the beneficiaries. (Hudson in Sachs et al. 2000)

The BWIs were at the forefront of the design of reform and advising on its implementation, along with USAID, the Harvard Institute for International Development, and the European Bank for Reconstruction and Development (EBRD). Woods attributes the reforms' lack of success to poor or non-existent implementation, coupled with "shareholders'" (i.e. the US) desire to waive customary procedures and expedite loans for short-term political purposes. The BWIs' traditional reliance on "sympathetic interlocutors" in this case proved less effective, owing to the opportunistic maneuvering of "the ever-adaptable" Yeltsin (125), always concerned "to maximize his own power and authority" (114). Not only that, but "bureaucratic resistance and inertia" (116) hampered efforts to impose order on the process of reform.

Woods attempts a partial exculpation of the BWIs from the Russian debacle, attributing much of the irregularities to the political prerogatives of the first Bush and Clinton administrations (thereby providing further confirmation to the "realist" argument). But even within the IMF and World Bank there were enthusiasts for the reform process. Only Jacques Polak, it appears, was consistent in his skepticism, being "constant and unwavering" in his concern "about the IMF's involvement in Russia" (108 n3). As late as 1998, First Deputy Managing Director Stanley Fischer declared that "the most important battles in securing macroeconomic stabilization and creating a market economy have been won" (Fischer 1998). This was before the devastating crash of that summer.

Here lies a weakness of Woods' less than critical institutionalist approach, whose empiricism ignores the remarkable continuities in personnel that bind formally separate organizations. For example, prior to his appointment to the IMF, Fischer

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was chief economist of the World Bank, already involved in the Bank's advising of the Soviet Union. Fischer's successor as chief economist was Lawrence Summers, moving to the US Treasury in 1993, where he eventually became Treasury Secretary in 1999 for the remainder of Bill Clinton's presidency. Summers was previously at Harvard University, where colleagues Jeffrey Sachs and Andrei Shleifer oversaw the early reform process in the Soviet Union and post-Soviet Russia, from their USAID-funded perch at the Harvard Institute for International Development (see Wedel 1998). More recently, Summers' links to Citigroup have proven controversial, given his return to government service in the Obama administration (Fitzgerald 2009; Soloman and Maremont 2009; Zeleny 2009). Meanwhile after leaving the IMF, Fischer served as president of Citigroup from 2002 to 2005. After stepping down as Treasury Secretary in June 1999, Robert Rubin joined the board of Citigroup, where he remained until 2009. As well as advising the Obama administration on economic policy, Rubin is a member of the Harvard Corporation, the executive governing body of Harvard University. He was appointed to that post in 2002 when the president of Harvard was…Lawrence Summers. Summers was eventually forced to resign that position in 2006 partially owing to his obstinate defense of Shleifer, whose involvement in conflicts of interest during Russia's privatization program, where he benefited from investments made whilst advising the Russian government as part of Harvard University's contract with USAID, led to an out of court settlement costing Harvard $26.5 million.

And so on. This remarkably small network of powerbrokers, linking the worlds of politics, academia, and high finance, is completely unremarked upon by Woods, yet does much to reveal the potential conflicts of interest that would in turn explain the claims made above by Hudson regarding the complicity of US interests in Russia's deeply flawed reforms of the 1990s. To some extent work has already been undertaken to uncover the network implicated in the Russian debacle (see Wedel 2001, 2009). What is missing from Woods' treatment is recognition of the class structures that transcend organizational boundaries and thereby make sense of the networks linking nominally separate spheres of activity.

This criticism applies with equal force to Gould's preferred explanation for loan conditionality, namely that IMF conditionality has ballooned as a result of the demands of supplementary financiers. Given the fact that the IMF does not have enough funds to fully finance all of the loans necessary to rescue states with currency problems, instead it serves as a trusted gatekeeper, offering states a basic lending arrangement (which serves as an imprimatur) in return for their acceptance of basic conditions. The additional conditions attached to the agreement derive from supplementary financiers' prerogatives.

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> The IMF, through its conditionality, facilitates cooperation between creditors and borrowers by vouching for a borrower's reputation and enabling it to more credibly commit to a particular course of action. The financiers often want to influence borrower incentives and the content of this Fund conditionality program in order to better serve their own interests. (25)

Who are these supplementary financiers? Gould divides them into three categories:

> Creditor states finance for political ends. Loans, grants, and aid are political tools used to support other states or governments. Private financial institutions finance for profit. They make loans to and make investments in countries that they expect will yield a positive return. Multilateral organizations finance for policy ends. Loans or grants are made to encourage policy reform or maintenance. (25)

Initially the US government oversaw the bulk of lending to other states, but this position was usurped by private financiers owing to the shift of the US current account from surplus to deficit during the 1960s. The first oil shock of 1973 led to the recycling of petrodollars through mostly US banks, which were now empowered to invest this capital by lending to developing countries. As detailed above, the linkages between the state and the financial sector are too significant to dismiss in accordance with conventional liberal practice whereby "state" and "market" (i.e., the private sector) are (and/or should be) mutually exclusive categories. For instance, the recycling of petrodollars was made possible largely through the personal intervention of bond salesman turned US Treasury Secretary William Simon, who, in 1974, negotiated a deal with Saudi Arabia by which the latter's central bank could buy US Treasury bonds outside of the normal auction. This arrangement was further cemented by Simon's successor, Michael Blumenthal (Spiro 1999: x). Around the same time the Rockefeller-founded and financed Trilateral Commission was accumulating a wealth of figures from the political and business worlds of North America, Western Europe and Japan, all with the aim of securing greater international cooperation and policy coordination at a time of perceived crisis (see Gill 1990: 132–142). And so on—yet another reminder of the need for a class analysis able to take account of phenomena rendered inexplicable by the reification of liberal concepts (van der Pijl 1998).

Conclusion: the Limitations of Method

Despite rich bibliographies, a significant omission of both works is the lack of any reference to the works of Burk and Cairncross (1992) and Harmon (1997), whose detailed studies of the IMF's 1976 loan to the United Kingdom are precisely the sort of inquiries that attempt to tackle a substantive problem rather than

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demonstrate a technical prowess of use only within a very narrowly-conceived academia. In so doing they provide a wealth of evidence that supports, augments and develops further certain aspects of Woods' work whilst flatly contradicting certain assertions of Gould.

Gould's evidence reveals that, in the early days of Fund activities, the British authorities assumed that conditionality was more appropriate for developing country borrowers. Notwithstanding the United Kingdom's status as a frequent recipient of IMF standby arrangements (SBAs) almost from their inception in 1952, as far as Britain itself was concerned conditionality need not apply. For instance, Gould's researches have unearthed an internal memo from 1960 in which a Mr MacGillvray is described as wanting "it made absolutely clear that this would not mean that the United Kingdom would ever accept the clause…in any arrangement which it might negotiate in the future" (230 n68). The item in question, the "prior notice" clause, was introduced in 1954 and variably employed until 1961, when it was discontinued owing to staff dissatisfaction with its inconsistent application. Prior notice clauses were intended to enable the IMF to deny borrowing rights to member countries that had previously agreed standby arrangements, subject to the member country's receipt of prior notice. In this way the stigma of being publicly declared ineligible for borrowing rights was avoided whilst the IMF retained some influence over the implementation of relevant policies by the borrowing states. Gould notes that these prior notice clauses were applied with particular regularity to Latin American and Caribbean countries (49–50).

Another means by which the IMF tried to steer borrowers' economic policy was through the introduction of phasing in 1956. Phasing simply meant the segmentation of SBAs into tranches that would be granted on condition of the borrowing state having met the requirements of the SBA agreed prior to the uptake of the first tranche. Very quickly, phasing was incorporated into SBAs such that by 1960 82 percent of SBAs were designed in this way (51). Again, "a disproportionately high percentage of SBAs for Western Hemisphere countries included phasing" (52), and over time the number of installments or tranches to be phased increased, sometimes to as many as 18! But under "special circumstances" phasing could be avoided altogether, as "when the stand-by is intended to restore market confidence and stem capital flight (e.g., the then-recent UK stand-by arrangements)" in early 1963 (231 n75).

Unfortunately these revealing glimpses of the preferential treatment afforded to metropolitan insiders represent an investigative road not taken. Instead we must look elsewhere to gain a clearer picture of the circumstances under which a former world power in decline was able to secure favorable conditions whilst other member states were set much more stringent terms. It is in Harmon (1997: 28) that we learn "the establishment of conditionality preceded its extension to developed country

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borrowings from the Fund," demonstrating the preferential treatment given to Britain as compared with developing country users of IMF facilities. This, and the fact that the British IMF crisis of 1976 is completely ignored, lessens the impact of what might otherwise have been a valuable study. Instead, by working within an avowedly liberal analytical framework, Gould follows Robert Keohane and Joseph Nye in emphasizing the cooperative aspects of international relations such that international institutions and international organizations are viewed as vehicles for mutually beneficial exchange (17; see also Keohane and Nye 1972, 1977; Keohane 1984).

While it is easier to attribute Gould's apparent lack of critical distance on her reliance on access to IMF archives, even Woods' criticism is to some extent tempered, perhaps on account of her need for cooperative relations with the BWIs. *The Globalizers* benefits from a number of interviews with former key personnel who are, in places, quite candid regarding their roles. Her relationship with the institutions remains sufficiently cordial for Woods to be able to collaborate with insiders, most recently in a rather anodyne analysis of IMF surveillance (Lombardi and Woods 2008). It is, nevertheless, surprising that there is no mention whatsoever of a significant work that tackles precisely those issues supposedly central to the concerns of both Gould and Woods. Like them, Harmon is a political scientist, so disciplinary boundaries cannot account for this omission, as it might (at a stretch) for Kathleen Burk (historian) and Alec Cairncross (economist). 1976 is right in the middle of Gould's chosen period of study, and Woods prefaces her case studies with a consideration of why and how both the IMF and World Bank "seemed to converge in the so-called Washington Consensus" in the 1980s (9), so timing should not be an issue.

Indeed, the complete neglect of the British IMF crisis of 1976 is puzzling, to say the least. Given that the United Kingdom "was the heaviest user of IMF resources during the first 25 years of the Fund's operation, drawing a total of over $7.25 billion between 1947 and 1971," it would be reasonable to expect greater British prominence in Gould's study especially. That, and the fact that in 1976 the "IMF was negotiating the largest stand-by in its history. It would also be its first two year agreement" (Dell 1991: 280). Dell also alludes to the pressure on the IMF from developing country members resentful of "the IMF's resources being diverted to a prosperous developed country that should have been able to look after itself"—a matter that had already reared its head in the British IMF loan of 1969, when developing country protests, led by Brazil, led to the very first imposition of a binding condition on Britain (see Harmon 1997: 37–38).[20]

Indeed, for political scientists, perhaps the most gaping hole in their analysis is that created by the relative absence of the consideration of interests. Both authors are inclined to emphasize the technocratic orientation of the BWIs' staff and their activities, despite the obvious political consequences of their interventions. This

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is less true of Woods, whose case studies of Mexico and Russia reveal enough of the politicking between the various parties. But an ignored aspect of the BWI's activities is the powerful ideological role performed by mainstream economic theories that have held sway since the breakdown of the Keynesian orthodoxy in the 1970s. The simple, if not downright crude, belief in the efficacy of "markets" (defined in opposition to "the state") was propounded by politicians, economists and assorted other functionaries, all of whom were quite willing to impose a greater state power in order to undermine and destroy statist development policies. The British case is again instructive. In their recounting of this episode, Panitch and Leys (1997) support Harmon's contention that "IMF conditionality offered to American authorities an instrument through which they could precipitate the macroeconomic policy changes they deemed necessary in the UK" (Harmon 1997: 230). Panitch (2000: 12) goes further by describing the conditionality as "a momentous break with Bretton Woods protocol." Sovereignty was being brushed aside in a way previously reserved for non-industrialized countries, "upon a major Western state."

Panitch's Marxist rendering of the British IMF crisis as "nothing less than the imposition of financial capital's long-standing preference for price stability and private investment as the pre-eminent goals of economic policy" is further supported by the testimony of the thoroughly non-Marxist Bernard Donoughue, head of the 10 Downing Street Policy Unit under both Harold Wilson and James Callaghan:

> I should point out that we were not being paranoid in 1976 in our suspicion that the IMF was capable of launching economic "remedies" which could destroy governments (especially governments of the left). A year later in November 1977 the IMF mission to Portugal (including a senior member of the 1976 mission to the UK) refused to grant a credit tranche to the socialist minority government led by Mr Soares because he would not make immediate savage economies which would certainly have brought down his administration and allowed back into power the old anti-democratic parties of the far right. Internal IMF briefing, which we saw among diplomatic papers in Downing Street, at the time stated quite brutally that the IMF policy was to create a foreign exchange crisis over the next two months. The IMF staff explicitly asked the Western Governments of the United States, Germany, Japan and Britain to withhold financial and economic aid in order to create a foreign exchange crisis which would bring the Soares Government to its knees and so force it to accept the harsh IMF prescription. (Donoughue 1987: 95–96)

With the more recent publication of Donoughue's diaries, we are given a further indication of the forces at work to remodel economic policies in the service of financial interests. A damaging story featured in the *Sunday Times* of October 24, 1976, claiming that the IMF wanted an exchange rate of $1.50 to the Pound was calculated to cause as much damage as possible to the credibility of the government. "This was bound to produce a run on the pound… Sterling had fallen 7 cents

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this morning—the biggest percentage fall ever!… We don't know who planted the *Sunday Times* article. It was from America—but possibly from our Treasury representatives there?" "…it is nothing to do with a purely financial problem of financing the deficit… It is politics—they [the IMF team led by Witteveen and Alan Whittome] want blood out of the Labour programme… Their 'technical analysis always concludes in a position identical to that of the Tory Party'." The *Financial Times* had received a copy of finance minister Denis Healey's December 7 "paper to Cabinet on the cuts *before* it was circulated to Cabinet—and from the Treasury!" Helmut "Hal" Sonnenfeldt of the US State Department "was convinced from all he had heard in Washington that the US Treasury and our Treasury were 'in cahoots' to get more deflation." "The American Embassy people keep telling us…that the degree of disloyalty in what our Treasury and Bank [of England] people say to their American counterparts is 'unparalleled' in their experience" (Donoughue 2009: 86, 108, 114, 117, 126).

Had Woods written her case study of Mexico from the point of view of the nationalists in the Mexican Cabinet it would have read a lot like Donoughue's insider view of what the British government was up against. A transnational bloc of interests spanning state (politicians and civil servants), banking and finance, and the news media working to undermine the position of those standing in the way of deflationary policies was at work in Britain throughout the lifetime of the 1970s Labour government.[21] As recounted by Sengupta, the same holds for India throughout the 1980s, as pressure for liberalization mounted. How many other case studies could be written in which this pattern of opposition, obstruction and sabotage conducted under the cover of "technical" economic issues took place?

So, despite the inclusion of empirical detail that is pregnant with possibility for further, critical inquiry, and which at times flies in the face of the conclusions drawn using what might be regarded as a prejudicial methodology, Gould's *Money Talks* is primarily of use as a source of much detail that is effectively ignored by its compiler. Woods is less guilty of this transgression, but is similarly confined by terms of reference that restrict her investigation within parameters set largely by the subjects of that investigation—how successful have the BWIs been on their own terms?

Given the avalanche of critique that has followed the Asian crisis, followed by the Argentinian default of 2002 and the global financial crisis of 2007 onwards, it is not difficult to find alternative, radically critical views of the BWIs and their role as standard bearers of the Washington Consensus. Harmon (1997) and Sengupta (2009) are only two such contributions that exemplify a theoretically-informed, empirically aware and properly objective approach. As Gould notes in her closing paragraph,

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> Our challenge as scholars is to identify why actors exercise influence and impact outcomes. Our world does not consist of single types of actors or of single causal arrows. Our theories should simplify and clarify, but they should also recognize and attempt to unpack this diversity. (208)

The titles under review here have done this to a certain, limited extent, but have left much else begging, as befits the application of a liberal framework that imposes its own obfuscatory reifications upon reality, but which avoids the inconveniences of questioning the whole basis of what it purports to study.

Notes

1. Under the leadership of Managing Director Michel Camdessus, the IMF was among those publicly admonishing East Asian countries for their "crony capitalism" (International Monetary Fund 1998: 196), while his First Deputy, Stanley Fischer, regarded the Asian crisis as "home grown." As Heribert Dieter pointedly asks, "If domestic economic policy were the prime cause for trouble, one would have to ask why the same economic policy was responsible for the preceding economic boom" (Dieter 2002: 7). Anne Krueger, Fischer's immediate successor at the IMF, demonstrated the durability of this orthodoxy as it applied to all countries except the United States, despite a succession of financial scandals including the then-recent Enron collapse (Krueger 2002).
2. This concept has been developed by Kees van der Pijl to theorize globalization as an imperialistic process, originating geographically from the north Atlantic anglosphere and inherent in capital, by which the sovereignty of property and contract is transnationalized and thereafter imposes itself upon contender states: "The heartland is…best understood not as some massive central island but as a networked social and geo-economic structure comprising a number of (originally English-speaking) states and a regulatory infrastructure" (van der Pijl 2006: 13; see also van der Pijl 1998: ch. 3).
3. And within the world of finance itself there occurred a proliferation of "innovations" that have subsequently been held responsible for much of the global credit crunch that began in August 2007. It is a fitting irony that some of those who unleashed finance and all of its attendant risks upon the South should now be the victims of their own deregulatory zeal. However, the sting has been tempered by state interventions otherwise denied to the recipients of IMF loans, and there is now a fierce struggle over the future of financial regulation, with the financial sector fighting what appears, at the time of writing, to be an increasingly successful rearguard action (Plender 2009).
4. This can be confusing for those accustomed to using "neoliberalism" as a term of abuse (!), or, more sedately, as a signifier of the dominant economic policy and ideology that has accompanied and even defined globalization: namely, privatization, reduced taxation and government spending, the paring back of state welfare provision, removal of restrictions on cross-border trade, deregulation of the financial sector, "integration" into the global economy (a key phrase glossing over the surrender/loss of economic sovereignty to transnational finance in particular), and the elevation of anglosphere business practice as the hegemonic ideology throughout political and civil society. But in fact "neoliberal institutionalism" can be seen as the "political" complement to the economic "integration" processes that are central to IMF, World Bank and World Trade Organization activities and conditions, and which are presently enshrined in conventional policy discourse and practice throughout the developed world. As a policy it was operationalized by the World Bank, following the evident failures of structural adjustment policies (depicted as a "crisis of state effectiveness") that were the embodiment of the crudest economic determinism (see World Bank 1997, 2002; see also Panitch 1998).

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5. Realism encompasses a set of theories that treat states as both primary and unitary rational actors in international relations. In an anarchic world, states compete against each other for power. Adhering to the liberal dichotomy of politics and economics, realism differs from liberal or idealist international relations theory by viewing the struggle for power as a zero-sum game, eschewing the liberals' emphasis on positive-sum outcomes via international cooperation. See Donnelly (2000).
6. More specifically, while US Executive Director Richard Erb argued against the loan within the IMF prior to abstaining, he later explained to Congress that "military spending was a matter of national sovereignty and was outside the purview of the IMF—this was also the IMF's official position" (Sengupta 2009: 200 n52; see also Boughton 2001: 714). In other words, the Cold War took precedence over fiscal rectitude.
7. Samuel Huntington famously depicted this type of person as belonging to "Davos Culture": "Almost all these people hold university degrees in the physical sciences, social sciences, business, or law, work with words and/or numbers, are reasonably fluent in English, are employed by governments, corporations, and academic institutions with extensive international involvements, and travel frequently outside their own country. They generally share beliefs in individualism, market economies, and political democracy, which are also common among people in Western civilization. Davos people control virtually all international institutions, many of the world's governments, and the bulk of the world's economic and military capabilities" (Huntington 1997: 57).
8. The presence of US troops (among many others) in post-revolutionary Russia could thereby be excused as a response to aggression. The rights of self-determination only went so far, apparently.
9. On Kouchner, see Caldwell (2009). Blair famously outlined his views in a speech to the Chicago Economic Club on April 22, 1999, in the middle of NATO's bombing of Serbia. In an interestingly argued paper, Atkins (2006) analyses Blair's arguments and concludes that their consequentialist reasoning renders his position realist!
10. Both Huntington and Mearsheimer were among the 851 signatories to an open letter critical of the second Bush administration's foreign policy and published in October 2004 by Security Scholars for a Sensible Foreign Policy. See www.realisticforeignpolicy.org/archives/2004/10/security_schola_2.php (accessed August 11, 2009).
11. As succinctly and pithily put by *Financial Times* commentator Gideon Rachman: "President George W. Bush had his own answer to the question of global governance—the G1" (Rachman 2009).
12. The monetarist orthodoxy of neoliberalism, embedded in the charter of the European Central Bank, states that central banks should be free of political interference (or democratic accountability) and focus primarily, if not exclusively, on keeping inflation under control. The same strictures do not apply to the Federal Reserve, whose dual mandate comprises price stability and full employment (and possibly in the future banking regulation). The latter, however, is more often than not interpreted as the facilitation of conditions favorable to investors. The financial crisis that began in 2007 has effectively exposed the primacy of investor sentiment over counter-inflationary monetary policy and thereby shown that they are not synonymous. In other words, neoliberal globalization was good for sentiment as long as it was seen to work for investors. The "offshoring" of manufacturing jobs to cheaper labor countries was as disinflationary as it was debilitating for metropolitan organized labor. The indebtedness of states at the end of the Keynesian era was portrayed as undesirable and untenable, and therefore another good reason to usher in neoliberal policies that promised to reduce welfare provision and so encourage greater individual responsibility. But the same strictures of fiscal rectitude apparently do not apply to private sector investors, whose practices do not require similar fundamental overhaul, symbolic collapses like that of Bear Stearns or Lehman Brothers in 2008 aside. Indeed, as Martin Wolf, hitherto a cheerleader of neoliberal globalization, attests, it is precisely those governments which have been championing the neoliberal, antistatist prescription that must now bail out the same profligate financial sector that until recently was instrumental in imposing that prescription. Indeed, the easiest solution would appear to be a good dose of 1970s-style inflation (Wolf 2008; see also Liu 2008).
13. The IMF has since announced a significant redesign of its lending criteria to include a commitment by the borrowing government to higher levels of social spending (Strauss-Kahn 2010). The

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effectiveness of this commitment has been challenged, by sceptical analysts. Ghosh (2009) points out: "Even the much-vaunted claim that the IMF will now encourage social sector spending does not amount to much. In Pakistan social spending has been allowed to increase by 0.3 per cent of GDP. But since this is combined with the aggregate budget cuts of more than 10 times that amount, the likely positive impact will be minimal." A more recent study by Stuckler, Basu and McKee (2011) suggests that aid money is diverted from social programs despite official reassurances to the contrary. Although this study examines data from the period 1996–2006, the inference of continuity thereafter is reasonable, especially when taking into account the IMF's official response to the article. Deputy Director of External Relations Gerry Rice defends the IMF's record during this earlier period as consistent with the organization's more recent policies (Rice 2011).

14. Gould distinguishes the rational choice explanation, in which bureaucracies seek power consciously, from that of the "sociological school" in which expertise and external legitimacy render power to the bureaucracy as a byproduct (9). This echoes the functionalist sociology of David Mitrany and Ernst Haas, often cited as guiding inspiration for European integration (O'Neill 1996: ch. 3).
15. Notwithstanding the separate political deception of Washington insiders feigning disapproval of conditionality terms.
16. Stiglitz was hardly alone in highlighting the inflexibility of the basic IMF prescription: "The fiscal and monetary details have scarcely changed since they were worked out by then-IMF Research Director Jacques Polak in 1957" (Pieper and Taylor 1998: 39–40). "[T]he simplicity of the model was essential to its success… The original model required few data. It focused attention on a key variable that governments could control—domestic credit creation. Crucially, it linked a country's domestic economic policies to its balance of payments position. This opened the door for IMF conditionality. It meant that to help resolve a balance of payments problem, the IMF would need to address domestic economic policy in its member countries… The great advantage of Polak's new approach was that it used data on assets and liabilities in the banking system… In other words, it was eminently practicable" (Woods: 40, 41).
17. According to Teichman (2001: 64), "soft sell" consists of "building policy networks based on personal trust [in order] to influence and sometimes even guide the specific direction and nature of reform."
18. "Just as the staff of the Fund benefited from the professional discipline and relative simplicity of orthodox economics, so too these same characteristics made the ideas attractive to technocrats needing quickly to come up with solutions to difficult and messy problems. In social theory terms, the theoretical logic, the prescriptive simplicity, and the optimistic prognosis all made this a tempting package that would give a strong hand to the individual and the agencies promulgating it" (90).
19. As with the initially favorable comparisons with Chile's General Augusto Pinochet when Putin was first elected president (Traynor 2000).
20. Gould reveals that between 1957 and 1967, Britain had four stand-by loans with no binding conditions, whereas Brazil's eight stand-by loans were accompanied by 35 binding conditions. Although the highest average number of binding conditions, Brazil's experience was typical of Latin American and Caribbean borrowers. As Gould states, "Only Western Hemisphere and Asian arrangements appeared to follow the Fund's stated rule that higher credit tranche drawings require more 'justification' (or conditions)" (98; see also table 3.7 on 68). Gould also writes that the single binding condition was imposed over the apparent objections of the US, but chooses not to focus on cases "likely to be outliers" (76).
21. Donoughue alludes to this in his diary entry for December 23, 1976: Callaghan's political adviser Tom McNally "was also much agitated by having been shown a very secret paper from inside the board of National Westminster Bank. It states quite categorically that some of the serious financial difficulties which faced the NatWest Bank in the final quarter of 1976 arose from policies pursued by the Bank of England—policies which were specifically described as being 'political'. These were to attempt to bring about cuts in public expenditure by 'failing to sell gilts'. Tom has now joined the 'conspiracy school'—because there *is* one! Not surprising. Most of the institutions in our pluralist society are run by people who do not support a Labour government and strongly

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resent its tax and income policies towards the middle classes. It is no surprise that they will pursue policies contrary to the interests of a Labour government. They justify them as being in the national interest" (Donoughue 2009: 127–128).

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