

PO230 States and Markets: An Introduction to International Political Economy
Seminar Week 19. IMF and the politics of global governance

Tutor: Saadia Gardezi
Saadia.Gardezi@warwick.ac.uk



What is “structural adjustment”? What problem does it try to resolve?

What is the problem with structural adjustment policies?

(This website summarises structural adjustment policies and consequences:
<https://www.economicshelp.org/blog/2139/economics/structural-adjustment/>)

What do you think of IMF’s changing mandate:

“The Fund’s leadership talks in expansive terms of making social spending a core component of a ‘social contract’ by which its missions can be fulfilled, and conceives of it as an investment. Yet, in desk-level operations, social spending is considered more narrowly as a cost. The kinds of economists hired, and the mind-sets routinely embedded in their models, means that commitment to such a social contract becomes heavily circumscribed in its translation into social spending.”
 (Clift and Robles 2019)

“There exists, then, a paradoxical relationship between the Fund’s economic predispositions and its quest for political legitimacy. Mainstream economics normally provides a degree of technocratic or ‘scientific’ legitimacy to the Fund’s prescriptive discourse, but here the disciplinary strictures of an economics approach to inequality and social protection narrows the scope of policy response, undermining effectiveness.”
 (Clift and Robles 2019,

What is IMF’s social contract? (Lagarde 2019,
<https://www.imf.org/en/News/Articles/2019/06/14/sp061419-md-social-spending>)



“At a deeper level, I would argue that social spending is a core component of the social contract needed to fulfill the missions of our respective institutions. This is not a new insight. The importance of providing financial security to citizens to keep the peace and foster harmonious social relations is a lesson that goes all the way back to the ancient civilizations.

It is a lesson learned during the industrial revolution, as politicians responded to new social and political challenges with different forms of social protection—think of the Bismarckian reforms in Germany.

It is a lesson learned after the darkest days of the 1930s. Economic historian Barry Eichengreen makes a convincing case that the vastly different political paths taken by Germany and the UK over that decade was at least partly due to the UK’s better functioning unemployment insurance scheme in the face of crippling unemployment.

And it is a lesson learned in the postwar era, when the three decades of strong and shared growth in the advanced economies— *les trente glorieuses*—were underpinned by an accompanying social contract with broad participation and widespread social and political support.

What this tells us is that for economies to be resilient and growth to be sustainable, this growth needs to be inclusive—which calls for social spending. This in turn provides the social and political buy-in for growth-supporting policies—and in doing so, builds trust.

The bottom line: social spending matters. It matters today as we are bombarded by new challenges. More retirees, fewer workers. The effects of technology on work and wages. Rising inequality and demands for greater fairness. Barriers to women participating in the economy and realizing their full potential. The existential threat of climate change. Diminishing trust, rising discontent, and a turn away from global cooperation.

<http://speri.dept.shef.ac.uk/2019/10/29/reglobalisation-in-action-part-3-rethinking-the-role-of-the-imf/>)

“The response to the current crisis has in fact been incoherent in important respects, from ‘who’s in charge here?’ to ‘what is to be done?’” What does Grabel (2011, 807) mean by this?

She further writes that this “incoherence is in fact productive in the sense of expanding policy space for development.”

How do international organisations (IOs) construct cognitive authority over the forms, processes and prescriptions for institutional change in their member states? (Broome and Seabrooke 2012)

Should states borrow money?