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After Creation: Intergovernmental Organizations and Member State Governments as Co-Participants in an Authority Relationship

M.J. Peterson
University of Massachusetts - Amherst

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MJ Peterson
University of Massachusetts Amherst

the still-incomplete product of an abandoned project

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AFTER CREATION: PART 1. INTRODUCTION

In the late 2010s countries in many parts of the world seemed to be heading in a more unilateralist direction as governments and peoples chafed under the distributional changes wrought by globalization and the 2008 financial crisis. However many global interconnections remain strong and many problems – not only, but certainly including, climate change and pandemics – cannot be managed by retreating into unilateralism. Shared effort coordinated through intergovernmental organizations (IGOs) will continue to be an important element in organizing the global or regional level cooperation needed to address issues posed by the existence of those interconnections. Good understanding of how IGOs work and how they affect world politics remains important.

Prevailing Conceptions of Intergovernmental Organizations

In formal terms, an intergovernmental organization is an entity created by states to advance cooperation among them, either to help secure a shared goal or to help escape a shared aversion. The primary conceptions of IGOs current among analysts of international relations all treat IGOs as separate from but also closely connected to the governments of their member states. In what is probably the most prevalent conception, IGOs are tools used by the predominant actors in the international system to enforce their preferred order on other actors. This basic outline can take many forms depending on identification of the predominant actors. For realists and some others, these predominant actors are one preeminent power ("the hegemon") or a small group of cooperating great powers (e.g., Pauly 1998; Stone 2011). Marxists emphasize a transnational capitalist class, though typically regard it as operating in the political realm through the governments of major market economy states (cites). Neopluralists

(Cerny 2010) see an increasingly transnational organization of groups, but acknowledge the advantages held by financiers and major corporations and the continuing autonomy of states. Functionalists (e.g., Mitrany 1943) and some others (e.g., Murphy 1994) attribute broad influence to transgovernmental networks of like-minded national officials who use IGOs to advance their shared vision of how particular problems should be addressed. In a second conception, derived from theories of delegation first developed in studies of national politics (e.g., Bendor, Glazer, and Hammond 2001; Huber and Shipan 2002; Braun and Gilardi 2006) but also used extensively in studies of the European Union (e.g., Pollack 2003), the coalition of member states with sufficient votes in the IGO's decision-making bodies to set its directions function as a collective principal using the IGO as its agent (Hawkins *et al.* 2006). In a third conception, any IGO with a significant-sized bureaucratically-organized staff is likely to escape member governments' control as the staff operates according to the dynamics of bureaucratic organizational methods and ambitions (e.g., Ness and Brechlin 1988; Vaubel 1996; Frey 1997; Barnett and Finnemore 2004). A different analysis of IGOs as actors independent of the member governments treats them as "orchestrators" (Abbott and Snidal 2009; Abbott *et al*. 2015) that affect member government choices and actions indirectly by enlisting coalitions of like-minded actors – other IGOs, transnational advocacy coalitions or social movements, within-country constituencies of various types – able to influence government decisions.

The power-centered and principal-agent conceptions overlap since a like-minded group of governments ruling particularly powerful states can be defined as the effective collective principal even in an IGO with a global membership. However the conception of interaction guiding the principal-agent conception rests on rational choice theory assumptions about how political actors behave and interact while the political tool conception can be applied with equal vigor by realist, liberal, Marxist, and critical theorists of international relations despite their very different epistemological and ontological commitments. The principal-agent and runaway bureaucracy conceptions also overlap, since principal-agent theory treats both principals and agents as autonomous self-seeking actors, with the agents seeking opportunities to exploit their position for their own benefit as they perform their delegated tasks, and the principals using various means to curb such agent behavior. From this vantage point, the view of IGOs as autonomous bureaucracies escaping member government control is simply the elaboration of what happens when principals cannot or will not exert effective control over agents. The more modest claims of accounts treating IGOs as background "orchestrators" fit well with claims that territorial states are no longer able to perform their traditional functions, particularly the "world society" conception that governments are necessarily becoming more responsive to the normative and practical concerns advanced by an increasingly coherent global civil society (e.g., Boli, Gallo-Cruz and Mathias. 2010).

While the first two conceptions encourage under-estimating the ability of an international organization to operate as autonomous actors in world policies, the third and – to a lesser extent – the fourth encourage over-estimating that ability. Both types of mis-estimation would be avoided by adopting a perspective that keeps the member state governments and the organization in view simultaneously. Some of the more subtle versions of the predominant conceptions do just that. While treating IGOs as tools of the powerful, Randall W. Stone (2011) acknowledges that they are effective as tools only when the powerful respect what he calls an underlying "social contract" in which the great powers providing other states with orderly forms of global governance and certain material benefits in return for their acceptance that the great powers will make exceptions to the rules in particular situations whenever they choose. Michael Barnett and

Martha Finnemore (2004) note the negative potential of bureaucratic form, but also note the positive effects of greater consistency of behavior that bureaucratic form can provide.

The four conceptions share one important analytical weakness – they tend to obscure the relations between an IGO and its individual weaker state members. The weaker member states tend to be lumped together despite their considerable variation. Sometimes they are treated as objects rather than actors, done-to rather than capable of doing. At other times, they are treated as actors having little choice: agenda-takers rather than agenda-makers, experiencers of others' choices as *faits accomplis* rather than partners in making decisions.

Though a few IGOs are no more than discussion forums, most IGOs provide services or resources to member state governments. The services may involve promoting standardization – of, for example, radiofrequencies, railway track gauges, or highway signs; coordinating the collation and dissemination information about matters of general concern like weather conditions, outbreaks of infectious disease, or characteristics of hazardous chemicals; or providing a central node for an inter-governmental communication network promoting better administrative cooperation. The resources may include lending experts to train local personnel, providing financial resources, or even on a few occasions stepping into an internal conflict to provide elements of basic public administration. IGOs that provide services or resources, particularly the latter, actually develop two relations with member state governments. The first, familiar from the principal-agent literature, is that between member state governments as a collective principal that creates and uses the IGO as an agent. The second, and much less familiar, is that between the IGO head and staff as they carry out their work and the individual member state governments to which the IGO provides services or resources. Because the services or resources come with instructions about how to use them, this relation involves the

IGO as a provider bearing instructions and the individual member state governments as addressees listening to instructions.

Though obscured by the connotations of most of the words used for analyzing such relations, this second relation can be treated as a type of authority relationship because the provision of services or resources puts the leadership and other staff of the IGO in a position of allocating resources and instructing member governments in their use. This creates a pattern of interaction in which the IGO has the directing role and the individual member governments have the following role. Thinking about interactions between IGO staff and individual governments of member states as involving co-participants in authority relationships provides a good way of keeping both the IGO and the member state governments in view at the same time by emphasizing the mutual character of their connections. This takes analysis beyond the implicitly one-way character suggested by the conceptions of IGOs as tools of the powerful, IGOs as agents of a collective principal, IGOs as runaway bureaucracies, or IGOs as subtle orchestrators.

Regarding interactions between IGOs the member state governments as an authority relationship also provides connects the relations of the IGO leadership and staff with individual member governments to their relations with all the governments of member states as a collective principal. Any IGO with decision-making forums that include representatives of a broad array of member states contains a feedback loop from the individual relations to the collective principal because member government representatives in the forum will be aware of and draw on their own government's individual experience with the IGO as they participate in defining the terms of delegation or overseeing IGO activity. Second, how individual member governments interact with the IGO head or staff affects how the head and staff carry out their work, and can induce them to shift organizational practices within the limits of the discretion they possess as agents.

This conception of IGOs and member state governments linked in two distinct relationships also parallels a well-established distinction between an IGO as negotiating forum and an IGO as separate actor prominent in most descriptive accounts of international organizations (e.g, Karns and Mingst 2011; Bennett and Oliver 2001; Rittberger and others 2011; Hurd 2020) and in the legal literatures on "international administration" or "the law of international organizations" (e.g. Amerasinghe 2005; Sands and Klein 2009).

The Existence of Authority Relations in World Politics

Despite greater attention among analysts of world politics to the concepts of hierarchy (e.g., Cooley 2004; Lake 2011; Renshon 2017; McCormack 2018) and authority (e.g., Hall 2015; Hooghie, Marks, Lenz, Bezuijen, Ceka, and Derderyan 2017; McNamara 2017; Zurn 2018), using the phrase "authority relation" to describe what is happening between IGOs and individual member state governments still seems strange. This sense of strangeness derives in large part from ingrained presuppositions about what is implied in saying the word "authority."

David Lake has argued that the inability to see authority relations operating in world politics rests on an implicit equating of global-level authority with one type of authority that exists within states – rational-legal authority based on office holding (Weber 1925/1978, chapter 3) – because the traditional and charismatic types Weber also outlined seem irrelevant at the global level (Lake 2010, 587 and 589). For Lake, the problem is that the absence of a world government makes it difficult (if not impossible) to see any form of legal-rational authority existing at the global level. The influence of expertise on governments – whether exercised by individual policy advisers (e.g., Hall 1989), or domestic or transnational epistemic communities (e.g., Haas 1992) has received considerable attention, and many IGOs develop expertise in various fields. Yet the notion that relations between an IGO its individual member states could be viewed as examples of being "an authority" based on expertise have not taken hold.

Yet the intellectual hurdles to considering authority relationships as part of world politics are deeper, rooted in the ways the term "authority" is commonly defined. Standard dictionary definitions begin with formulations suggesting that authority is something possessed by a leader. The *Oxford English Dictionary* (1989, no. 1a) defines "authority" as "power or right to enforce obedience; moral or legal supremacy; the right to command or give ultimate decision." *Webster's* (1993, no. 2a) uses "power to require and receive submission; the right to expect obedience; superiority derived from a status that carries with it the right to command and give final decisions." Some subsidiary definitions, such as the *Oxford English Dictionary's* "personal or practical influence" or "power to inspire belief" (1989, no. 4 and no. 6), suggest that authority is a characteristic possessed by particular actors which use that characteristic to acquire leadership roles.

Read more carefully, however, the dictionary definitions include hints that authority is a relationship between actors holding rights to instruct and actors expected to comply with those instructions. In this conception of authority, the actors in the relationship mutually acknowledge the leader's right to instruct and the followers' obligation to conform. Recent work on authority in international relations (e.g., Albin 2001: 15-17, 220-222; Lake 2010: 587; Bernstein 2011: 19) has moved in this direction. Other theorists of international relation have taken up similar ways of thinking about leader-follower relations as part of the "practice turn" (e.g., Neumann 2002; Adler and Pouliot 2011; Bueger and Gadinger 2015) and the "relational turn" (e.g., Nexon 2010; Jackson and Nexon 2019) in international relations theory. Some scholars engaged in these lines of theorizing also adopt the strong relationalist view that social processes of interaction are more real and hence ontologically prior to both actors and social structures (see Emirbayer 1999). Yet focusing on relationships is also consistent with other sets of ontological assumptions (e.g., Kivinen and Piioroinen 2018; Close 2019), including one that treats actors, relationships among actors, and broader social structures as equally real and fundamental, though each in a distinct way.

The interactive nature of exercising authority tends to be obscured in world politics for two reasons: greater material capability can be exercised more blatantly and is subject to less condemnation than in many national political systems, and applying material capability quite often appears to produce the results the capability-wielder desires. Both encourage under-estimating the importance of the shared beliefs in inducing the weaker to act as they do. Continuing reliance on conceptions of authority that accentuate the top-down side of the relation without much attention to the bottom-up side also encourage ignoring how followers' actions and inactions affect the course and outcome of interaction.

Defining an Authority Relationship

An authority relationship involves two sets of actors. The first set, usually analyzed as a singular actor though it might be a collective, holds the right to tell others what to do. The second set, generally plural but sometimes treated as a singular actor in outline summaries, have an obligation to do as they are told or accept being punished for disobedience. These sets of actors have been given a variety of names. The words "rulers," "governors," "commanders," or "superiors" have been used to identify those with rights to instruct others about what to do, while the words "subjects," "governed," "commanded" or "subordinates" have been used to identify those with obligations to follow instructions. Most of these words have very hierarchical connotations drawn from national level activity – monarchical conceptions of political community, Weberian notions of formal-legal authority, and military chains of command prominent among them. To avoid those connotations a distinctive set of terms is used here, with the term “authority holder” denoting the actor(s) having the right to instruct and the term “addressee” to denote the actor(s) having the obligation to act as instructed. Using “authority holder” is an effort to de-link analysis of authority relationships in international relations from the way they operate in centralized national-level polities. Using “addressee” is intended to avoid the common national-level assumption that there is wide power distance – social norms inhibiting overt challenges to higher-status individuals or groups from lower-status ones (Hofstede, Hofstede, and Minkov 2010: 95-97) – between givers and receivers of instructions. At the international level, the principle of sovereign equality of states creates a much narrower power distance between IGOs and member states than prevails in national political systems. Using the term “instructions” for authority holder communications with addressees rather than the more common “commands” is also intended to avoid evoking the notions of authority drawn from the experience of hierarchical social systems.

Many discussions of authority relationships divide the shared expectations that bind authority holders and addressees together into the substantive and the procedural (e.g., Scharpf 1997; Grant and Keohane 2005; Keohane 2011). Yet that two-part division oversimplifies and provides less analytical traction than a conception dividing both the substantive and the procedural into related aspects. Myres McDougall and Harold Lasswell (1981, 22) suggested such a finer gained approach in their definition of authority as the “structure of community expectations about who, with what qualifications and mode of selection is deemed competent to make decisions by what procedures and criteria.” Michael Bayles *(1976, 105?) offered a more detailed formulation in his statement that the "operating rules" for any authority relation take the form "Person X with qualifications Q may issue directions D in manner M to person or persons Y concerning subject or subjects S for purpose P."

While helpful for defining the terms under which addressees accept an authority holder's instructing, these definitions do not pay sufficient attention to the other side of an authority relationship – addressee perception of whether continuing to participate in the authority relationship is worthwhile. Addressees consider this in two related evaluations – first a prospective assessment of the relevance of the instructions they are given for attaining the goal and then a retrospective assessment of the efficacy of acting according to instructions in getting to the goal. Relevance supplements the issue area expectations by raising the question of which instructions within the larger set of possible instructions that could be issued relating to activity in the area appear most conducive to goal attainment. Addressees might regard an instruction as non-relevant because it does not appear to address the actual shape of the problem at hand, or because it appears designed to elicit action benefitting the authority holder or some group of favored addressees rather group attainment of the shared goal. Efficacy is more retrospective and can, if efficacy seems poor enough, extend to addressee consideration of whether the authority relationship as a whole is contributing to goal attainment. This involves a set of related queries, including whether there is enough addressee compliance with instructions for the collective effort to succeed, whether the content of the instructions has proven to actually promote goal attainment, or whether some aspect of the authority relationship itself is hindering goal attainment.

Taking these considerations into account, the conception of an authority relationship used here distinguishes between procedural and substantive aspects. The procedural aspects comprise specifications of:

Selection: the qualifications and selection process by which the role of instruction-giver is assigned to one or more particular actors;

Addressees: the rules defining the set of actors receiving and expected to follow the instructions; and

Procedures: the forms and ways in which instructions should be conveyed to addressees

The substantive aspects comprise specification of:

Goal: the purpose or outcome to be pursued;

Area: the subjects on, or issue areas within which, instructions may be given;

Relevance: the types of actions or inactions addressees may be instructed to undertake; and

Efficacy: whether and to what extent continued cooperation within the authority relationship has actually produced progress toward the goal.

Each dimension can vary separately from the others and be evaluated individually. Yet in most actual authority relationships addressee perceptions on one dimension are likely to affect their perceptions on another.

Focusing on authority relationships also highlights another feature that standard dictionary definitions of the term "authority" obscure, namely that authority relations exist and persist because they facilitate harnessing actors' individual capabilities together for attainment of some common purpose. (see Michels 1930, 319; Jenkins 1976, 38; Dalton, Barnes, and Zaleznik 1968, 37; Connolly 1987, 21 as well as the similar tradition in organization theory going back to

Barnard (1938, 163) and Simon (1976, 125-26). Actors able to attain their goals acting alone do not need to form relationships for that purpose. It is when lone effort has failed or appears likely to fail that forming relationships occurs. In a sufficiently large group, structuring the relationship as an authority relationship giving some actor a right to instruct the rest in the group permits – though does not guarantee – more effective coordination of effort (e.g., Shinn 1971, 93; Gamson, Fireman and Rytina 1982, 122; Connolly 1987, 21; Raz 1990, 6-7; Rosler 2005, 187-188). The facilitating effects of creating leadership roles exist even among groups of highly intelligent actors. The highly intelligent may even need a signal-caller more than others because, as Finnis (1990, 174) notes, the highly intelligent are able to identify a larger number of reasonable action paths to a goal than others, but also need to converge on following one of those paths to act effectively as a group.

Treating authority as a relationship also makes clear that both authority holders and addressees remain autonomous participants in the interaction. Though addressees are "subordinated" in that they accept the role of instruction-followers, they do not lose their ability to make independent judgments of their own situation, their own goals, or the merits of different ways to pursue those goals. Despite some suggestions that addressees "surrender judgment" (e.g., Flathman 1980:35), obeying an instruction is better understood as a choice to suspend judgment. Even when immediately obeying a particular instruction, addresses are assessing the difficulty and effects of acting according to that instruction or to other instructions that might follow, and forming their own conclusions about whether they should continue to defer to a particular authority-holder's instructions (Day 1963: 268; Benn 1967, 217; Rosenblum, 1987, 106; Rosler 2005, 95-98). Claims that authority holders should be accountable to others are explicit assertions of the addressees' individual and collective right to judge the competence and effects of authority-holder actions and to draw their own conclusions about whether the authority holder continues to deserve its position.

The addressees' retention of rights to evaluate the impact of acting as instructed on themselves and/or the community as a whole, means that an authority relationship also includes more or less explicit mechanisms for addressees to review authority holder performance. These are typically discussed under the concept of accountability. In the realm of IGOs, these mechanisms fall squarely within the "delegation" definition of accountability – in which the actors who create the authority relationship review the authority holder's performance – rather than within the "participation" definition of accountability – in which the actors affected by the authority-holder's actions review it (Grant and Keohane 2005, 31). In the past, the two could be equated – member states were regarded as both the delegators and the participants. In recent decades a greater separation between an IGO's "principals" (the governments of member states) and the "people" (human individuals and groups) an IGO's activity directly affects has developed as analytical attention has been devoted to human as well as state rights, development, and security. Both member state governments and IGO heads and staff experience these demands for accountability to "people" as coming from outside, typically from nongovernmental organizations or other groups in civil society, claiming to speak on behalf of those directly affected. The NGOs or organized civil society groups, meanwhile, regard themselves as making up for the lack of direct lines of accountability from authority holders to ordinary people that would exist if intergovernmental organizations were one level of government in a federated world democracy.

The internal dynamics of an authority relationship are also structured by the fact that the authority holder is outnumbered by the addressees. Two implications of this "many-on-one game" have been explored extensively in discussions of national-level politics. The social contract conceptualization of authority within states as a trade – addressees provide taxes, personal service, and obedience while authority-holders provide protection and provision of common amenities – suggests both the existence and limits on authority holder temptation in calling attention to the possibilities that authority holders can use their right of command to get more resources for themselves than they need to perform their protection and provision tasks, and that addressees can rebel against too much authority holder self-enrichment. Studies of authoritarian national leaders' dependence on supporting coalitions and accountability to "selectorates" of social actors capable of ousting an individual leader indicates that authority holders also have reasons to distribute benefits unevenly among addressees. Authority holders with ample resources can do more – split the addressees into distinct groupings through buying support from some, ignoring others, and intimidating any small number considering a move into active opposition. Authority holders with fewer resources will not be able to use buy/ignore/intimidate tactics as effectively.

Whatever the amount of material resources they possess, authority holders also seek to benefit from addressees' sense that the authority relationship is ethically or pragmatically deserving of their continued participation. This aura of deserving is often indicated by the term "legitimacy." Discussions of legitimacy have identified several distinct foundations for willing compliance with authority holder instructions. Robert Dahl (1957, 202) suggested that it often rests on a habit of obeying a particular authority holder. Arnold Wolfers's (1965, 73-77) distinction between "material goals" of possessing ample territory, wealth, and military capability and "milieu goals" of establishing practices at the international level that allow states to maintain their internal political, economic, social, and cultural systems has inspired suggestions that governments willingly support IGOs that help protect their preferred domestic arrangements (Ruggie 1983; Deudney 2007). Functionalist and neo-functionalist theories of international relations (Mitrany 1943; Haas 1958; Lindberg 1963) suggest that willing support follows from leader ability to deliver various benefits – such as durable peace, greater prosperity, or more effective cross-border use of new technologies. In this view, legitimacy rests on performance: whoever can provide or best organize group provision of the goods elicits willing support from others.

International lawyers promoting notions of global administrative law (e.g., Kingsbury and Stweart 2005) or international administrative law (e.g., Bogdandy, Dann, and Golsman 2008) are very likely to regard following agreed procedures as a major source of willing compliance. Advocates of transferring norms of deliberative democracy (Fishkin 2011; Parkinson and Mansbridge 2012) from the national level to the international level (e.g., Mügge 2011: 57-60; Smith 2018) link willing obedience to decision-making processes that provide ample opportunities for a wide array of actors to explicate their differing views and conforms to strong expectations that serious efforts will be made to either reconcile them or demonstrate persuasively that some views deserve more assent than others. Meanwhile, others advocating the "constitutionalization" of world politics (e.g., Petersmann 1997; Ventzke 2008) emphasize substantive criteria. Global communitarianism (e,g, Held and McGrew 2003; Archibugi 2008) link legitimacy to conformity with emerging global norms focused on the physical security, economic circumstances, and other life conditions of individuals and groups.

Some analysts have suggested that these should not be seen as rival explanations of legitimacy but as identification of coexisting good reasons for accepting the addressee role in an authority relationship. Thus Koppell (2008, 180-82) following Suchman (1995, 574) argues that legitimacy has distinct normative, cognitive, and pragmatic roots. Similarly, Lake (2010, 590) maintains that willing support is greatest and most durable when participating states regard the authority relationship as both advancing their material interests and conforming to their conceptions of what is morally or ethically right because they will then "invest" in the regime by developing capacities related to following the rules and internalizing the rules as part of their "standard operating procedures." In contemporary conditions, Lake continues, this is likely to occur if important groups within states see benefits from their country's participation.

The coexistence of these several theories about the roots of legitimacy suggests that there are many possibilities for eliciting willing followership. Though existing in a world of imperfect mutual perception and comprehension (Jervis 1976; Grynaviski 2010), authority holders tap into these possibilities as they make claims about why they deserve willing obedience from non-fearful, differently-minded followers. One claim rests on expertise regarding a particular topic: where reaching a goal appears to require a degree of technical or scientific knowledge regarding conditions, elements of the problem, or the likely impact of alternate action paths beyond what most actors possess or can acquire with little additional effort, addressees are likely to substitute expert knowledge for their own and defer to instructions from those they regard as expert. Another is focused attention. The same desire to enjoy the benefits of specialization by conferring responsibility to monitor a situation, report on current conditions, and propose action paths that inspires development of bureaucracies within countries also inspires creation of IGO staffs. A third is gain from having a coordinator or a director (Calvert 1995). Coordinating multiple actors' action is seldom as simple as converging on what rational choice theorists call a focal point; in many activities there may not even be a focal point because none exists or the choice among several possibilities is not as obvious to all participants as meeting under the clock when taking different trains to Grand Central Station in New York City (the illustrative example used in Schelling 1960,* yy). A fourth is rooted in the act of delegation, in which the principal agrees to treat the agent's decisions and actions as its own when those actions fall within the terms of the agreement to delegate.

Whatever the resources it possesses and sources of willing compliance it can draw upon, any authority holder also needs to deal with another source of endemic tension: that between authority holder desire to instruct and addressee desire for as much autonomy to act as they please that is compatible with goal attainment. Thus addressees can have either or both material and ideational reasons to chafe under an authority relation: desire to regain autonomy of decision in matters covered by the authority relationship and unhappiness with the distribution of benefits. Singly or together, these create incentives for some of the addressees to try changing the terms of the authority relation and/or the flows of resources it entails. Desire to remain in command and continue to enjoy extra benefits gives the authority holder incentive to adjust before addressee discontent becomes too widespread and intense. However this is difficult to manage; history is full of authority holder efforts to adjust that came too late or included the wrong concessions. When significant numbers of addressees are seriously perturbed, being the authority holder becomes less like relaxed sitting in a chair with four legs on the floor than like the constant small muscle adjustments needed to sit on one tilted back with only two legs on the floor – a political reality captured in the older phrase "tottering throne."

Life is complicated for authority holders in another way as well. Even within states, the central government – for all its claims to sovereignty over the territory and all within it – shares authority over the population with other authority holders such as heads of families, communities, religious congregations, or private associations. While claims to sovereignty, material advantages in coercive capability, and inculcation of normative beliefs supporting orderly administration help central governments maintain themselves vis-à-vis those other authorities inside state boundaries, IGOs lack those advantages. Both private entities engaged in providing elements of global governance in particular areas (e.g., Cutler, Haufler, and Porter 1999; Hall and Bierstaker 2003; Avant, Finnemore, and Sell 2010) and advocacy groups campaigning for adoption of certain policies or practices (Khagram, Riker and Sikkink 2002) create pressures IGOs cannot always ignore even as they pay primary attention to their relations with the governments of their member states. This trend has been strengthened in recent decades by the rise of transnational advocacy coalitions and claims that global level governance also needs to become more democratic.

Intergovernmental Organizations as Authority Holders

Discussions of global governance (e.g., Prakash and Hart 1999; Held and McGrew 2002) and provision of "global public goods" (e.g. Reinicke 1997) include observations that some elements of global governance and some portion of global public goods can be provided by nonstate actors like multinational corporations, transnational professional bodies, transnational nongovernmental organizations, or private transnational regulatory organizations (Abbott and Snidal 2009). Yet most of these discussions assume that governments of states will continue to play the predominant role because state administrative structures still hold the largest concentrations of policy-implementing capacity in the world. However it is possible to implement multilateral agreements without using an existing or new IGO by developing a transgovernmental network of officials drawn from cognate agencies in each participating state. The 19th century "public international unions" bore some resemblance to transgovernmental networks because the member states were typically represented in them by officials from the relevant functional agency rather than the foreign ministry. Either form can be effective when there is wide agreement among the whole set of approximately 200 independent states about whether to coordinate and what rules to adopt for coordinating (Drezner 2007, 72-74). However smaller groups of powerful states that agree on the need for and terms of coordination are capable of affecting others' behavior by coordinated national enforcement of the rules they agree to follow (Drezner 2007, 74-76). Yet when the core group of the strong need other governments' assistance to implement the coordination, an IGO is often more effective than a transgovernmental network because the more explicit authority relationship created when using an IGO stabilizes cooperation by providing mechanisms through which the strong can commit to using their capability in particular ways and/or assure smaller states that weakness will not be exploited unduly (e.g., Ikenberry 2001; Deudney 2007).

A typical intergovernmental organization has three main bodies: 1) a plenary intergovernmental forum of delegates representing every member government – most often called the "assembly" or "general conference," 2) a smaller intergovernmental supervisory group consisting of delegates from some member governments – most often called the "board" or "council" – chosen by the plenary forum or by some rule specified in the organization's charter, and 3) an executive head, senior officials and other staff employed by the organization. The plenary intergovernmental forum approves general policy, agrees on the amount resources and the mode acquiring of resources to be provided to the head and staff, has ultimate say in any disagreements not sent to a dedicated dispute settlement process, and approves proposals to amend the agreement creating the organization. The smaller intergovernmental group provides closer supervision of the head and staff than can the plenary forum and in some organizations specifically approves certain staff actions. The fact that only some member states are represented creates the potential for a somewhat different coalition of members to run the supervisory group than run the plenary forum. The persons serving as delegates to the supervisory group often work closely with the staff and may, if the supervisory group meets often enough, come to align their views with head and staff perspectives unless very closely instructed by their own government. The executive head, senior officers, and staff function as "process manager," (Cropper 1995) carrying out the tasks assigned to them in the agreement or by the intergovernmental forums, working out the details of the procedures through which those tasks are accomplished, encouraging greater compliance by participating states, and providing suggestions for improving the agreement or its implementation.

Understanding an IGO as an authority holder is best advanced by regarding both the intergovernmental supervisory group and the executive head/staff as authority holders. While the head and staff exercise have considerable discretion to manage the organization and conduct its relations with individual member states, the intergovernmental supervisory group often needs to approve specific actions. Even when that is not the case, its task of providing closer supervision of the head and staff through more frequent meetings provide unhappy members a more rapid channel for communicating unhappiness than waiting for a meeting of the plenary intergovernmental forum and certain "insider" advantages for governments represented on the intergovernmental supervisory body. Treating the intergovernmental supervisory group as an authority holder sharing that role with the head and staff differs from many analyses of IGOs-as-actors, but is consistent with broader understandings of authority relations. Democratic theory defines "the people" as the ultimate source of the authority held by the national government. "The people" is an entity with its own distinct existence apart from individual citizens, appearing when convened through elections and referenda or convening itself through widespread civil disobedience or rebellion. The plenary intergovernmental forum can be seen in much the same way, as the occasionally convened gathering of "the membership" distinct from the individual members, each of which has its own ongoing interactions with both the intergovernmental supervisory group and the IGO head and staff.

The authority dynamic linking an intergovernmental organization and the governments of its member states involves both interactions between the organization's managers and staff and the member governments – individually and as members of the collective forums that determine basic organization policy – and their shared conceptions of goal, substantive activities, and proper procedures. Though distinct analytically, the interactions and the shared meanings are closely related: the interactions are understood in light of the shared meanings, and interaction is the more heavily used of two primary mechanisms – the other being explicit debate about and formal adoption of revised goals, substantive policies, and procedural rules – for revising those shared meanings.

The Course of Interaction

Though the common expedient of simplifying analysis by treating both authority-holders and individual addressees as unitary actors will be used in much of what follows, a full appreciation of the dynamics of authority relations in intergovernmental organizations requires remembering that both the authority holders and the individual addressees are aggregate entities, or collective actors. This raises the possibility of internal division severe enough to affect actor conduct. Factional disagreements or shifts in personnel within a particular member state government can affect its reactions to IGO instructions or even give some faction an incentive to use IGO instructions as a lever against competing factions. Intra-government disagreements may also provide entry points for nonstate actors seeking to affect the substance or procedures of the relationship. On the IGO's side, division of authority between the intergovernmental forums and the organization's staff means that member states are dealing with distinct entities regarding different aspects of the authority relationship. Typically the broad features of programs and policies are made by the intergovernmental bodies; the staff typically makes decisions about allocation of staff effort and program-related resources. IGOs having both a plenary assembly and a smaller governing council also contain potential for member state efforts to invoke one rather than the other if that will be more favorable.

Though current interactions proceed in the shadows projected by recollections of past interaction and anticipations of future ones, analyzing relationships requires assigning some reasonable starting and ending points for analysis. This study proceeds by treating interactions as involving three moments of choice (or "moves" as they are called in game theory): 1) authority holder issuance of an instruction, 2) addressee reaction to the instruction, and 3) authority holder response to addressee reactions.

While the authority holder has several considerations in mind – including likely addressee reactions – when deciding whether to issue an instruction and what to include in it, the actual instruction is what elicits addressee reactions. An authority holder can determine the timing of an instruction and modulate content in several ways. It can adjust the difficulty of obeying the instruction by considering how easily the action required can be accomplished within the addressees' current resources and existing routines (this is particularly important if the addressee is a collectivity). It can define a shorter or longer timeframe for carrying out the required action. It may specify in detail what addressees must do (as is typical of command and control policies or EU Regulations) or it may indicate the desired end state and allow addressees to decide exactly how to get there (as is typical of market-based policies or EU Directives). In some authority relationships issuance of instructions follows after some amount of discussion with all or some addressees about what the instructions will contain. Even so, it is the authority holder's decision about determining what to include in an instruction that initiates the interaction sequence.

Once an instruction is issued, the second moment of the interaction, addressee reactions to the instruction, begins. Because they suspend rather than surrender their own judgment, addressees react to instructions not only on the basis that instructions ought to be obeyed because they emanate from an acknowledged authority holder, but also on the basis of their own assessment about how obeying will affect their individual interests and attainment of the common purpose. Addressee reaction can take any of seven forms. First, an addressee may obey rapidly and fully without complaint, either because it regards the authority holder as better able to judge the situation or because its own assessment of the situation indicates that the instruction does mandate the best available course of action. Second, an addressee may instead complain about all or some features of the instruction while or before obeying. Complaint has two possible uses, one as a signal to third parties that it is obeying reluctantly and open to revisions of the instructions, and the other as dragging out compliance as part of its own efforts to secure one or more modifications of the instructions. Strong ethical objections, strong practical objections, or calculations of self-interest can all inspire a fourth possible addressee reaction, evasion. This is subtle because it involved acting slowly and very incompletely according to the instructions. In the phrase familiar from the implementation literature, they "drag their feet" and hope this is not noticed. However, they may decide on a fifth reaction, and openly disobey by acting in ways that are obviously contrary to the instruction. Disobedience elicits a greater degree of immediate authority holder attention than evasion because it is more explicit and noticeable. Addressees seeking to overturn an instruction, replace an authority holder, or even overthrow the whole authority relation will prefer disobedience to evasion, but overt disobedience can be costly because it attracts attention and a higher probability of punishment.

Sometimes an addressee's discontent goes beyond the particular instruction to broader considerations of how some element of the authority relationship is currently defined, to the persons currently exercising authority, or the whole authority relationship. A more broadly discontented addressee can express these levels of discontent in either of two main ways. It may disengage from the authority relationship by finding an alternate route to its goals that is not subject to authority holder control. Rather than attacking the authority holder or the authority relationship directly, an avoider simply operates outside. However, avoidance by a sufficient number of addressees, or by a fairly small group of powerful addressees, can weaken or even destroy an authority relationship by eroding other addressees' confidence in the competence of the authority holder or the ability of the remaining cooperators to attain the group goals. Finally, in a seventh possible response to instructions, a seriously discontented addressee may choose instead to engage in noisy objection, openly challenging the authority holder by trying to get it replaced or the whole authority relationship by visible exit from it.

The third moment of the interaction occurs as the authority holder responds to addressee reactions. Any addressee reaction other than quiet compliance involves some degree of pushback, whether against the particular instruction, some wider process of which the particular instruction is a part, the current authority holder, or the whole authority relation.

Abstract logic suggests that an authority holder can adopt any one of six 6 responses to each addressee reaction: 1) do nothing, 2) increase efforts to persuade addressees to obey, 3) modify the instruction to remove whatever addressees regard as most irritating, 4) cancel the instruction, 5) reward addressees that obey, or 6) punish addressees that disobey.

However, it is clear from actual interactions that the responses considered by the authority holder depend on the type of addressee reaction. The authority holder need not respond to addressees that rapidly and spontaneously obey. Effective response to complaints about the instruction requires the authority holder to determine which of three forms of complaint – one sincere and two strategic – an addressee is pursuing. Sincere complaints rest on an addressee's own ethical or practical objections and ask the authority-holder to reconsider the instruction on the merits of those objections. Strategic complaints have other purposes. The first strategic form of complaining is "for show" – the complaints are voiced so the addressee can indicate to some internal or external audience which it believes needs to be conciliated that it is attentive to that audience's opposition to the mandated actions even as it actually follows the instruction.[1] The second strategic form is a bargaining probe – an addressee unenthusiastic about obeying an instruction uses complaints to elicit information about authority holder flexibility regarding the timing, scope, or thoroughness of obedience, and uses that information to trim its conduct accordingly. Strategic complaining "for show" is generally followed by slow conforming to instructions while strategic complaining as a bargaining probe is generally followed by delayed and incomplete compliance, requiring the authority holder to understand the motives and respond appropriately.

[1] Suggested by Brian Schaffner's reminder, noting Mayer 1995, that members of the US Congress sometimes express complaints about a measure they support to let important constituencies opposing it know that they are attentive to those constituents' concerns.

The authority holder faces equally complex calculations when faced with stronger forms of pushback. It might decide to ignore isolated partial compliance or noncompliance, particularly if other addressees are complying. If, however, partial compliance or noncompliance is spreading, it will have to respond. It might decide to respond with additional arguments about why the instruction should be followed now, with rewards for complying, with punishments for continued failure to comply, or with modifications of instructions to reduce addressee resistance. Which course the authority holder pursues depends partly on its own approach to securing compliance, partly on whether noncompliant addressees are inspiring other addressees, by example or by arguments of their own, to act in similar fashion, and partly by the resources available to the authority holder. The officers of a private association having little money and the director-general of an intergovernmental organization with a small staff and budget are very limited in their ability to use material rewards and punishments. They may be apply only the positive of praising and the negative of shaming, which work best with addressees which are concerned about their reputation for compliance either among other addressees or among third parties (such as domestic constituencies, see, e.g., Mansfield, Milner, and Rosendorff 2002; Pelc 2013). Large material rewards are expensive, so can be given out only occasionally or only to a small minority of addressees. An authority holder's ability to reward and punish is also bounded by the written and unwritten procedural rules of the authority relationship. These may limit the authority holder's range of choice significantly. Clubs and labor unions may expel members who fail to support group efforts, but cannot confine them inside the clubhouse or union hall. The norms of a wider society within which the authority relationship exists also bound authority holder choices. In international politics, continued respect for the norm of state sovereignty limits the range of punishments an intergovernmental organization can inflict, even in the area of human rights where sovereignty is being redefined to accommodate government accountability to “the international community.” Despite considerable advance in international human rights law and institutionalized enforcement mechanisms, many governments remain strongly opposed to outside intervention to stop massive human rights violations.

The overall shape of the interaction dynamics triggered by addressee pushback depends greatly on the number and characteristics of the addressees pushing back. When an instruction is delivered to a single addressee, the authority holder response to reactions can be tailored very closely to that particular addressee’s concerns and dispositions. When an instruction needs to be delivered to multiple addresses, the individual addressees in the group addressed can react in various ways. This is usually the case, and the multiplicity of individual addressee reactions puts the authority holder in the more complex situation of being engaged simultaneously in multiple interactions. Typically an authority holder simplifies this situation for itself by clustering the multiple addressees of the instructions into groups according to the nature and intensity of their reaction, and develops a distinct response to each cluster. The existence of clusters of addressees engaged in different reactions often allows an authority holder to engage in “divide and rule” tactics; modulating responses so that some clusters of addressees are conciliated while others are punished.

However the success of divide and rule depends on the number and the relative capabilities of addressees in the clusters. Ability to frustrate authority-holder divide and rule tactics is one area where strong addressees have clear advantages over their weaker fellows. Just like major interest groups in national politics, major powers in world politics are significant enough to the authority relation that responding to them consumes more authority holder time and resources than responding to others. Smaller addressees are likely to get lost in the shuffle unless they form a large cohesive caucus of their own or piggyback on positions staked out by the strong. Within IGOs, these dynamics are particularly strong because of the very steep differences of capability among states. Desire to avoid getting lost in the shuffle underlies the continuing viability of both the Group of 77 and the regional groups in most UN bodies today despite increasing disagreement among their members. Yet the need to be perceived as more than a tool of the strongest members imposes some limits on how far an IGO can go in conciliating the strongest members (see Traub 2005, chapters 15-22 for a UN example). This is particularly important in eras where the distribution of capability is shifting and it is not clear who will be the leading powers in a few years' time.

Though an authority holder issues an instruction at one moment, addressees differ in the speed of their reactions. Thus some may have reacted and elicited an authority holder response before others have begun reacting. This spreads out the interaction time in the third "moment" of the interaction, making it possible for addressees to reconsider their reactions in light of how others are reacting and for authority holders to alter their responses as they gain more information about how addressees are reacting.

Shared Meanings

Relational accounts of authority emphasize the mutual aspect of exercising leadership – that a leader's claim of the right to command, rule, or instruct is effective as long as and insofar as followers accept that claim. Even authority holders possessing ample material resources need a considerable amount of voluntary cooperation from addressees because exacting punishment on large numbers of them will exhaust those resources. Inspiring laggards or evaders to move off that position and cooperate is less likely to exhaust the resources or well-supplied authority holders, but laggards and evaders can also frustrate efforts to attain the goal if the effort they withhold subtracts enough capacity to alter the outcome. Thus all authority holders are interested in increasing the amount of voluntary cooperation their instructions elicit.

Besides relying on the inertia of settled habits of compliance, an authority holder can increase the likelihood of voluntary compliance by invoking shared norms or addressee self-interest. Appeals to norms usually consist of pointing out "logic of appropriateness" – shared norms about what actions are appropriate in various situations. Appeals to addressee self-interest consist of claims that following the authority holder's instructions will hasten and/or enhance the probability of goal attainment. These go beyond mere "so this to get what you want" to include suggestions that effective cooperation requires having one actor coordinate all through issuing instructions or that the authority holder has particular expertise enabling it to understand the goal, identify various possible action paths the group could select, distinguish effective paths from ineffective paths, and issue instructions guiding the group along an effective path. Most authority dynamics involve appeals to both norms and self-interest. While an authority relation can persist for a time using only one sort of appeal, it is most stable when both the "logic of appropriateness" suggested by norms and the "logic of consequences" highlighted by self-interested calculations align.

Regarding authority as a relationship anchored in ongoing consent by the followers seems particularly apt in international relations because politics between states is replete with situations in which even the strongest actors lack resources sufficient to control very many others for very long. The strong can engage in coercive bargaining on particular occasions, but not all of the time; they can take on one or a few actors, but not all comers at once; they can constrain others indirectly by creating conditions limiting their choices, but not on every occasion. Thus it is apt that the root of the word "governance" is found in the Greek word *kubernân*, which originally referred to steering a ship but was applied to politics by Plato (Kjaer 2004, 3). Just as keeping a ship on course requires adjusting to winds and currents, exercising leadership requires remaining attentive to follower circumstances and preferences. This is particularly true for intergovernmental organizations, which typically lack sufficient resources to face down most member states.

An effective authority relationship rests on shared understandings regarding each of the seven aspects of an authority relationship defined earlier. The criteria for evaluation that arise from the shared meanings can be grouped analytically into a set of three defining the contours of the authority relationship and a set of four concerning attainment of the shared goal or outcome:

framing criteria	1. *goal criteria*: degree of agreement between authority holder(s) and addressee(s) understanding of the goals or purposes to be advanced through co-participation in the authority relationship
relationship-centered criteria	2. *selection criteria*: consistency of the way particular authority holders acquire their positions with established norms and practices of selecting leaders
	3. *procedural criteria*: consistency with established norms and practices of the form of instructions and the method by they are provided to addressees
	4. *addressee criteria*: conformity with established norms and practices defining the particular addressees receiving types of instructions in particular situations
outcome-centered criteria	5. *area criteria*: degree of congruence between the activities or concerns addressed in particular instructions with the range of substantive activities or concerns mutually accepted as needing to be addressed for attainment of the desired goal or outcome

	6. *relevance criteria*: degree of perceived connection based on current knowledge between following the particular instructions given and higher likelihood of attaining shared goals
	7. *efficacy criteria:* level of addressee confidence that following the particular instructions given will lead to successful attainment of the goal within a reasonable period at a reasonable cost

The goal definition provides the overarching mental framework for the authority relationship by defining the purpose it is established to attain. It is central to defining the other criteria and to maintaining the authority relationship over time because it provides that motivational link binding authority holder and addressees together in a common effort. The centrality of the goal is evident in a basic fact: regardless of the degree of previous substantive success, abandoning the goal shatters an authority relationship by removing the reason it exists.

Selection criteria provide addressees with assurance that they will be able to understand (and in most instances have some say in) the process and grounds on which authority holders are selected. When, as is the case with IGOs, the authority-holder is a collective entity, the selection criteria indicate who within the organization holds what rights to issue instruction. Though IGOs heads and staff are typically organized as bureaucracies, bureaucracies can vary considerably in the extent to which instruction-giving is centralized or decentralized; selection criteria help addressees understand who will be allowed to issue what instructions. Selection criteria also provide individuals seeking an authority holder role with guidelines about how to earn that status while acting within the authority relationship.

Procedural criteria link authority holder and addressee expectations regarding how instructions are formulated and issued. In highly formalized authority relationships where broader policy guidelines are expected to shape the content of particular instructions, procedural criteria also include rules for considering and adopting those broader policy guidelines. Even in less formalized authority relationships there are shared expectations about how instructions will be phrased and communicated. Instructions will be distinct verbally from announcements, background papers, summaries of recent activity, and other informational documents. Instructions might be communicated by voice or writing, in memos or circulars directed to all addressees, to particular groups of addressees, or to particular addressees individually. These procedural criteria provide addressees with indications of which messages are instructions.

Addressee criteria define which individual addressees – or which persons within collective entity addressees – receive what instructions when. When an authority holder first issues an instruction, addressee criteria may mandate that it go to all other participants in the authority relationship, to certain groups of them, or to one or a few particular participants. The supplemental instructions issued as part of an authority holder response to addressee reactions vary with the addressee reaction as well as the response chosen by the authority holder. Yet even they are bounded by shared expectations about the range of rewards or punishments that may be applied to lagging, evasive, disobedient, avoiding, or challenger addressees.

The three outcome-centered criteria provide standards for judging the value of joint action within the authority relationship. They provide the bases on which addressees evaluate how well the authority relationship is working, something distinct from perceptions of internal procedural correctness.

Area criteria identify the limits on substantive content of instructions; they demarcate the sorts of actions the authority holder may and may not choose for the addressees. Internationally, as in most social systems, the area criteria structuring a particular authority relationship are built on beliefs defined within the relationship and beliefs derived from wider social practice. Thus international organizations operate not only within the explicit delegations provided by member states but also within a wider international law tradition that favors narrow interpretation of the range of "implied powers" that might be derived from the express grants of authority *(e.g., Merillat 1966, 64-68 [need chapter author's name]; Klabbers 2015,).

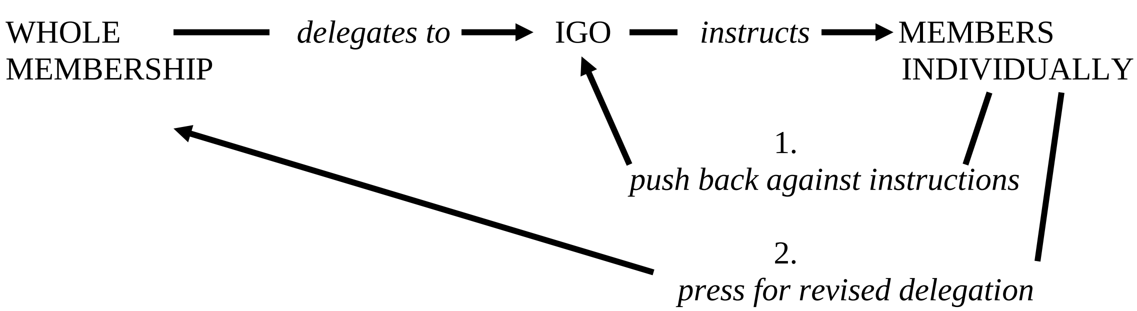
Relevance criteria arise out of the fact that within any particular area of endeavor there are a range of plausible instructions, and address two sets of concerns. The first is whether the instructions appear well-designed for the particular situation at hand. As widely discussed during and after the Asian Crisis of 1997-98, IMF loan conditions geared to nudging a country towards ending balance of payments deficits were not well-designed for situations in which financial distress stemmed from sudden large-scale capital flight (ch 5, pp. --). The second is whether instructions are being used to advance distributional bias favoring the authority holder and/or those addressees it wishes to reward disproportionately. Shared relevance criteria cannot ensure complete non-bias in distribution, but they do put some limits on the degree of authority holder self-enrichment and favoritism.

Efficacy criteria are broader than relevance criteria because they involve assessing whether operating within the terms of the authority relationship contributes to goal attainment. Clearly diversions of effort away from agreed areas or instructions that fail relevance criteria increase the likelihood that efficacy will be low, but it is possible for all other sets of criteria to be satisfied and efficacy to still be low. Low efficacy may be the product of poorly-framed instructions, addressee failure to carry them out with sufficient energy, or more general authority holder incompetence. Hence conclusions that cooperation within an authority relationship is not efficacious are followed very quickly by efforts to identify and remove the source of inefficacy.

The simultaneous existence of relation-centered and outcome-centered criteria means that addressees, authority-holders, and any third parties seeking to affect an authority relation can challenge the current workings of the authority relationship on procedural grounds, substantive grounds, or both (e.g., Scharpf 1997). Some scholars reject the idea that success in attaining declared goals can compensate for failures to follow a proper decision-making process, particularly when social norms require broad consultation of those who will be affected by action (e.g., Mügge 2011: 52). Many international lawyers (including Ventzke 2008: 1404-1405; Von Bogdandy, Dann, and Golsman 2008) also stress the priority of a normative framework for guiding the exercise of power. Yet in many authority relationships the norms regarding consultation prior to decision are loose enough that success in reaching goals compensates for some procedural irregularity. In most authority dynamics, the two considerations overlap, particularly as different addressees with different levels of attentiveness to procedural niceties react to the way instructions are developed as well as what they contain.

Interactions, Shared Norms, and Member Government Experiences of IGOs

Because member governments experience the organization individually or in smaller groups, engaging in individual pushback against particular instructions provides member governments with an alternative to re-summoning the collective principal. This creates a two-fold relation between IGOs and member states:



The organization-individual member government aspect of the organization-members relation has not been explored as systematically as the collective member-organization relationship (Hurd 2020 states the problem unusually clearly though was unable to explore its full implications). Yet for understanding authority dynamics it merits greater attention because much of the authority dynamic plays out in the organization's relations with individual members. Most of the time even the periodic meetings of the intergovernmental plenary forum are taken up with routine decisions and focusing on particular problems rather than serving as an effective re-summoning of the collective principal to redefine the terms of the organization's authority holder role.

Analyzing interactions between an intergovernmental organization and its individual members as occurring within an authority dynamic illuminates many aspects of IGO-member government relations that students of international organization have already identified. While IGOs have real incentives to expand their areas of activity (e.g., Barnett and Finnemore 2004, 33-34) this may or may not be a fruitful strategy for organizational enhancement in the long run depending on how the members react. Intergovernmental organizations typically lack the material resources needed to back instructions with ability to constrain uncooperative addressees through rewards or punishments, requiring them to rely on other strategies for bolstering their authority-holder role. One obvious strategy for authority-holders is basing rights to instruct on an aura of greater expertise. Many IGOs use this particular strategy since they are typically given mandates in a particular field and their staffs develop considerable knowledge about that field. Yet the multiplicity of IGOs allows member governments to "shop around" for more congenial advice from some other source, and some governments are sufficiently confident of their own in-house expertise that they do not believe they need the organization's expertise very much.

As the delegation story indicates, authority-holding by intergovernmental organizations is contractual in origin. Though the weaknesses of social contract theory as a general explanation of authority relations in human societies have been discussed extensively (e.g. Held 1993; D'Agostino, Gaus, and Thrasher 2011), similar conceptions work very well for explaining relations between IGOs and their member governments because the IGO would not exist without the agreement. Thus IGOs constantly face what R.S. Peters called the "main bite" of social contract theory: "[S]ome *rational* justification must be given for authority. The purposes for which it is to be exercised should be made clear, and moral limits set to its exercise" (Peters 1958: 40; his emphasis).

Life for IGOs is further complicated by the fact that the typical authority relationship between an IGO and its member states' governments is not a closed one in which activity affects only the authority holders and addressees. Globalization has fostered closer cross-border links among individuals and groups while the expansion of political agendas at both the national and international level from the "nightwatchman state" combination of physical security, order, adjudication of disputes, and provision of infrastructure beyond the means of individuals or groups to a wider array of social welfare, education, macroeconomic management, microeconomic regulation, and safety assurance means that obligations defined in international treaties now affect individuals and groups quite directly. The simultaneous widening of world politics to include a whole array of nonstate actors, encouraged by the spread of democratic principles of governance around the world, provides the affected with channels for expressing their views. As these actors see that their interests are directly affected by what is going on in an

IGO, they will seek to influence the authority dynamic in play there. Some may be in a position to interact directly with the intergovernmental organization and affect its activity through "inside" politics. Business, particularly multinational corporations, and professional groups whose expertise is central to the intergovernmental organization's mission are likely to be in this position. Other nonstate actors have less access to "inside" channels so resort to "outside" routes. At least in the early years of an issue's emergence, civil society groups, NGOs, and social movements typically regard themselves as outsiders and pursue leverage through noisy campaigns based on claims that they speak for the individuals whose lives are affected by what the intergovernmental organization does and therefore have a right to hold the organization accountable on a participatory basis separate from the delegation basis relied upon by the member governments.

Nonstate actor activity might make the authority-holders' efforts to instruct or to elicit instruction-following more difficult, as when NGOs or social movements encourage people to press for different international rules than currently exist or businesses do not incorporate organization-established standards into their routines. Yet they can also facilitate authority-holders' efforts, as when an environmental group supplies information about the extent and source of some form of pollution that the intergovernmental organization would not otherwise be able to secure or businesses react to imposition of economic sanctions by interrupting transactions with anyone in the targeted country. These facilitating possibilities have led to suggestions that intergovernmental organizations can expand their own capacity for implementing decisions by recruiting them as partners in governance efforts (e.g., Abbott et al. 2020).

While the direct authority relationship continues between the intergovernmental organizations and the governments of member states, the activities of nonstate actors and other third parties – governments of nonmember states or other intergovernmental organizations – can have significant impact on how the direct authority relationship operates. This forces authority holders to pay attention to their activity as well, adding to the challenges of authority holding for intergovernmental organizations in the contemporary world.

Plan of the Study

The ability to act autonomously of member state governments means that an intergovernmental organization provided with sufficient mandate and resources can assume an authority holder position vis-à-vis those members, both individually and as a group. Since intergovernmental organizations produce a wider array of formal records and both national delegates and organization staff members have provided many accounts of how the organization functions, intergovernmental organizations provide a particularly promising venue for understanding authority dynamics in international relations.

This study will draw out the range of analytical possibilities revealed by treating interactions between member state governments and an intergovernmental organization's staff as an authority dynamic by focusing on two global intergovernmental organizations dealing with "development" directly or indirectly through the loan they supply to member governments – the World Bank and the International Monetary Fund (IMF). Unlike many international organizations, they are regarded as having sufficient material resources to be able to act as direct authority holders rather than operate entirely through indirect techniques (Abbott et al. 2020) of farming out formal authority to others with greater administrative capacity or drawing on the capacity of organizations with authority in a cognate field. The heads and staff of both the

World Bank and the IMF have well-developed patterns of relations with member governments. Their simultaneous existence also means member states have some degree of ability to "forum shop" for more congenial advice or loan conditions (Busch 2007; Drezner 2009; Lefler 2015), providing a good opportunity to observe the effects of having multiple intergovernmental organizations dealing with the same issue. All three have received attention from actors other than their member states, providing a good opportunity to see when and how third parties affect an authority relationship.

There is ample material for undertaking such a study. Many aspects and examples of IGO-individual member government interactions are covered in detailed study of how intergovernmental organization staffs accomplish their work whether produced by political scientists interested in international level handling of particular issues or the international law literatures on international administration or the law of international organizations. There is also a rich vein of commentary on relations between particular intergovernmental organizations and individual member states in journalists' accounts of particular controversies or events. Members of IGO staffs have produced official histories or individual memoirs providing inside perspectives.

The other parts take up each aspect of the set of common beliefs anchoring an authority relationship. Part 2 addresses goal definition. The World Bank and the IMF both have very broadly-stated goals. For the World Bank, that broad goal is fostering "development." For the IMF, it is fostering "international financial stability." These broad goal definitions have helped them, particularly the IMF, survive changes in the international system that might have sunk organizations with more narrowly-defined goals. At the same time, the longer statements of goal have revealed an evolution inspired either by events that made earlier formulations obsolete (as with replacement of the system of currently par values) or less in tune with the state of expert and government opinion on more specific statement of the broad goal (as in the frequent shifts of World Bank statements attuned to changes in development thinking).

Parts 3 through 5 focus on the relationship-centered shared beliefs defining selection, procedures and addressees. Part 3, on selection, traces how importing into the world of intergovernmental organizations the financial model of shareholding and voting by number of shares created strong tensions for both the World Bank and the IMF as development advocates and some developing country governments used the rival (and more usual) intergovernmental norm of one state-one vote to call the arrangements into question and press for change. It also traces the impact of norms that IGO staffs should be drawn from a wide array of member states on staff recruiting in both organizations, and the ongoing argument about how to select the heads of the organizations.

Part 4, on addressees, focuses on differences between how the World Bank and the IMF identified and labeled the member governments borrowing from the organization as distinct form other member governments not borrowing. The World Bank began with a clear differentiation of members into “developed” not needing loans and “developing” in serious need of loans. The World Bank quickly found it useful to further sub-divide the developing country members into groupings by per capita income level for programmatic purposes but the understanding that World Bank loans existed to help counties attain economic development (meaning industrialization for much of its existence) established a clear division between borrowing and non-borrowing member governments. The IMF began with an understanding that countries might be in balance-of-payments surplus or balance-of-payments deficit because of a temporary confluence of circumstances, with the identity of members needing to borrow changing frequently. However, the greater prominence of development issues combined with what looked briefly like disappearance of the need for IMF loans to address short-term balance of payments problems brought the “developed”- “developing” differentiation to the fore in actual activity even though the IMF routines long resisted institutionalizing it.

Part 5 deals with procedures at two levels: the general procedural rules governing decision-making on major policy questions and the process by which individual governments secure particular loans. The same tension between shareholder voting and one state-one vote that affects perception of authority-holder selection also affects perception of procedural fairness within the organizations. Most of the public contention about World Bank and IMF activity has focused on decisions about particular loans, though policy guidelines relating to environmental considerations and to displacement and other social impacts of large infrastructure projects became subjects of explicit criticism in the 1980s.

Parts 6 through 8 address the outcome-focused sets of shared beliefs regarding areas of activity, relevance of instructions, and efficacy of the joint effort. These, especially the second and third, have been the bases for and subjects of the strongest contentions between the World Bank or the IMF as authority holders with their respective member governments and with a host of third parties -- (other intergovernmental organizations, non-member governments, academics, policy analysts not holding IGO or government appointments, nongovernmental organizations, and transnational advocacy movements) – offering commentary and encouragement or condemnation from outside the authority relationship.

Part 6, on area criteria, takes up the problem of defining what sorts of activities will help attain the broad goal to be pursued. Notions of what is needed for either have been the subject of constant debate among governments, academics, and policy analysis, and nongovernmental organizations, and these debates have shifted the consensus several times since 1945. The World Bank has been an active participant in the debates about development through its policy advocacy and research activities. The IMF has been an active participant in debates about international financial stability, though had to endure the shift from fixed to floating exchange rates in the early 1970s largely from outside the main interactions.

Part 7 takes up relevance, the extent to which authority holder actions and instructions appear prospectively to be well-aligned for goal attainment. Relevance has two components, alignment of instructions in ways that foster goal attainment given the particulars of the situation in which participants find themselves and alignment of activity in ways that avoid notable distributional bias in favor of the authority holder itself or its most favored addressees. Policy evaluation – the effort to compare results of following instructions to the results of taking some other action path to the goal – is ubiquitous even when it is not formalized within an IGO itself. Favoritism becomes an irritation if it becomes noticed. The release of more detailed information about World Bank, IDA, and IMF lending since the early 1990s has allowed a growing set of outside observers to try their hands at estimating favoritism through quantitative correlational analysis to link loans or loan amounts to a whole array of borrower characteristics.

Part 8 takes up the thorny question of determining the efficacy of World Bank and IMF activity. As with assessing the prospective relevance of possible instructions, assessing the effects of World Bank and IDA loans, and IMF loans and advice is complicated by the enduring disagreements about how economic growth and development occur. There is enough difficulty in assessing effects that a consensus encompassing the organization's management and staff, the member governments, and the outside observers is unlikely. Thus each of the organizations must manage a collective relation in which some addressees are content and others are not, while outside observers holding various opinions on the matter often wield considerable influence over addressee perceptions of efficacy. The efficacy of authority holder conduct – whether it uses money, staff, and other resources effectively or dissipates them through waste, mismanagement, or corruption – is easier to assess, and there have been instances of addressee unhappiness on this aspect of efficacy.

Part 9 provides conclusions. It has two sections, one focusing on the procedural criteria guiding an authority relationship and one focused on the substantive criteria guiding activity. It brings the criteria-by-criteria analysis and the tracing of changing patterns of addressee pushback/authority holder response together to consider whether and how addressee unhappiness with one set of criteria does or does not spread into unhappiness with others. This is important because the extent to which happiness or unhappiness "travels" from one set of criteria to another affects the situation the authority holder faces in trying to maintain both the authority relationship and its own position within the relationship. This part ends by indicating how regarding authority as a relationship improves our understanding of how intergovernmental organizations function and of what notions of legitimacy mean at the international level.

AFTER CREATION: PART 2. GOAL CRITERIA

Goal criteria function as both relationship-focused and outcome-focused elements of an authority relationship because they provide an authority relationship with elements of stability and focus by articulating to addressees and authority holders alike the reasons to engage in their joint effort. They function as a "glue" that holds the relationship together by reminding participants of why they are cooperating through the authority reltionship. In hierarchical relationships the reasons may be expressed as a form of exchange: the ruler provides the subjects with public goods including protection, order, and infrastructure that they cannot provide on their own while the subjects contribute obedience and resources such as service on government projects or payment of taxes. In collaborative relationships the authority holder functions as "signal caller" identifying the course of action members of the group should pursue at a particular moment to gain something all want. World politics versions of hierarchical authority relationships identifying the great powers as defining the international order and other states as supplying support or acquiescence (e.g., Gilpin 1981, 34; Wendt and Friedheim 1995, 698; Butt 2013). The collaborative version seems more relevant to IGOs and their member states for two reasons: the typical IGO, including those providing services or resources to member state governments, lack access to sufficient material resources to act as a ruler, and, except within the EU, there is no tradition of treating an IGO as a hierarchical superior to the member states. Though both types of authority relationships persist only if addressees continue to consent and comply, those viewed by participants as collaborations have stronger need for the glue of a shared goal. When that glue is strong, addressees unhappy with a particular instruction will react with complaining, lagging, or evading; as agreement on the goal weakens, the glue becomes less effective; unhappy addressees are likely to be irritated by more instructions and move on to disobedience or avoidance.

Goal statement have two important characteristics: whether they are specific or broad and whether goal attainment is seen as a time-bound endeavor or requiring persistent action. The World Bank has a very broad goal, one that allows an expansive definition of the activity required to reach it. Yet, at least in principle, the goal is time-bound: goal attainment can be seen as a one-time process of becoming more like advanced economy countries even if the process takes decades. The IMF's immediate goal, fostering trade and global prosperity through facilitating currency stability is more focused, but seen as requiring ongoing cooperation at least as long as the world remains divided into multiple currency areas.

The nature of the goal has varying degrees of effect on other aspects of the authority relationship. Starting with the areas of low influence, many aspects of the selection criteria defining how particular actors are chosen for authority-holder roles and the whole range of procedural criteria for issuing instructions and carrying on day-to-day activity are derived from general norms about those matters prevailing in the wider society within which the authority relationship exists. This is clearly true for IGOs. A century and a half of accumulated multilateral diplomatic practice now guides much of the activity in the intergovernmental forums (Jessup 1956; Kaufmann 1980) while the fact that IGO staffs are typically organized into bureaucracies imparts many common internal dynamics (Ness and Brechlin 1986; Mathiason 2007).

Nor were the World Bank's or the IMF's internal structures determined by the goal statements. Promoting "development" suggests an end point, not any particular institutional form for getting to it at either the national or international level. The "Bank" part of the World

Bank's name does suggest a particular institutional form. The term "Fund" indicates that attaining the shared goal involves money in some way, but does not say anything about how the organization itself will be structured.

The substantive characteristics of the goal provide some guidance for defining the qualifications necessary for the authority holder role, particularly if the claim to that role rests on expertise, by indicating the types of knowledge needed to lead well. Even in "regime complexes" (e.g., Raustiala, Gehring and Faude 2013; Morin and Orsini 2014; Alter and Raustiala 2018) featuring activity through two or more IGOs, participating IGOs' and governments' choices about which IGO will do what are influenced by their sense of which one has the best understanding of branches of knowledge required for successful action on particular aspects of goal attainment (Pratt 2018). The recipient criteria defining addressees are more likely to be affected by the substance of the goal, particularly when goal attainment requires differentiating among groups of addressees.

Goal definitions have much stronger effects on the area, relevance and efficacy criteria. Goal statements typically indicate the broad areas of activity where the authority dynamic should operate, and may also suggest which types of instructions are more relevant than others. Though there is always room for authority holders to interpret what activity is "within area" and "relevant," the actual extent of authority holder interpretation that addressees within or actors outside any particular authority relationship regard as reasonable rather than unfair, self-serving, or dishonest depends very much on the generality of the goal. Implementing a cease-fire among the combatants in a particular conflict is more specific than attaining world peace; increasing GDP by 5% a year is more specific than securing development. Efficacy criteria are even more strongly affected because the nature of the goal defines the desired outcome, which in turn shapes the process of identifying which action paths leading from goal definition to goal attainment have a greater or lesser probability of success.

The World Bank has a single-element goal-definition: promote economic development. This became true for the World Bank by 1950 because most financing postwar reconstruction was handled through bilateral channels. Yet development is a very general aspiration; the actual goal definition informing authority dynamics within the World Bank has depended on the shared images of how a developed state's economy is organized prevailing at any particular time. These images have changed dramatically since the World Bank was established in 1944.

As the World Bank took up promoting development, most Western economists agreed that the economies of developing countries and of developed (or industrial) countries were very different. Many neoclassical and Keynesian economists alike believed that they could provide adequate economic analysis and appropriate policy advice for industrial countries, but agreed that conditions in developing countries were sufficiently different to require modifying their usual approaches. A distinct community of development economists argued that left as they were, developing country economies were trapped in a vicious circle of outdated technology, low labor productivity, low savings, and local firms' inability to compete on international markets. Escape from that circle required large infusions of investment funds, massive state intervention in production, distribution, and pricing, and insulation of domestic industry from foreign competition (e.g., Rosenstein-Rodin 1943; Myrdal 1957). Governments of developing countries themselves often wanted a large role for the state and insulation form the international economy. For some, this stemmed from desire to break with the immediate past by ending the colonial-era pattern of ties to the metropole economy. In Latin America and elsewhere from the motive was escape from a longstanding pattern of exporting commodities and importing manufactured goods regarded as not leading to industrialization (arguments in Prebisch 1950 and Singer 1950). Some governments in Asia wanted to emulate Japan's state-directed export-led growth strategy (Cline 1982; Krueger, Corbo, and Ossa 1985), while a few governments around the world chose to adopt Soviet-style central planning (Green 1965; Kumssa and Jones 2015).

Economists later questioned the appropriateness of this strong distinction between industrial and developing countries. The shift to quantitative modeling as the dominant mode of formulating economic theory in the 1960s (discussed in Krugman 1995, 27) and mid 20th century neoclassical attacks on the notion that industrial and non-industrial economies are fundamentally different (e.g. Schultz 1964; Little 1982) both cast doubt on this differentiation. Within two decades some economists were acknowledging that that certain basic features were common to all economies (e.g., Hirschman 1981).

Economists on both sides of the contentions between advocates of market-based (e.g., Friedman 1970) and developmental state (e.g., Amsden 1989; Wade 1990) approaches to development assumed that their policy programs would work for countries at various per capita income levels. Similarly, advocates of the public choice, new institutionalist, and behavioral economics typically assumed that similarities were great enough to permit studying developed and developing countries in the same way.

In their own operations, the World Bank and the IMF never adopted the "developed"-"developing" binary in their organizational routines. In the 1960s, the World Bank adopted a 4-fold classification of members into "low income," "lower middle income," "higher middle income," and "high income" countries. The IMF used inclusion in the Bank's "low income" category to define eligibility for certain types of loans (chapter 3, p. --). Both of them organized their programs by geographic region even if some regions did consist mainly of "developing" countries. Interest in using binaries was strong in certain areas of multilateral diplomacy. The G77 used a binary – most often phrased as "North" and "South" – in its advocacy for a New International Economic Order, and its attachment to that binary made it a bit hesitant to separate out a set of "least developed countries" for special attention in UN discussions of development until 1981 (Weiss 1983, 668-69). Emphasizing a binary between "wealthy states" or "advanced economies" and states of "the Global South" remains politically useful for the G-77. Since 2000 the Group of 24 has preserved a binary while acknowledging economic realities in using the terms "advanced economies" and "emerging market and developing countries" in its communiques (e.g., G24 2008, par 11; G24 2017).

In the day-to-day relations between the World Bank and its member states, post-1945 changes in economic theory about handling development have registered primarily as sharp debates about the substantive economic or socio-economic areas within which the organization should be operating and what sorts of activity will best foster the goal of development. Thus disagreements and changes in notions of how to attain development have been reflected in debates about area, examined in chapter 3; relevance, examined in chapter 4; and efficacy, examined in chapter 5.

The IMF Articles of Agreement also state a broad goal – helping members maintain international financial stability through open cross-border money flows under a system of stable exchange rates. The IMF's role took one form when "stable" meant based on government-determined currency exchange rates, and quite another after 1971 when the fixed exchange rate system was replaced briefly by a floating rate system and more enduringly by a variety of arrangements. This caused a major shift in the pattern of IMF lending activity – concentrating it for approximately a quarter century on loans to middle and low income countries – and some rearrangement of other activity as IMF monitoring of members' balance of payments situations and policy suggestions were redefined to reflect the post-par value system world.

The World Bank, Lending, and Development

The World Bank Articles of Agreement (Article V, section 2) suggested creation of an organization with an attainable goal in specifying that the Bank could be dissolved and its various assets returned to the member states once post-World War II reconstruction was complete and all members had become economically developed countries. However the greater-than-anticipated complexities of development have kept it alive, and the uptick in the incidence and destructiveness of internal armed conflicts between factions within states after the Cold War revived the reconstruction portion of mission in a way that complemented the concern with development since most of the severe internal wars have occurred in developing countries.

Since 1945 "development" has been regarded by all governments and nearly all non-state actors as a worthy goal to be reached as quickly as possible. The ongoing arguments about development are not about the goal itself but about what being developed looks like and how to get there. Three distinct visions of how to attain development coexisted during most of the Cold War era – a largely market-reliant version offered by the USA, the UK, and West Germany, a mixed economy version more popular in France and India, and a central planning vision offered by the USSR and Maoist China. A fourth vision, of a "developmental state" using state resources to nudge private enterprise in favored directions, began to be articulated more clearly in the late 1970s. The main fault line in Cold War-era debates about development was the political-ideological competition between the partly or wholly market-oriented countries of the Western bloc and the central planning-oriented economies of the Eastern bloc. Each pursued its own vision and sought to impress the growing group of developing countries. The Eastern approach affected the World Bank and the IMF primarily as an outside alternative to the organization's approach since they were not members.

Reconnecting countries into a truly global economy for the first time since 1914 followed quickly after the end of the Cold War. The years from 1991 through 2007 were a period of considerable global growth and spreading prosperity, interrupted briefly by the Asian Crisis of 1997-98. The economic woes of the 1970s brought on by the economic ramifications of increased oil prices and of the 1980s brought on by the public debt crises of the 1980s became feint memories as growth rates increased, private investors again regarded developing countries as sources of opportunity, and many developing country governments became more receptive to private direct investments. Even with the temporary interruption of the Asian financial crisis, the World Bank's financial intermediary role for middle income countries was shrinking.

As the 21st century dawned, the World Bank's usefulness in the remaining development efforts was being challenged. Development economist T.N. Srinivasan reflected widespread sentiment in his May 2001 observation that "[T]he World Bank has lost its focus and is trying to do too many things for which it has neither a mandate nor competence" (letter dated 11 May 2001 quoted in Taylor 2007, 135). Discussions of the World Bank's future revolved around four possibilities (debate summarized in Pincus and Winters 2002, 10-20). Many populists and leftists, who continued to regard its policy advice and loan conditions as harmful, and a few on the right, who viewed its financial intermediary role as redundant, wanted to close it. Others who saw its financial role waning but regarded its policy advice as useful suggested it should adopt former Chief Economist Joseph Stiglitz's suggestion that it become a "knowledge bank" doing research and diffusing knowledge about development rather continue lending operations. Yet others thought it would be useful as a "niche bank" lending only to the poorest countries and only for projects and programs that private investors would not finance. Others in the center and center-left suggested the fourth future, continuing as a development bank but concentrating on particular economic or policy sectors rather than trying to cover everything.

For their part, member governments of developing states wanted changes in the particulars of World Bank lending policy and other activities. They consistently urged it maintain or increase its technical assistance and analytical activities (e.g., G24 1991, par 33; G24 1997, par. 17). They also wanted it to maintain lending for infrastructure, in the 2000s phrasing it strategically in terms linking better infrastructure to poverty reduction (e.g., G24 2005, par 17), and a decade later in more direct terms (e.g., G24 2015, par 7; G24 2017, par. 10).

Changes in the World Bank's formal mission statements reflect responses to these changed conditions. * [late 1980s version] The 1998 mission statement focused on its borrower addressees: "The World Bank's purpose is to help borrowers reduce poverty and improve living standards through sustainable growth and investment in people" (World Bank 1998, 1). The audience was expanded to include other actors in its three-element 2004 mission statement:
to FIGHT POVERTY with passion and professionalism for lasting results
to HELP PEOPLE HELP THEMSELVES and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors
to BE AN EXCELLENT INSTITUTION able to attract, excite, and nurture diverse and committed staff with exceptional skills know how to listen and learn" (World Bank 2004, vol 1, back cover)

In 2013, references to the organization itself were omitted and the goals restated in line with changes in discussions of extreme poverty (see chapter 3):

The World Bank Group has two ambitious goals: End extreme poverty within a generation and boost shared prosperity.

To end extreme poverty, the Bank's goal is to decrease the percentage of people living on less than $1.25 a day to no more than 3% by 2030.

To promote shared prosperity, the goal is to promote income growth of the bottom 40% of the population in each country. (http://www.worldbank.org/content/dam/Worldbank/document/WB-goals2013.pdf)

The 2018 version held to the same two goals, while reflecting the greater place of "sustainable development" in global thinking since the 2012 "Rio+20" Conference and formulation of the UN's Sustainable Development Goals: "The World Bank Group has two goals, to end poverty and to promote shared prosperity in a sustainable way" (banner on the homepage at http://www.worldbank.org/).

Both the 2013 and 2018 statements reflected a choice to highlight the needs of the poorest member states over those of the middle income member states. The middle income members were increasingly interested in financing for infrastructure projects, but the Bank was reluctant to be particularly active in that area because of the strong controversies with environmentalists and advocates for the local population (discussed in chapter -). However that left the Bank vulnerable as middle income countries, while urging more infrastructure lending from the IFIs (e.g., G24, 2015, par. 7; G24 2017a, par. 10), also pursued funding elsewhere, including the China-sponsored Asian Infrastructure Development Bank (Katada, Roberts, and Armijo 2017, 424).

The IMF, Exchange Rate Policy, Debt, and Development

Goals are defined very generally in the IMF Articles of Agreement. Article I specifies that the IMF is intended

(i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

(ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

(iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The meaning of these statements was always the subject of considerable contention. As Kenneth Dam observed (1982, xiv):

There is no goal in monetary affairs that commands the intellectual and official assent that freer trade commands even today. To be sure, nearly everyone agrees that national monetary measures, such as exchange restrictions, can be as significant in distorting the allocation of world resources as tariffs and quotas, and therefore warrant international effort to regulate them."

Yet member governments were able to identity shared aversions, agreeing on the need to prevent or at least minimize certain problems that were likely to arise in a fixed exchange rate system:

1) inability of a government issuing one of the most-used currencies in international transactions to reassure others that it will be able to maintain the value of its currency vis-à-vis gold or other currencies at some particular moment;

2) differences in national inflation rates large enough to hinder the maintenance of stable exchange rates as between two currencies, particularly when two that are widely used in international transactions; and

3) bank failures or other financial system problems in any one country severe enough to cause cross-border international financial panic.

Negotiators at Bretton Woods drew three lessons from the experiences of the 1930s: 1) competitive devaluations leave everyone worse off, 2) floating exchange rates are inherently destabilizing because they encourage currency speculation, and 3) actual or perceived gold shortages will inhibit adoption of effective adjustment policies. These conclusions dominated thinking in 1944 even though later analyses showed that the origins of many of the problems of the 1930s lay elsewhere. First, the deeper root of problems in the 1930s was the longstanding misalignments of exchange rates resulting from national decisions to return to a gold standard in the early 1920s. Britain, Denmark, Norway, Sweden and Switzerland set values for their currency in terms of gold that overvalued them compared to then-current market rates while

Belgium, Czechoslovakia, France, and Poland undervalued theirs (Feinstein, Temin and Toniolo 2008, 47). Second, and more immediately, national political considerations prevented agreement on a cooperative realignment of par values once the Great Depression hit (Eichengreen 1995, 258-389; Ahamed 2009, 374-476). Both insights would prove relevant later.

Exchange Rates and Macroeconomic Concerns

While complete agreement on the best way to deal with the various implications of having multiple currencies in the world has eluded IMF member governments, the IMF itself became identified with certain approaches to economic policy. Its emphasis on convertible currencies put it on the Western side of the East-West divide since the planned economies operated with inconvertible currencies and frequently organized their cross-border trade as barter deals. The IMF was generally on market side in the market versus mixed economy debate of the 1940s-1960s. Yet its focus on current accounts and agreement with the widely shared consensus that maintaining controls on capital accounts transactions help countries maintain domestic macroeconomic management while permitting greater openness in trade meant it was not yet identified with what became known as the "neoliberal" approach to macroeconomic management in the 1980s.

The organizational ambiguity of the term "Fund" helped the IMF weather the post-1945 changes in ideas about how to manage current accounts payments. The original par value system, which was based on assuming that exchange rates would be kept within a band of plus or minus 1% of the declared par value, was implemented only among a minority of the members until the early 1960s. A decade later, the par value system was replaced with a system of floating rates over a seven year period marked by unilateral actions and successive rounds of negotiations.

For a time it appeared that the IMF would have no mission in the post-par value world, perceptions intensified by the initial course of monetary system reform negotiations after 1971. The major industrial country governments began discussions in their G10. With help from the UNCTAD Secretariat (Ferguson 1988, 86), the G77 and the G24 sought to transfer negotiations on international financial and monetary questions to IMF forums (G24 1972, par 4-5; G24 1973, par 8; Dam 1982, 213 and 217). IMF management also hoped to maintain a central role in discussion of these issues. Yet it was neither developing country government nor IMF management efforts that shifted the negotiations out of the G10; it was disagreement among the G10 governments themselves. The United States and the United Kingdom governments ultimately decided that even with the ability of the 6 EEC members to veto major decisions in the IMF if they voted together, the IMF Executive Board or a similar body would be a more congenial negotiating forum than the G10 itself (Ferguson 1988, 137). Thus the IMF-based Committee of Twenty became the primary negotiation forum for working out whatever would replace the par value system.

IMF Annual Reports initially included no statements of IMF goals or purposes. Starting in *199-, they simply quoted Article I (e.g., IMF Annual Report 2000, inside front cover). Ten years later, the goals were summarized in more ordinary language, starting with:

“The IMF is the world’s central organization for international monetary cooperation. … The IMF’s primary purpose is to safeguard the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to buy goods and services from one another. This is essential for achieving sustainable economic growth and raising living standards. (IMF Annual Report 2010, xx)

The 2017 statement of purposes placed IMF activity in a broader context but cast it in similar terms in stating that the IMF

is a global organization …set up to promote the health of the world economy. It works to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF, which oversees the international monetary system to ensure its effective operation, has among its key purposes to promote exchange rate stability and to facilitate the expansion and balanced growth of international trade. (IMF Annual Report 2017, overview).

Exchange rate stability remained at the center of IMF concern, even during the disruptions following the US decision to end convertibility of US dollars into gold at the fixed rate of $35 per ounce in August 1971. Most member governments soon sought some degree of exchange rate stability by adopting either a managed float – intervening in currency markets to keep actual exchange rates from fluctuating too far from whatever rate the government preferred – or a currency peg – declaring a fixed exchange rate between the local currency and one of the currencies most used in international trade. This move to a managed float or a peg was so widespread that in June 1975 only 11 currencies were floating independently of all other currencies (see *IMF Annual Report 1975*, Table 9 on p. 24).

Yet many governments also worried that managed floats would be used to manipulate exchange rates to secure unfair advantages in international trade through intentional under-valuation of currency. That concern was addressed in the Second Amendment to the IMF Articles of Agreement that formalized use of floating rates by making explicit a 1974 understanding that IMF “surveillance" (data monitoring plus consultations) of currency-related government policies that had previously applied only to governments maintaining inconvertible currencies would be extended to all members *(IMF 19-). The IMF also sought to discourage such manipulations through a specific monitoring and information scheme of tracking movements in currency markets and estimating over- or under-valuation with a standard, publicly-disclosed formula (IMF 7/2013 provides the latest version).

With exchange rates less tightly bound than under the par value system, balance of payments finance was less important than it had been. Even before 1971 the leading industrial countries had found it more convenient to meet most of their short-term foreign currency needs by borrowing from one another rather than from the IMF. Meanwhile developing countries, which had used IMF lending from the start, became a larger portion of IMF membership as decolonization proceeded (see Table 2.1). Developing countries were already taking the largest numbers of IMF loans in the early 1970s (Vreeland 2007, 10, Figure 1.1), and as developing country financial woes intensified after the 1973 oil price increase and consequent recession in the West, the IMF found its lending being used more in efforts to keep development on track.

<< TABLE 2.1 HERE >>

Development

Outside observers concluded that the shifts in membership and lending left the IMF a changed organization. In 1981 *The Economist* suggested that the IMF had been transformed from an organization with the focused role of maintaining the monetary system, to one resembling a national-level “ministry without portfolio” with an assortment of “treasurer,” “health service” and “policeman” roles (Pennant-Rea 1981, 7). Commentators on both right and left noted and criticized the drift. Some regarded it as an undesirable shift away from the IMF’s original “mutual insurance model” under which all members supply resources and those in need at a particular time draw on them towards becoming a “financial intermediary” using resources secured from one group of members to lend on to another group of members (noted in Dam 1982, 286). Some developing county governments did propose replacing the IMF in their programs for creating a New International Economic Order (Bird 1994, 485) but those faded as others, most notably the Saudis in their preference for lending the IMF money rather than expanding the OPEC Special Fund (Griffith-Jones 1982, 305).

Group of 24 statements on the debt problems plaguing many developing countries in the 1980s emphasized the link between development and ability to repay debt (G24 1985, par 7-9; G24 1986, par 10). In 1988 the G24 suggested that "debt service should be limited to a percentage of export earnings that would be compatible with the development needs and with the economic and social requirements of each country" (G24 1988, par 9). The overviews of the world economy presented in IMF Annual Reports for those same years indicate the IMF's growing attention to the issue. Later events – including the rejection of central planning after 1990, increased international financial connections following expansion of cross-border trade and investment, and the need to respond to periodic payments problems or financial crisis – caused a shift of primary attention back to the overall condition of the global financial system. This change did not alter the fact that only developing countries borrowed from the IMF until the 2008 global financial crisis.

Concern with development, and explicit creation of special loan arrangements for developing countries, could be squared with a broad reading of the IMF's mandates to promote expansion and balanced growth of international trade, and to help members address balance of payments problems "without resorting to measures destructive of national or international prosperity" (IMF Articles of Agreement, Article I (v)). However, the conceptual stretches were obvious and provided a handle for complaints from the political right that development-focused lending is a distraction.

Yet most discussions of IMF activity in the 1970s and 1980s took the shift in borrower clientele as a given, and focused more on whether IMF policy advice and loan conditions were aiding or hindering development. Developing country governments made their preferences clear (e.g., G24 1982, par 8; G24 1984, par 12-15; G24 1985, par 23-29). Academic economists, NGOs, and social movements all offered considerable criticism of IMF loan conditions and advice. The debates were not about disagreements on the broad goals; they were instead a clash of policy orientations, both inspired and reinforced by each side's preference for different methods of economic analysis. Somewhat different forms of neoclassical economics prevailed in the IMF itself and among rightwing critics, versions of world systems or other structuralist economics were advanced the more radical members of the G77, and some variant of Keynesian or developmental state economics were advanced by the less radical.

The IMF remained committed to the classical Smith-Ricardo proposition that international trade increases both global and individual country prosperity wealth by allowing each country to specialize in the productive activities it can do best while relying on others to provide things that are impossible or more costly to produce at home. Developing country members could draw on a wide array of economic theories to support their positions. These included versions of the "infant industry" argument for insulating nascent domestic industries from competition by established foreign firms, "strategic tariffs" arguments for protection of certain key sectors of the economy (for US versions in Reich 1983 and Thurow 1985), or the various dependency (e.g., Amin 1976; Gunder Frank 1967) and structuralist theories (e.g., Prebisch 1950) of the international economy.

The intensity of these debates obscured the limited extent to which the IMF actually devoted resources to medium-term lending for broader development purposes. While borrowing from the concessional facilities designed to aid low income countries comprised 50% of the loans approved in 1989-2001, and about 34% in the early 2000s, altogether those loans amounted to only about 7% of the money the IMF lent to members during this time (Copelovitch, 2010, 14 and 14, note 41). This fraction dropped to about 1.3% of the total amount lent in 2008-2017 (calculated from data in IMF Annual Report 2017, Appendix II, Table II.1), reflecting the greatly increased use of IMF resources by industrial countries after 2008 rather than a shrinkage in the amounts of money lent through the concessional facilities.

Meanwhile the significance of the policy analysis and advice provided in the “surveillance” process became more prominent. The increasing emphasis on “good policy” and "good governance" as crucial to development reinforced the IMF’s efforts at what Broome (2010b, 45) called "diffusion of global normative standards for national economic governance.” The IMF has been particularly consistent in promoting the idea that financial system governance and monetary policy should be taken out of the hands of politicians and entrusted to politically-insulated institutions; in its view an independent central bank or an autonomous monetary agency will be more able to resist pressures to alter the money supply for short-term domestic political advantage. The advice provided has been sufficiently consistent to have elicited the description "missionary project" from one critic (Stiglitz 2002, 13), while the lack of links to loans gives national officials greater leeway in choosing whether to adopt or ignore the advice (Broome 2010b, 42-43).

The World Bank and the IMF are connected by a minor institutional link through the Bretton Woods Conference decision that countries wishing to join the World Bank must also join the IMF (Bank Articles of Agreement, Article II, section 1). Differences in mission, size, and organizational culture soon led them in separate directions, and their cooperation was confined to fairly fragmentary exchange of information about individual countries' economic conditions. The Pearson Commission (1970, 220) suggested that when both were lending to the same government they should cooperate to develop "unified country assessments" and joint policy advice, but this suggestion was not taken up. Even creation of a joint 24 member Development Committee at the Board of Governors level in 1974 had little effect on the two organizations' decisions and operations.

This reality was obscured in much outside commentary, which used the common origin in the Bretton Woods Conference and perceptions that they advanced similar economic policy advice to present them as "twins" – in leftist comments imposing capitalist discipline or in rightist comments providing resources that allowed governments to pursue irresponsible policies. Yet throughout the 1970s, differences in economic analysis, organizational routines, and bureaucratic cultures continued to limit cooperation. As Jacques Polak (1997, 493) put it from the IMF side, "The many years of living almost entirely separate lives had ill prepared the Bretton Woods twins for the involuntary cohabitation that the experience of the 1980s forced upon them."

The debt crises of the early to mid-1980s provided the forcing into greater cooperation. The IMF emerged as a central actor in middle income developing country rescheduling of pubic debt owed to private banks while the World Bank expanded program lending to support those reschedulings (see Chapter 3). The World Bank and IMF also began working more closely together on lending to low income countries. When the IMF established its Structural Adjustment Facility in March 1986 it required governments seeking SAF loans to participate in a collaboration among their own officials, IMF staff, and Bank staff to prepare a Policy Framework Paper (PFP). PFPs required governments to outline their economic policy goals for the following three years, identify priorities for adjustment, and summarize their needs for and likely sources of external finance. On the Bank side, borrowers seeking Structural Adjustment Loans were required to have an IMF Stand-By Arrangement in place (Polak 1997, 473-74, 489). Yet borrower country governments worried that greater coordination would lead to a tighter "cross-conditionality" in which falling behind in payments to one of them would result in loss of ability to borrow from the other (e.g., G24 1984, par 31; G 24 1985, par 31; G24 1989, par 47), and resisted increases in coordination.

Coordination gaps became public knowledge in a 1988 confrontation between the two over extending new loans to Argentina. Mutual desire to overcome them or at least avoid public wrangling led to the IMF- World Bank "concordat" (1989) which encouraged greater sharing of information about middle and low income countries' economies and gave each a "lead agency" role in particular areas. The Bank would take the lead in providing sector loans to maintain growth and in advising on priorities for government spending, administrative reform, and reorganization or privatization of state-owned enterprises, while the IMF would take the lead in analyzing the government's financial situation, advising on how to deal with balance-of-payments deficits, and providing loans to assist with exchange rate stability. Both would collaborate on advising about the structure of the country's financial institutions, access to capital markets, and financial implications of development.

Even with the concordat, coordination remained uneven. Differences in advice did narrow somewhat as the IMF came to accept that a stabilization-growth tradeoff existed and the need, vociferously urged by NGO and social movement campaigners, to design lending programs that would minimize harm to the poorest part of the population. By the mid-1990s, middle income countries had gotten past the worst of their debt problems and their economic growth meant they did not need IMF or World Bank loans as much. Developing countries generally accepted the need for IMF-World Bank coordination to reduce duplication of effort while continuing to oppose any cross-conditionality between their loans (e.g., G24 1997a, par 17). In the aftermath of the Asian Financial Crisis the G24 also agreed that “The capacities and modalities of the international monetary and development finance institutions to respond in a timely and effective manner to crises induced by large-scale capital movements” needed to be reviewed (G24 1998a 4th paragraph).

The Joint Management Action Plan adopted by the IMF and World Bank in 1999 focused on programs for low income countries. Their governments would now be required to prepare Poverty Reduction and Growth Strategy Papers before getting loans from either. The IMF simplified procedures for them by agreeing to provide all of its concessional lending through the Poverty Reduction and Growth Facility and strengthen its attention to poverty reduction. The Bank agreed to rely on IMF Financial Sector Assessments to guide its loans intended to reduce the vulnerability of their financial sectors. Both agreed to reduce duplication of staff work. In subsequent years IDA and the IMF also participated together in the Highly Indebted Poor Countries debt relief program *(summarized in Moser and Sturm 2011, zz), and the 2005 Multilateral Debt Relief Initiative that canceled 100% of certain countries’ debts to the Bank, the IMF, and the African or Inter-American Development Bank.

However differences in size and overall organizational cultures remained strong. In 2006 the World Bank and the IMF established a joint External Review Committee to solicit views from "a representative sample" of member countries and consider whether the "lead agency" concept was working and more generally how coordination could be designed to better meet member country needs (IMF 2006, 110). The review inspired some procedural changes, continuing the collaborative tracking of low income country debt levels, and closer cooperation in providing technical assistance on managing public debt to all developing countries (World Bank 2013).

The 2008 global financial crisis shifted IMF attention to the immediate and medium-term problems of industrial countries, but continuing need to implement the Highly Indebted Poor Country initiative kept IMF-World Bank cooperation going. As the IMF reacted to criticisms of its work during the Asian Crisis in the mid-2000s by adopting policies of greater information-sharing to promote transparency in its operations, the earlier problems of meagre information-sharing between IMF and World Bank staffs also abated.

In all, the actual extent of IMF-World Bank coordination has been defined by the partial overlap of lending activities and analytical activity. These had come to include coordinated lending to address a financial crisis in a middle income region or country that was likely to spread elsewhere, parallel activity on debt restructuring, and shared procedural elements of working with low income countries. Coordinated activity became a smaller part of total activity while the IMF dealt with the aftermath of the global financial crisis and the longer-running Eurozone Crisis.

Summary

The World Bank exists within a policy space defined by the goal of promoting development in which other multilateral development banks, the UN Development Programme, and other UN agencies also exist. This coexistence within a common issue area creates mixed impulses, some encouraging collaboration with, and some encouraging differentiation from, one another. At the level of defining development, they have often been rivals because of differences in their staffs' orientations. Their internal structures and very different financial resources have promoted also promoted differentiation. The World Bank was established initially as a financial intermediary between private investors and borrower governments but later also became an agency for inter-governmental transfer with creation of IDA and Trust Funds. It has also become a technical aid provider, thus overlapping with the activities of many of the UN agencies, particularly UNDP.

The IMF operates in the separate but partly overlapping issue-area of international financial and monetary affairs. Initially the IMF paid little attention to development; this was already changing when US closure of the "gold window" in August 1971 brought the par value system, and with it the IMF's explicit supervisory role over national exchange rate decisions, to an end. The IMF found new roles in the world of floating rates – monitoring member countries' balance of payments situations and providing policy advice through periodic consultations -- but lending to high income countries decreased dramatically, reaching zero in 1983 (IMF loan data 2019). The resulting concentration of borrowing in its developing country members drew the IMF in an unanticipated direction, squarely into the development issue area. Critics on both left and right have regarded this as resulting in the IMF taking up matters outside its areas of competence. However, avoiding that shift was not an obvious option; internal organizational survival instincts would have pushed the IMF in that direction in any event since its income depends on making loans. At the same time, other actors – developing countries needing debt reschedulings in the 1980s, private banks looking for some third party assessor of borrower readiness to adopt policies that would permit servicing the rescheduled debts, and industrial state governments seeking to avert developing country defaults to protect the financial condition of their banks – were eager to have it involved. IMF management and staff did limit the internal impact of the shift in borrower clientele by remaining very selective in activities with intergovernmental organizations dealing with development. World Bank and IMF management and staff are both concerned with organizational survival, and benefit from having a broad goal. Broadly-defined goals offer more leeway for reinterpreting organizational activity as conditions change. Yet an abstract goal does not protect an organization against all "existential threats" – circumstances that could lead to closing it down. Even broad goal statements contain two sources of existential threat. The first is a suggestion that once the goal is reached, it is permanently attained. Development is such a time-bound goal, even if the formulation of what a "developed" state's economy looks like has changed considerably since the 1950s. The second is member government abandonment of the goal because it is now perceived as unimportant, irrelevant, immoral, or unattainable.

At first glance, the World Bank seem vulnerable to goal fulfillment-based existential threats. If governments of the world ever came to a consensus that all countries are roughly equally developed, or private investors were equally willing to invest in any country (or at least any country not wracked by a severe internal war at the moment), their existence would come into serious question. The World Bank Articles of Agreement (Article V, section 2) even foresee this possibility by including provisions for ending operations, liquidating its assets, and returning the money thus realized to the member states. While many of the more prosperous middle income countries do appear to be closing in becoming developed, other countries, particularly the low income ones, are still finding a long way to go. This frustrates observers who believe there should be more results by now, or as one put it, "When the World Bank reaches the milestone of being in a country for fifty years, it should not be a cause for celebration" (Senator Lugar in US Senate 2010, 4).

The goal of promoting international financial stability suggests something that will need persisting attention. However neither that fact, nor the fizzling of proposals to replace it in the 1970s, exempts the IMF from existential threats today. It currently faces two distinct such threats – collapse as the global economy fractures into lightly-connected national and regional parts having no need for a global coordinator of monetary affairs, or replacement by a true global central bank managing the more unified monetary policy necessary to creating and maintaining a global currency. Even with the shocks of the 2008 global financial crisis, neither of these threats appears imminent. There is now enough financial and trade interconnection between regions that collapse of the global economy into regional parts seems unlikely. Some analysts suggest that a shift to regions would improve management of financial crises by allowing countries in each region to adopt remedies better designed to their own circumstances (e.g., Desai and Vreeland 2011). Yet recent G20 decisions to build regional and global lending capacity simultaneously suggest that major governments do not think any region would be able deal the full range of financial crises on its own. G20 governments may also realize that localizing financial crises on the edges of the global economy is much easier than localizing financial crises in a major country (see Oatley *et al.* 2013, particularly 142-147) and regard something like the IMF as needed when localization looks likely to fail. Though interconnection does remain high, a move to global monetary unity is also unlikely since, as the Eurozone's current travails are demonstrating, having a common currency requires commitment to a broad array of common policies that countries are unwilling to make at present.

Lack of immediate existential threats does not mean than an intergovernmental organization is assured of a long life. Member states could become so dissatisfied with the authority dynamic prevailing within an organization to shut it down, either directly by invoking provisions for dissolution included in the organization's charter or indirectly by abandoning it in favor of other organizations. Such discontents generally arise from severe unhappiness with slippages in goal attainment stemming from the relevance or efficacy of cooperative activity led by an IGO, the topics of parts 7 and 8.

AFTER CREATION: PART 3 SELECTION CRITERIA

[This Part was last revised in 2018 when the project was a three organization comparison among the World Bank, the UNDP, and the IMF. UNDP was later dropped to keep the overall length of the manuscript manageable.]

Selection criteria specify who, acting by what process, chooses individuals to fill authority holder roles. The selection criteria issue used to identify them cover two related matters: defining parameters for identifying qualified candidates for each authority holder role and developing election or other choice processes for selecting among those candidates. Most authority relationships also have rules guiding removing an individual from an authority holder role in the event of physical incapacity, serious incompetence, or grievous misbehavior.

For an authority holder like an IGO that is a collective entity, the process of selecting individuals for authority holder roles operates within an already-established relationship defining the IGO as a collective authority holder regarding particular matters and specifies the member state governments' agreement to delegate the organization's rights of instruction to particular persons or groups of persons within the organization. This two-step process is very similar what happens within states: governments are also collective entities, and particular human agents need to be designated to act on their behalf. States solve their domestic designation problem by having a constitution, basic law, or tradition instituting a central government, defining the various authority holder roles within it, and specifying the qualifications for candidacy and the procedures for selecting individuals to fill those roles. The typical IGO has a three-part structure of a plenary intergovernmental forum, a smaller intergovernmental supervisory group, and an internationally-recruited secretariat. The plenary forum and supervisory group consist of delegates chosen by the member governments having seats in the forum or group, acting together on behalf of the collectivity of the member states to set basic directions (plenary forum) or supervise the staff and approve certain types of more detailed decisions (supervisory group). The secretariat, recruited as individuals to serve the IGO, is typically organized in bureaucratic fashion under an executive head (the term used by Cox 1969 to highlight the commonality of role hidden beneath the vast array of titles) carries out the agreed IGO programs. Thus defining the membership of and voting power within the plenary forum and supervisory group, the process of selecting the executive head, and the process of selecting the rest of the staff each exist as a distinct locus for applying and contending over selection criteria.

Intergovernmental Bodies

The intergovernmental bodies existing in an IGO have two sets of selection rules. The first define which of the member states send individuals to act for the whole membership while the second indicate how individuals' status as representatives of their state will be verified. Most intergovernmental organizations have two primary intergovernmental bodies, the plenary forum consisting of representatives from all member states meeting infrequently to make decisions about the general directions of IGO activity and the supervisory group consisting of representatives from some member states meeting often and providing closer day-to-day supervision. While multilateral tradition, generally reinforced in organizational charters, indicates that the plenary forum is open to delegates of all member states, the membership of the supervisory body is defined separately in each organization's charter. The definition might be relatively inflexible, as with the UN Charter specification that five particular states will be permanent members of the Security Council. More often they contain a degree of flexibility by specifying some characteristic or combination of characteristics that make states eligible. The usual practice in the UN system, which applies to UNDP because it is a subsidiary body of the

General Assembly, divides seats on smaller bodies among the regional groups of members according to some agreed formula – most often proportionally to their respective shares of the total UN membership. The IMF and the World Bank began with rules that the five largest shareholders each appoint one member of the Executive Board while other members form groups ("constituencies") on whatever basis they choose to elect a Board member representing them all. The IMF agreed in principle to move to an all-constituency system in 2010, but the needed amendment to the Articles of Agreement has not yet come into effect.

In all three IGOs, determining which individuals attend intergovernmental bodies to represent the member states follows the rule strongly entrenched in international law and practice that each member government appoints its own representatives and accepts other governments' choice of their own representatives. They indicate appointments through "credentials," formal notes typically provided by the minister of foreign affairs but occasionally by the head of state or of government naming the individual appointed to a particular intergovernmental body. Many intergovernmental bodies have a credentials committee or similar body charged with ensuring that all those claiming to be delegates have valid appointments from the government sending them. This is typically a clerical function, but can involve significant choice when rival delegates present themselves because two or more factions claim to rule a civil war-wracked state, or on the rare occasion when the existence or the right of the state itself to continue participating in the organization is challenged (e.g., Peterson 1986, 118-123; Ratliffe 1999). On these occasions the credentials checking function take on an overtly political character because it involves choosing which delegates – if any – will participate.

A collective decision-making body also needs a set of rules for expression of the collective will. Though procedural in character, they differ in significance from the procedural rules guiding authority-holder-addressee interactions. Those latter rules shape the direct relations between authority holder and individual addressee; the rules of intergovernmental bodies set the parameters of general decision-making creating the basic policies and rules that the supervisory body and the organization staff apply in the organization's day-to-day operations. The most important rules define quorums, the number of votes required for a decision, and the allocation of votes among the members. Quorums define how many member states must be represented at a meeting for a decision to be adopted, and are often set at 50% plus one of the members. In a 100-member state organization, the typical quorum rule would require that representatives of 51 member states are present for any votes to be taken or consensus proposals adopted. In an organization of 100 that gives each member state one vote and uses a simple majority rule that 50% plus one of those voting can adopt a decision, a meeting at which a quorum requirement of 50% plus one are present means that a decision could be adopted with 26 positive votes. Plenary intergovernmental forums typically avoid making decisions by such a small vote, some by specifying a higher quorum – such as representatives of two-thirds of the members must be present – others by using a qualified majority rule – that 2/3s or 3/4s of those present must support a proposal – and others by having a formal or informal requirement that decisions be adopted "by consensus" – acceptance by all and no serious objection by any (Sohn 1974 and Cassin 1979 discuss the possible meanings and implications of "consensus").

The rules allocating votes among member states and specifying how many votes are needed to adopt a decision shape the politics of the decision-making process, and hence shape the policies that will guide the specific instructions provided to addressees. Though these rules are specified in the IGO's charter or other founding treaty, and might be changed formally by using the amendment process, they are often modified informally through accepted practices that substitute a different majority or consensus for the formal rule. Whether seeking a formal or an informal change, member governments unhappy with the current voting rules have to persuade the other member governments to accept a change. Typically neither the executive head nor the organization's staff has much influence in such discussions; the politics of reallocating votes or redefining the required majority are efforts among member governments unhappy with the current rules to persuade enough others to get the desired change adopted.

Basic Rules for Selection

The prominence of financial operations in World Bank and IMF encouraged negotiators at the Bretton Woods conference to give their intergovernmental bodies some unusual features. Neither their Boards of Governors, the plenary forum making the broad basic decisions, nor their Executive Boards, the limited-membership supervisory group, operate under the one state-one vote rule common in other IGOs. They have a two-part allocation of votes in which all members receive an equal number of "basic votes" and then receive additional votes proportional to their financial stake ("shareholding" in the World Bank and "quota" in the IMF) in the organization. The size of financial stake, in turn, is defined mainly by the fraction of global economic activity originating in each member. While differences in membership and in the vote allocation formulas mean that vote percentages in the two are not identical, both formulas favor large and wealthy countries over small or poor ones. The effect of the weighted voting is also strengthened by the qualified majorities needed for some key decisions.

The IMF Agreement specified that most decisions can be adopted with a simple majority of the votes, but larger majorities are required for general increases in amount of money to be paid in as quotas to be paid in, selective changes in quotas used to alter the relative shares of member countries, changes in the number of number of Executive Directors, and amendments to the IMF Articles of Agreement. In 1946, approving quota changes required support from members holding 80% of the votes; in 1978 the rule was amended to require approval by members holding 70% of the votes. Changes in the number of Executive Directors require approval by members holding 85% of the total votes (IMF Agreement, Articles III, sec. 2 and Article XII, sec. 3b). Any changes in selection rules that require amending the Articles of Agreement – such as the currently-proposed shift to an all-elected Executive Board – are subject to a "seats and shares" rule requiring approval by 3/5s of the members holding 85% of the total votes (Article XXVIIIa).

Each member state sends one representative, typically its finance minister or the head of its central bank, to the Board of Governors. Though the formal rules specify that Governors have a five year term, member governments can reappoint them or replace them at will. The Governors have their annual meeting in September, and the Articles of Agreement provisions (Article XII, Section 2c) on calling other meetings supports the now well-established practice of having a "spring meeting" each March.

The IMF Executive Board began as a 12-member body and now consists of 24 Executive Directors. The five members with the largest quotas – currently France, Germany, Japan, the UK and the USA – each appoint an Executive Director. The formal rules specify that the rest are elected by "constituencies" of member states agreeing with each other to elect a Director who acts for all of them and casts their combined votes. The formal rules also have a provision allowing other members who are major creditors to appoint their own Executive Director for as long as they are in that position (IMF Agreement, Article XII, Section 3c), a rule giving India in 1971-72 and Saudi Arabia in 1979-1998 the ability to appoint their own Executive Director. Since 1999, three informally-defined "constituencies of one" (China, Russia, and Saudi Arabia), have been allowed to appoint their own even though the countries do not qualify under Article XII(3c), while the other 16 are elected by constituencies. The division into appointed and elected Directors was accepted at the start as a normal way of accommodating power differentials. The fact India was one of the largest shareholders until early 1971 (when it was supplanted by Japan) meant the rule did not reflect an "industrial vs developing" divide. As the G77 became more assertive about symbolic expressions of sovereign equality of states, the idea that all Directors should be elected by constituencies began to get traction. The global financial crisis of 2008 accelerated the already-shifting balance of economic activity from Europe to Asia, and in 2010 IMF members agreed in principle that the Articles of Agreement should be amended to specify that all 24 Board members will represent constituencies rather than single countries (IMF 2010), with the change becoming effective in 2016 after sufficient ratifications by individual members were received (IMF 1/2016).

No rules define the composition of IMF constituencies – there is no parallel to the UN practice of representation by geographical region – though most IMF constituencies do have a distinct regional basis. The exact composition has changed over time – either because new member governments choose a constituency or because longstanding member governments come to prefer different partners. The greatest changes have followed major global developments – collapse of the par value system or the end of the Cold War – but smaller ones happen fairly often. Many constituencies include a mix of industrial and developing states; typically an industrial state national is the group's Executive Director, but some groups have developing state nationals serve as Alternate (see lists of Directors and Alternates in IMF Annual Reports). Executive Directors serve two-year terms, though can be reappointed. Appointed Directors could be replaced as the appointing state wishes, and there is also turnover among the elected

Directors through resignations. Executive Directors are supposed to be available to meet on short notice, which now means at least weekly; thus they are typically senior finance ministry or central bank officials who reside in Washington DC most of the year.

Executive Board control over the IMF is limited significantly by the extensive agenda-setting and decision-formulation power enjoyed by the Managing Director. The Managing Director chairs the Board, initiates all loan proposals, and, since adoption of a preference for consensus voting in 1946, is responsible for ascertaining the "sense of the meeting" on any matter before it. Any Executive Director can request a vote, (IMF Rules and Regulations, Rule C-10) but such requests are rare (Gold 1972; Stone 2011, 60 and note 21). Unlike in the World Bank, where draft loan agreements are submitted to a subcommittee of the Executive Board for initial reading and possible revision, IMF loan agreements go directly to the full Board. The IMF Managing Director's control over sending proposals to the Board and summarizing its decisions can create an impression that IMF Executive Directors can only choose between approving or rejecting. Informally, however, at least some Executive Directors do have informally-established opportunities for securing changes while the loan terms are still under discussion, with Directors of the G7 often shaping major loans (Stone 2013, 58-59).

The IMF has carried elements of the voting rules over into informal bodies. The Committee of Twenty established to work out international monetary reform in the mid-1970s used the then-prevailing system of constituencies for the Executive Board to give developing countries 9 of the 20 seats. By allowing each Committee member to name 2 associates, a larger number of countries were represented in the discussions (Dam 1982, 218-19). The Committee of 20 was succeeded by a similarly-organized Interim Committee of the Board of Governors on the International Monetary System. Though initially designed as an advisory body to the IMF

Council authorized in the Second Amendment to the Articles of Agreement (Art. XII, section 1 and Schedule C), the Council was never formed and it acquired greater prominence (Dam 1982, 252-53). This evolution was acknowledged in 1999 by renaming it the International Monetary and Financial Committee.

Not surprisingly in light of their origins in the same multilateral conference, the World Bank's internal structure and decision-making procedures closely resemble those of the IMF. The Bank Board of Governors also consists of one representative of each member state, and holds its annual meeting in September and a spring meeting in March coinciding with the IMF Board of Governors meetings. This is convenient for the member governments since the national officials dealing with both overlap considerably; it is also convenient for whatever NGO coalitions and social movements are most keen to protest IMF and/or World Bank activity because they can address both simultaneously. The composition of the World Bank's Executive Board strongly resembles that of the IMF in having a combination of single-member appointees and constituency-elected members. The Bank's vote allocation formula has the same basic votes plus distribution according to size of financial state as the IMF's but the actual vote allocations differ for two reasons. First, though states must belong to the IMF to join the Bank (Bank Agreement, Article II, section 1a and b), they can belong to the IMF without joining the Bank, and in the past Bank membership was often smaller though both have 189 members today. Second, the same member had slightly different vote weightings between 1980 and 2010 because the Bank doubled the number of "basic votes" in 1980 (Reddy 1985, 23) while a similar change in IMF rules only came into effect in 2010 (IMF 2010). Yet voting distributions in the two organizations are kept from diverging too far by a long-established practice states getting individualized quota increases in the IMF which also belong to the World Bank are also expected to increase their subscription to Bank capital (World Bank 1976, 6) so their proportion of shareholding and thus distributed votes remain close in both.

The Bank Executive Board, like its IMF counterpart, originally had 12 members, and had 24 after 1992. A 25th was added in 2010 so that the 51 African member countries could form 3 rather than 2 constituencies. The 25 Directors include 5 appointed by each of the largest shareholders (currently France, Germany, Japan, the UK, and the USA); 3 named by the same "constituencies of one" as in the IMF (China, Russia, and Saudi Arabia); and 17 elected by groups of other members. As in the IMF, the "constituencies" are defined by participating members, and again include both industrial and developing countries. However constituencies' composition differs somewhat from the IMF ones because of the third African constituency in the Bank, different member choices of partners (compare IMF 2011 and World Bank 2011), and – at least for now – the Bank's continuing with appointed Executive Directors. World Bank constituencies also vary in their practices of selecting their Executive Directors with some having formalized rotation rules (Vreeland 2011, 370-71).

The Bank Board of Governors has sole authority to admit new members, suspend members, increase or decrease the total capital stock, determine the distribution of the Bank's net income, provide definitive interpretations of the Bank Agreement, make cooperative agreements with other international organizations, and dissolve the Bank (Bank Agreement Article V, sec. 2). Formalizing major changes about as hard in the Bank than in the Fund because the qualified majority required for capital increases is 75% of the votes (Bank Agreement Article II, sec. 2b), increases in the number of Executive Directors must be approved by members holding 80% of the votes (Bank Agreement, Article V, section 4b) while other changes requiring an amendment to the Bank Articles of Agreement are subject to a "seats and shares" qualified majority of 60%

of the members initially holding 80%, and since 1989 85%, of the votes (Bank Agreement, Article VIIIa). The percentage thresholds prevent any one member from blocking a proposal, though allow fairly small groups to do so; the dual qualification allows the developing country members to block proposals if they vote together. As the Bank Agreement allows, the Governors have delegated supervision of the Bank's operations to the Executive Board. Thus the Executive Board determines the broad outlines of lending, sets the terms (maturity, grace period, charges) for loans and credits, sets the staff regulations, outlines the program of research, authorizes bond issues, and approves particular loans or credits.

Establishment of the International Development Association (IDA) as a separate but affiliated organization required additional governance arrangements. These largely derived from existing World Bank organization, particularly in specifying that the president and staff of the Bank are also the president and staff of IDA (IDA Agreement, Article VI, section 5). Bank Governors whose country belongs to IDA also serve as IDA Governors, and the two Boards meet at the same time (IDA Agreement, Article IV, Section 2). Through a carefully drafted rule (IDA Agreement, Article IV, section 4), the Executive Boards are also identical. While votes in IDA are allocated by the same method of combining "basic votes" with votes apportioned by relative contribution to capital (IDA Agreement, Article VI, section 3), IDA vote allocations differ from Bank allocations because of differences in membership and variations in contributions to replenishments.

Most IDA decisions can be made by Governors or Directors holding a simple majority of the total votes, but formalizing major changes in IDA also requires a qualified majority. Adoption of most amendments to the Articles of Agreement must be approved by the 60% (3/5) of the members holding 80% (4/5) of the votes (Article IX a) except that changes to provisions on withdrawal from membership, specifying the option to subscribe additional capital to maintain relative voting power, and defining limits on liability require approval by all members (IDA Agreement, Article IXb). Increasing IDA's capital requires 2/3s of the total vote (IDA Agreement, Article III, Section 1d), a threshold just under the Bank's 70%.

Initially the Bank President was not given the same agenda-setting power as the IMF Managing Director; the Bank Articles of Agreement indicated that the Executive Board would do most of the day-to-day decision-making (Article V, Section 4a). However, the President's role was strengthened significantly in 1946. The US government, which then held half of the stock and was the Bank's "nurturing godfather" (Kapur 2002, 55), was having serious trouble finding someone to head the Bank after the first president, Eugene Meyer, resigned after 6 months in office. John J. McCloy proved to be the only candidate willing to consider the job who was both acceptable to the development-minded Truman administration and respected enough among private investors to sell the bonds issued by what was still an untried institution. However, McCloy was only willing to take the job if the president's powers over Bank operations were enhanced. The members agreed to do so (Oliver 1975, 237), and one of the conditions gave McCloy and his successors considerable agenda-setting power by specifying that the Executive Board would consider only those bond issues and loans that the President put before it. When IDA was formed, this routine was so engrained that there was no question IDA loans would be handled the same way.

Even in 1944, when national decision-makers had less statistical information about the state of their own and other countries' economies than they do today, it was reasonable to anticipate the need for reallocation of quotas or shareholdings (and hence vote allocations) as states repaired the destruction of World War II or succeeded in their plans for increasing domestic economic activity. Incorporating a norm of periodic revision in the rules makes changing the allocation of votes much easier than in the UN, where changes to the voting rules require amending the UN Charter, a process that includes getting a proposed amendment accepted by the 5 permanent Security Council members before it is proposed to member states (UN Charter, Article 108).

In contrast, the IMF Articles of Agreement (Article III, sec. 2a) specify that quotas should be reexamined at least once every 5 years and that the Board of Governors can reallocate quotas among member countries proportional to their relative economic importance. The precise distribution of quotas is defined by applying a mathematical formula, but the elements of that formula have always had strong political roots. Even before the Bretton Woods conference assembled in June 1944 US President Roosevelt and Secretary of State Hull decided that the US would commit $3 billion (much more money in 1944 than today but less than the British hoped to see committed) and defined ratios of the US share for the next largest shareholders – the UK, China, and the USSR. Harry Dexter White and the other US negotiators then filled in the rest of the guidelines: a total capitalization of no more than $8 billion, an equal allocation of "basic votes" to each member, and overall quotas such that the total of UK and Commonwealth country votes would not exceed the USA's votes. Applying a formula based on gross domestic product and each country's openness to international trade – not disclosed at the Bretton Woods Conference, though revealed later – approximated most of the desired outcome, with some individual quotas altered after more negotiations (Mikesell 1994, 22-37). A later analysis of the deviations adopted at Bretton Woods (graphed in Stone 2011, 54) showed that members gaining and losing shares (and hence votes) included both industrial and developing states. While the numerical components of the formula are public knowledge today, the tradition of selecting among plausible components those that will yield politically desired results remains strong. This has been most visible in the Group of 24 developing countries' long campaign to have GDP calculated in purchasing power parity (PPP) rather than by exchange rate because using PPP increases the apparent size of developing country economies (see p. [19]). The current formula is a compromise; with 50% of a country's weighting by GDP (60% of that portion calculated on exchange rates and the other 40% on PPP values), 30% on share of world trade, 15% on variability of its economic performance, 5% on its provision of international reserves, and a numerical "compression factor" (currently a multiplication of initial results by 0.95) reducing the difference between the highest and lowest vote totals (IMF 2010b).

The Bank Articles of Agreement (Article II, section 3), gives the Board of Governors authority to increase the capital of the Bank but does not specify any particular interval for reviewing the distribution of shares. In practice, the Governors continually approved small increases in capital either to accommodate additional members or to allow members which been assigned individualized increased quotas in the IMF to live up to expectations by increasing their holdings in the Bank as well. In 1959, 1980, 1988, and 2010 the Governors agreed to general capital increases that combined elements of across-the-board increases for all members with additional "selective" increases for particular members to keep up with changing economic conditions (see World Bank 1988, 32-33 and 2010b). The 2010 capital increase was notable not only for accommodating a significant increase in emerging market and developing country voting share (World Bank 2010b) but also for an agreement that starting in 2015 World Bank shareholdings will be reviewed every 5 years (World Bank Annual Report, 2011, p. 28).

The UN Development Programme has very different selection rules for its intergovernmental bodies because it is located firmly within the UN system of organizations and agencies. Because it is a subsidiary organ of the UN General Assembly rather than a separate IGO with its own charter, it does not have its own plenary forum of all member governments. Instead, it reports to and receives policy guidance from the UN Economic and Social Council (the current relationship is defined in GA Resolution 48/162, pars. 12-20). UNDP does have its own intergovernmental supervisory group, the size and composition of which are also defined by the General Assembly. This smaller forum was initially a 36-member Governing Council (GA Res 2029 (XX), par. 4), later expanded to include 48 members. Since January 1994 it has been a 36-member Executive Board (GA resolution 48/162, par 25. Selection of the member states sending representatives to the Governing Council/Executive Board is determined in the normal UN manner of dividing the available seats among the UN General Assembly's five main regional groups – African, Asian, Eastern European, Latin American & Caribbean, and Western European & Other.

In 1966, the division of seats was 7 African, 6 Asian, 6 Latin American, 3 Eastern European and 14 Western European and Other (GA Resolution 2029 (XX), Annex, par 1). Since January 1994, it has been 8 African, 7 Asian, 5 Latin American & Caribbean, 4 Eastern European, and 12 Western European & Other states (GA Resolution 48/162, par. 25). Most Board members have 3 year terms, with elections each year to stagger the terms. Rotation allows different states in the region to take turns on the Board, and most operate in that fashion. The Western European & Other group has a different rotation scheme, the most recent version adopted in April 2006 defining terms ranging from one year to near-permanent (derived from UNDP 2007-2009 and 2011).

The UNDP Board's use of one state-one vote and simple majority rules make its selection criteria more congruent with the normal UN rules than those of either the IMF or the World

Bank. The 1993 decision to reduce the size of Board was an exception to the more usual UN trend toward enlarging limited-membership bodies periodically so that subregional groups can all be represented within their region's share of seats. However, the 1993 changes came at a moment when the UN membership was focused on making UN development programs more effective by streamlining their governance and improving the coordination provided through the Economic and Social Council.

Contention about the relative voting power enjoyed by member states in the UNDP Council/Board thus involves arguing about how the available council seats are allocated among the regions rather than about vote allocations. These arguments are settled by the UN General Assembly which has formal one state-one vote and majority rules, but in practice typically seeks consensus on how to compose subsidiary organs. If the General Assembly applied the normal UN practice of allocating seats in close proportion to each regional group's proportion of the whole UN membership, developing countries would hold a commanding majority of the seats. However, Assembly majorities have been aware of the need to keep donor states interested enough to provide money, so have been willing to see them "overrepresented" in comparison to their 18% of total UN (and UNDP) membership in 1966 and 14% in 1993 (calculated from group lists in Peterson 2005, 45-47): Table 3.1: Allocations of Seats on UNDP Council/Board

Regional Group	seats 1966	% of seats 1966	seats 1993	% of seats 1993
African	7	18.92	8	22.22
Asian	6	16.22	7	19.44
Latin American and Caribbean	6	16.22	5	13.89
Eastern European	3	8.11	4	11.11
Western European and Other	14	37.84	12	33.33
developing states	19	**52.78**	20	**55.56**
Soviet bloc/Post Soviet states	3	**8.33**	4	**11.11**
industrial states	14	**38.89**	12	**33.33**

author's calculations from allocations specified in the General Assembly Resolutions

The operational significance industrial and developing country representation on the Council/Board is limited. Though it approves the general spending plans, the Administrator and the Resident Representatives have the largest say in approving specific projects within the limits of that approved plan (Murphy 2006, 150). On paper, then, it appears that donors can only influence the total amount of money available. However they have also been able to influence the types of program undertaken more directly through establishment of UNDP-administered Trust Funds for specific purposes. UNDP Administrators have sometimes regretted this development (e.g., UNDP 1981, par 21), but have accepted it an unavoidable reality since contributions to UNDP are a voluntary component of the UN budget.

Contentions over Decision-Making Power

Once established, a formal allocation of votes and/or seats acquires inertia. It can be modified through informal practice, though the extent of such modifications is limited because actors so inclined can always insist on following the formal rules. It can also be changed formally, using the amendment procedures specified in the organization's charter or other basic rules. Typically charter amendment rules are designed to make amendment more difficult than making an ordinary decision by requiring supermajorities and multi-step procedures of proposal, endorsement by the intergovernmental forum, and ratification according to their national treaty-making procedures by some specified number of member states. Even when the amendment rules are not as rigorous as those in the UN Charter, which requires that amendments be ratified by 2/3s of the members including all 5 permanent members of the Security Council before taking effect (Article 108), the international practice of withdrawal at will forces would-be reformers to assemble a coalition with the resources needed to sustain the organization and implement its programs before attempting change.

Sharp contentions over relative voting power within the IMF and World Bank arose in the mid-1960s as the G77 began its effort to replace the market-based rules of the post-World War II international economy with a more state-centric New International Economic Order. One aspect of these efforts were demands that all IGOs with weighted voting schemes replace them with one state-one vote rules on grounds the weighted systems were “undemocratic.” Had the weighting been based on population, as is the weighting in the European Union, it would have been harder to claim that IMF and World Bank vote allocations are “undemocratic” because they would conform to the norm of one person-one vote prevailing within most democratic countries. However even a population-based formula would contradict the international level norm emphasizing sovereign equality of states that the G77 (most of which have not been democratic internally) defined as denoting international-level democratic practice. Whether the whole G77 ever agreed or not (Junne 2001, 198 suggests its unity on the point weakened in the late 1970s) this challenge never got far because of the supermajorities needed to change the vote allocation rule in all of those organizations, including the World Bank and the IMF.

Faced with united industrial country opposition, and not ready to leave the organization *en masse* because they could not provide themselves with a workable substitute, developing countries turned to pursuing other rules changes that would increase their own influence in decision-making: shifting from majority rule to consensus, securing new qualified majority rules that would give a united G77 the ability to block decisions, and revising the vote distribution formulas to give greater weight to criteria that favor developing states. Formula adjustments could involve one or more of several tweaks: allocating a larger identical number of “basic votes” to each member, adding a population component to the formula determining the weighting, reducing the weight given to a state's current GDP, or shifting the method of calculating GDP.

Consensus rules, under which an intergovernmental forum avoids votes and acts only when all members agree – or the few who do not agree are willing to let the decision be adopted anyway – were well-established in the UN system of IGOs by 1965 (Sohn 1974; Cassin 1977). At the UN the Soviet bloc had been a strong advocate of consensus – which it defined as agreement by the vast majority of states in each of the three main global political blocs (Eastern, Western, and Third World) – as a way of overcoming its minority position under either weighted or one state-one vote rules. African and Asian diplomats often claimed that consensus was more compatible with their regions' traditional practices than majority voting. The West, which had enjoyed a comfortable majority in most global organizations in 1945, accepted the rule as protection for itself in a world where decolonization was augmenting the ranks of developing countries and now converting the West into a minority.

Today the IMF, the World Bank, and UNDP all use consensus as the primary mode of making day to day decisions. Consensus was adopted as the normal practice for the IMF Executive Board in 1946, and it has typically been followed since (Aufricht 1969, 9; Stone 2011, 60). Similarly, though the Bank Agreement (Article V, sec. 3) specifies that Executive Board decisions will be made by a majority of the total votes, it usually operates by consensus. It does take votes on loans when they have attracted serious NGO or other private criticism, and the prospect of a vote occasionally induces a borrower to withdraw the request, but the loans that are referred to the board are generally approved (see chapters 7 and 8). The consensus norm is reinforced by withdrawal of loan agreements that appear likely to meet with serious opposition from the Board (noted in Hoffman 1973, 16) and a tendency among Executive Directors representing developing countries to avoid initiating votes so that others will not vote against a loan to their own country (Kapur 2002, 67). Because it was well established in the Bank by the time IDA was created, consensus was the primary mode of decision-making for IDA policies and loans from its start. UN General Assembly Resolution 2029 (XX) creating the UNDP specified that the Council would make decisions by a simple majority (par. 4), but the Council quickly shifted to consensus. This was acknowledged in Resolution 48/162 by specifying that in the newly-created Governing Board "the practice of striving for consensus should be encouraged" (par. 27) while retaining the simple majority rule as a backup. UNDP practice overwhelmingly favors consensus (UNDP 2011). However vote shares do influence the Executive Board process while major decisions in the Board of Governors are still taken by vote because of the qualified majority rules.

Specifications of which decisions must be adopted by what qualified majority rule have been the subject of continual negotiation because of two sets of contentions over relative shares. The first, less noticed, contention pits the USA on one side against the leading Western European members on the other; the second is the much more discussed contention between industrial "north" and developing "south." In recent years, the two have run in somewhat parallel tracks because of wider perception that the larger European countries are "overrepresented" if the share of world activity originating in their economies is compared to the shared originating in other countries' economies.

When the IMF was established, a qualified majority of 80% of the votes was required to propose an amendment to the IMF Articles of Agreement, approve a general change of quotas, change the declared monetary value of gold, change the conditions for granting or the charges for IMF credits, or increase the number of elected directors. In 1968, the qualification was raised to

85% of the votes and that supermajority requirement was also extended to decisions about creating, revaluing, and distributing the newly-created Special Drawing Rights. (1968 Amendment to the Fund Agreement). This shift preserved the USA's individual veto because its share of votes had declined with European recovery, but also gave both the Western Europeans and the G77 a collective veto if they stuck together. A new set of amendments adopted in 1978 left the 85% requirement in place for changes to quotas and the formula for creating additional Special Drawing Rights (SDRs) but lowered the qualification to 70% of the votes for setting the value of and distributing SDRs (Second Amendment to Articles XII, sec 5 and XV, section 2). The 70% rule removed the US sole veto, but not the European or developing country collective ones. This means that in principle developing countries have parity with industrial countries in SDR decisions, but whether they actually enjoy parity depends on whether they can remain united (see Lister 1984, 94-95).

The World Bank's "seats and shares" qualified majority rule for amendments tracked the IMF's rules, though the change from requiring a supermajority of 80% of the votes to one of 85% did not occur until 1989. The majority of the votes required for capital increases was lower, at 75% of the votes, but this was enough to give the US a unilateral veto until 1977 and give the Europeans a collective one if the Europeans leading mixed constituencies could get their constituencies to vote with the British, French, and German Executive Directors holding single-country seats.

Since most IMF and World Bank decisions require only a simple majority of the votes, the greatest share of contention over voting rules focuses on vote allocation. For many years the one state-one vote rules prevailing in much of the UN system provided a baseline for constant invidious comparison. The Director of the Bank's International Relations Department in the early 1970s, noted that “the political arms of the United Nations sometimes get very irritated at the fact that we do not conform to the UN system of one country-one vote” (Hoffman 1973, 16). Though a few outside observers were then suggesting weightings based on population rather than GDP (noted in Lewis and Kapur 1973, 10), others regarded a 50-50 split between industrial and developing countries as the most that was likely to be attained (Ohman 1973, 29). The most direct way to increase developing country voting shares would have involved increasing the number of “basic votes” allocated to each member. However industrial states were not keen on significantly increasing the proportion of basic votes, and the emerging market countries with the largest GDPs also saw such a change as working against their longer-term interests.

Even if the most ambitious members of the G-77 wanted to secure a majority of votes for the group, the fact that both the IMF and the World Bank Agreements reaffirm the traditional right of states to withdraw from agreements and intergovernmental organizations whenever they wish imposes caution. Though industrial states did accept a 19-17 developing country majority in the UNDP Council in 1965 (GA Resolution 2029 (XX), Annex, par. 1), they were still overrepresented as compared to their portion of UN membership, and it was clear that they would not accept minority status in the IMF or the World Bank. In response, most G77 governments shifted to the goal from a majority or a 50-50 split to the collective 45% urged at the IMF by the Group of 24 in 1979 (Group of 24 1979, IV B 8) or the 44.1% suggested by the secretariat of the UN Conference on Trade and Development (UNCTAD 1982). Though short of a majority, this percentage would make it easy for united G77 to line up a majority by linking up with the more “like-minded” industrial states, particularly the Netherlands (about 5% of the votes in 1978), the Scandinavians (some 4%), and Canada (a bit over 4%), against the more market-oriented USA (20.28% of the votes in 1978), UK (7.91%), and West Germany (7.11%).

However, neither organization accepted any explicit goal even though they did alter vote distributions to provide more votes to developing countries (Lister 1984, 75-76).

In the early 1970s some commentators (e.g., Lewis and Kapur 1973, 10; Ohman 1973, 29) suggested another coalition possibility that could have weakened Western influence in their arguments that the World Bank, at least, should better live up to its name by encouraging Soviet bloc states to join. Based on the size of the Soviet bloc economies at the time, a G77- Soviet bloc coalition would have been able to form a simple majority. Leaving aside the complication that the World Bank Articles of Agreement specify that Bank members must also be members of the IMF, something the Soviet bloc states were unlikely to join, acting on this idea also would have carried a serious risk of precipitating industrial state withdrawal.

The drive for majority or even 44% of the votes also sputtered because developing state governments themselves never formed a common position on the issue. Differences between “radicals” and “moderates” (one of several ways to label the divide) were apparent even in the mid-1970s and became wider as economic performance diverged in later years. Nor have all members of the G77 been equally keen on establishing one state-one vote rules or weighting votes by population rather than size of economy. The rules established for some intergovernmental forums in the early 1980s suggest that OPEC members were more interested in economic weight-based systems that would give them greater say, particularly when they were also likely to be net donors to an organization’s programs. The Governing Board of their own OPEC Special Fund (now the OPEC Fund for International Development), operates under a double qualified majority rule, requiring that major decisions be adopted by 2/3s of the member states contributing at least 70% of the Special Fund’s resources (Ferguson 1988, 104). OPEC-Western accommodation was also key to the decision dividing the members of the UN’s

International Fund for Agricultural Development (IFAD) into three voting groups: Category I (industrial states), Category II (OPEC members) and Category III (other developing states). The states in each category were then allowed to determine what percentage of the group votes would be "basic votes" and what percentage would be distributed some other way. The industrial states in Category I treated 17.5% of their total votes as "basic votes" and divided the rest by size of contribution to IFAD. The OPEC members in Category II distributed 25% of their total votes as "basic votes" and divided the rest by size of contribution to IFAD. The other developing states in Category III distributed all votes as "basic votes." A combination of qualified majorities and quorum rules also meant that members in any of the categories could block a decision if they voted together (Ferguson 1988, 104).

The requirement for periodic review of IMF quotas and the Bank practice of frequently adjusting subscriptions to track with actual changes in IMF quotas mean that the vote allocations have been reworked fairly frequently since 1945. However the largest changes have followed major shifts in the world economy: the rise of OPEC wealth in the early-mid 1970s, the end of the Cold War in 1989-91, and the increased prominence of "emerging market economies" in the late 1990s. In 2003, the share of world production generated by the 21 states that had been wealthiest in most of the industrial era dropped below 50% for the first time since the mid-19th century, and with their growth now accounting for only about 25% of world growth rather than the 50% or more of previous decades (Heston, Summers, and Aten 2009), the case for a major reallocation to the emerging countries could be made on the basis of the established weighting rules (Desai and Vreeland 2011, 110).

Table 3.2 Percentage share of votes in the IMF, 1946-2016:

	1946	1967	1977	1984	1990	1996	2003	2010	2016
industrial	68.15	65.44	59.25	62.61	61.63	60.09	60.79	59.60	55.30
ex-soviet bloc						8.07	7.89	7.75	7.70
developing	31.85	34.56	40.75	37.39	38.37	28.06	30.65	32.56	44.70

Sources: *IMF Annual Report 1948*, pp. 100-103; *1967*, pp. ; *1977*, pp. ; *1984*, pp 154-156; *1990*, pp. 120-123; *1996*, pp. 209-212.

Table 3.3 Percentage share of votes in the World Bank, 1946-2016

	1946	1968	1978	1984	1990	1996	2003	2008	2010	2011	2016
industrial	70.79	66.72	59.25	63.51	63.91	57.08	57.53		57.38	52.8	
ex-soviet bloc						8.18	7.99		8.18	47.2	x
developing	29.21	33.28	40.75	36.51	33.84	34.82	34.51		34.44		x

[cannot get cells to merge in 2016 column]

Sources: World Bank Annual Report 1947, pp. 28-29; 1968, Appendix C and Appendix E; 1978, Appendix F and Appendix E; 1984, pp. 178-180; 1990, pp. 194-197; 1997, pp. 192-195; 2003, pp. 51-54; and World Bank 2010.

The post-oil crisis changes had more impact on the industrial-developing balance in the Fund than in the Bank because of the increased Saudi role in using its petrodollars to provide aid and support IMF lending. The aggregate developing country share of the votes in the IMF peaked at just over 40%, whereas in the Bank it peaked at about 35%, before receding again during the post-Cold War influx of post-Soviet "countries in transition." The reallocations of votes needed to accommodate the former Soviet Republics came more from the shares of developing states in the IMF, and more from the shares of Western states in the World Bank.

Discontent continued to fester in the 2000s. Developing countries continued to press for changes while the emerging market countries and outside observers also paid more attention to the fact that applying the size of economy components of the formulas indicated that Western Europe was over-represented. In 1998, European countries held about 32% of the total votes in the IMF while the USA, which was close in population and still had a larger economy held 16.68%. In the early 2000s, a number of Europeans, including former Managing Directors, conceded that Europe was over-represented (Woods 2006, 23). Unhappiness combined with some sharp observations about the IMF being tougher on Asian and developing states than on Western ones (get the sources from new notes) meant that discussions of reallocating votes through quota changes were nearly continuous between 2003 and 2010, with one quota review blending into the next.

Throughout these discussions, the Group of 24 developing states pressed for two changes to the underlying formula: a) increasing the number of "basic votes" to return to the original 1947 level of 11% of all votes and b) enhancing developing country shares by calculating national income on a purchasing power parity (PPP) basis rather than by conversion of national currency into SDR equivalents (examples provided by Buira 2005, 10). IMF members had acknowledged this difference in 1996 when they agreed that the economic growth of a few developing countries with particularly high growth rates was not being fully reflected in the conversion calculations of GDP and provided those countries with quotas larger than what the formula indicated (IMF Annual Report 1996, 131). Thus the demand was to regularize this practice.

The IMF formula and allocations of votes were modified in a series of steps. In 2006 members agreed to "selective quota increases" giving more votes to major emerging market countries. In 2008 they agreed on a program for changing the quota formula by gradually increasing the proportion of "basic votes" and by using a 60%-40% weighting of SDR-equivalent and PPP calculations in the national income component (IMF 2008a). Discussion revived immediately in the wake of the global financial crisis. Following a flurry of internal and external (e.g., New Rules for Global Finance Coalition, 2008; Griesgraber 2009) proposals, and considerable contention among the members (*Financial Times*, 24 Sept 2010), the 14th review of quotas ended with agreement to double the capitalization of the Fund and distribute the resulting quotas on a formula that would decrease European vote shares (mainly those of the 27 EU members) by about 3.5% and the US share by about .9% while increasing shares held by emerging market and developing countries (IMF 2010). Emerging market countries, particularly the "BRICs," continue to press for greater voting power, and further shifts were accepted in principle at the Seoul G-20 Summit in October 2010 (G20 Summit 2010). However change remained stalled until January 2016 by opposition to the quota increase in the US Congress.

[Table 3.4 here]

Parallel discussions were also leading to changes in Bank voting shares. The close correspondence with IMF quota formulas was challenged by proposals that Bank voting allocations should also consider a country's provision of IDA resources and/or bilateral aid. Though there was agreement in principle on a 50-50 split of votes between more and less economically advanced members in 2010, a split that fudged the South-North aspect by defining the halves as "advanced" and "developing and transitional" while including several of the more prosperous Asian and Latin American countries among the "advanced."

[Table 3.5 here]

Some outside commentators have suggested that developing countries can and should also increase their influence by rearranging the constituencies that elect Executive Directors to eliminate the "mixed constituencies" including both industrial and developing state members (e.g. Jakobeit 2005; Bradlow 2000). Since the constituencies are defined informally, rather than in IMF or Bank rules, member governments can rearrange their constituencies however they choose before any biennial election of directors. While some constituencies have been rearranged, the motives have seldom reflected desires to make a clean separation between "South" and "North." Including newly-democratic Spain in the 1980s significantly enhanced the Latin America 1 group's voting weight, and Spain has remained in that constituency rather than join any of the predominantly European ones because it has more influence where it is. While securing an Executive Director slot was probably important to the Swiss government so it could justify the move away from its traditional aloofness in 1992 (explanation favored in Vreeland 2011), lining up with Switzerland made sense for governments of newly independent Central Asian states because it provided them with sophisticated financial guidance while conciliating Russia by using a politically neutral source.

The 2010 agreement on moving to an all-elected IMF Executive Board also included an explicit provision that two fewer Europeans would sit on the board after 2010 – meaning that some Europeans would have to yield leadership of their mixed industrial country-developing country constituencies. Members also agreed that the two large African constituencies would be allowed to elect a second alternate Executive Director to permit better representation of members (IMF 2010). In 2012, the G-20 also agreed that the shift to an all-elected Executive Board would include reviewing the Board's composition every 8 years (IMF 2012.)

Removal Rules

Intergovernmental bodies typically lack removal rules. Since member governments provide delegates, the organization leaves their dismissal as well as their selection to the member sending them. A member state might find itself excluded from a plenary because it has been expelled from the organization, but the expulsion clauses of IGO charters are seldom used. On occasion a plenary intergovernmental forum has used the delegation credentialing process to effectively exclude a government (see [pt 3, p. 3]). Even so, the most common reason for losing representation in the plenary intergovernmental forum is member-initiated withdrawal. Exclusion from intergovernmental supervisory bodies is easier: a particular state might not get selected by its group, or if group selections must be adopted by a plenary body other members might decide to exclude a state endorsed by its group. In both the IMF and the World Bank, where the constituencies elect their own Executive Directors, each constituency has its own rules, and the countries involved could bypass one of their number. The IMF and World Bank also have rules that members sufficiently behind in loan repayments can be excluded from voting and participation in constituencies until they have paid down arrears (both IMF and World Bank annual reports note when this rule is being applied).

Organization Heads and Staff

Particularly when an intergovernmental organization is given what member state governments regard as important tasks and significant resources, the members pay attention to who is selected by what processes for staff positions in the organization. Appointment of the executive head always draws attention since the head is the primary public spokesperson for the organization, has considerable impact on how the organization operates, and is the interacts continually with member governments and other actors in world politics. The head’s nationality remains a concern even though anyone selected to run an intergovernmental organization is expected to devote primary loyalty and energy to the organization. This is so partly because governments regard having nationals in prominent IGO positions as signs of prestige, and partly because they believe individuals' upbringing has lasting impacts on they see the world.

The arrangements adopted at the Bretton Woods Conference included an unwritten understanding, often referred to as the "gentlemen's agreement" that a US national would head the World Bank and someone from another country, later redefined to mean a European (source), would head the IMF. At the time, this reflected the post-World War II change in power relationships that brought the US to the fore while European powers lost their collective global primacy. Until 1999, the US's position as single largest provider of UNDP resources was matched by an understanding that a US citizen would serve as administrator (inferable from Waldheim 1985, 48); since then a European, a Turk, and a New Zealander have lead the organization.

The US-European division of the top posts in the World Bank and IMF is also matched by a degree of mutual deference. At least through the early 1980s, the US government was much less concerned with international financial questions than with development (Pennant-Rea 1982, 13), and has continued to let the Europeans take the lead in the IMF (Clegg 2013, 69 and 181, note 3). Similarly, the Europeans often defer to the US at the World Bank (Kapur 2002, 65; Weaver 2007, 500; Stone 2011, xii and 178). Whether that deference translates into automatic acceptance of each other's nominees has been a different question, with some nominations inspiring no challenge while others do, and the US government adding a degree of consultation to the process of developing its nominee for the World Bank in the 1990s (Kahler 2001, 4, 19)

Member government concern over appointments to the rest of an IGO's staff is shaped by two contradictory impulses. The first, established during the interwar period and honored in the abstract, though not always in reality since 1945, is that members of the staff should be chosen primarily for their qualifications and talents as individuals and once on the staff should take instructions only from the executive head and other superiors within the IGO. The second, implicit even in the interwar period and formalized in some post-1945 IGOs, is that staff should be hired from as wide an array of member states as feasible so the staff as a whole reflects the cultural and other diversity of the world. In the UN Secretariat, this impulse became institutionalized in the system of "desirable ranges" specifying a loosely population-based minimum and maximum of professional level staff to be recruited from each member state. Selection of the clerical level staff performing routine functions inspires less concern among member governments; they generally accept that it is easier to recruit those employees locally. Most other IGOs have not formalized the notion of "equitable geographical representation" among the staff as explicitly as the UN, and the USA strongly opposed national quotas for the IMF and the World Bank during the Bretton Woods conference (Woods 2006, 34). However the executive heads of the IMF and the World Bank, like their counterparts in other intergovernmental organizations, know that member governments are happier when the staff is as diverse in origins as the membership.

Executive Head

Insight into member governments' attitudes towards an intergovernmental organization can be gleaned from how heavily they weight substantive competence and leadership ability when assessing candidates for the executive head position. UN member states, particularly the Security Council Permanent 5, have been quite inconsistent, sometimes settling on a mutually-acceptable mediocrity rather than risk getting a strong leader with ideas they do not like. Selections for the IMF, World Bank, and UNDP have also varied in quality, though the more focused mandates of the organizations make it easier to match an individual's competences to the organizational task.

Informal arrangements defining the geographical distribution of acceptable candidates have affected selection of executive heads since League of Nations days. A British-French understanding led to appointing a British national as the first Secretary-General of the League of Nations and a French national as the first head of the International Labor Organization; since roughly 1991 there has been a general understanding that a new UN Secretary-General will be selected from a different region than the last one.

Though reasonably reflective of economic realities when adopted, the 1944 understanding about IMF and World Bank leadership began to be challenged by external observers in the mid-1990s. However the more significant challenges came from member governments. There was sufficient grumbling about the convention that when it faced the need to find a replacement for Lewis Preston at the World Bank in 1995, that the Clinton administration adopted a two-prong strategy to maintain the US hold on the position. The conciliatory part consisted of increasing World Bank Executive Board involvement by having it agree on the criteria to be used for evaluating candidates before particular candidates were suggested and having a search committee within the White House formally consider multiple candidates (Kahler 2001, 46; Wolfensohn 2010, 248-53 gives a candidate's view of the process). The competitive part consisted of hindering unified opposition, particularly among the vote-heavy Europeans and Japanese, by threatening to raise its own challenges (Kahler 2001, 48) to the understandings under which the heads of the IMF and the regional development banks are each drawn from particular countries (a Japanese national for the Asian Development Bank, a French or German national for the European Bank for Reconstruction and Development, a Latin American national for the Inter-American Development Bank, and an African for the African Development Bank, noted in Cogan 2009, 227-28). The 1995 selection process resulted in appointment of Australian-born James D. Wolfensohn, who had lived in the USA for many years and become a US citizen in 1980 when the Carter administration was considering him for the job (Wolfensohn 2010, p. 210).

Open attack on the understanding, in the form of suggesting candidates without the needed nationality, occurred later in the decade at the IMF. Disagreement about who would succeed Michel Camdessus in 1999, sparked by US opposition to the initial European nominee, went on long enough for Japan, then the #2 economy in the world, and a group of developing countries to propose non-European candidates of their own (Kahler 2001, 4; Cogan 2009, 242). When Horst Köhler, who was ultimately selected, stepped down in 2004 to be a candidate in the German presidential election, the already-begun process of lobbying about selection of the next Managing Director went into higher gear. The German government had been approaching other governments about supporting Köhler for a second term and was caught in an awkward place by his decision. The French government had been lobbying for a French nominee, and Köhler's announcement encouraged it to increase its efforts (Engelen 2004, 52). However the leading French candidate, Jean Lamierre, decided to remain at the European Bank for Reconstruction and Development and other EU members then rallied behind Spaniard Rodrigo de Rato. Spain's connections with Latin Americas through the Latin America 2 constituency meant Rato quickly won support from most Latin American countries (Engelen 2004, 52) and prevailed in voting between himself and an Egyptian, Mohamed El-Arian, who had been nominated by 11 emerging and developing country governments after 2 other candidates had withdrawn for lack of support (Cogan 2009, 242).

Contention shifted back to the Bank in 2004-05 since it was obvious to everyone that the Bush 2 administration was not going to keep James Wolfensohn, who had already served two terms. Though no other government formally advanced competing nominations, there was considerable criticism of the decision to nominate Paul Wolfewitz (e.g. Preston 2005; "Many wary, some cheer" 2005). When scandal over personal favoritism forced Wolfewitz to resign in 2007, the Australian, Brazilian, and South African finance ministers issued a joint statement urging an open and transparent selection process (Australia 2007). The Bush administration quickly nominated former US Trade Representative Robert Zoellick, who made a tour of major capitals rapidly enough to settle the question among governments (Cogan 2009, 243). However outside commentators kept up their criticisms, which swelled as economic growth in the "emerging market" countries continued (e.g. Rogoff 2007; Truman 2007).

Criticism redoubled after the global financial crisis, and moved into wider UN circles with the Stiglitz Commission's statement that "Conventions associated with the choice of the leaders of the World Bank and the IMF make little sense in the 21st Century" and proposal that the same "shares and chairs" rule used for most amendments to the Bank Articles of Agreement (3/5s of the members holding 4/5s of the votes) be used in selecting the head (Stiglitz Commmission 2009, ch. 4, par. 46). Such a change would not give emerging and developing countries the ability to select their own candidate over Western and Japanese objections, but would allow a broad coalition of them to block any nominee. The Wolfowitz and Zoellick selections at the World Bank also inspired a new round of calls among governments and NGOs for changing the selection process (noted in Cogan 2009, 243-244). The volume of complaint was high enough that some observers regarded support for the understanding as eroding (Weaver 2008, 1 and 57) or as insufficient to maintain it in the future (Cogan 2009, 244).

Attention then returned to the IMF where Rodrigo de Rato's term was coming to an end. In early 2007 EU members lined up behind a French nominee, Dominique Straus-Kahn. In August the Russian government used its position on the Executive Board to compete – though without challenging the geographical norm – by suggesting Josef Tošovský, a former Czech prime minister and former head of the Czech central bank. This did not get far because the Czech government itself joined with other EU members in supporting Straus-Kahn (IMF warns 2007). Yet the IMF Executive Board did follow in Bank Executive Board footsteps by adopting a set of guidelines to be used in the next selection of Managing Director. These included a period for nominations from Governors as well as Executive Directors (thus giving all member states the right to nominate candidates) without regard to nationality (IMF Factsheet 9/2013). When scandal forced Straus-Khan to resign in mid-May 2011, the replacement process was again compressed but did operate under the new rules. The Executive Board met immediately to establish criteria for candidates and set June 10th as the deadline for nominations. European governments rallied within a few days behind French Finance Minister Christine Lagarde. Some developing country governments publicly supported selecting Bank of Mexico head Agustin Carstens, and former South African finance minister Trevor Manuel was also mentioned. Though there was also some discussion of appointing Lagarde only to fill out the final year of Straus-Kahn's term, she was eventually appointed for a full term though Carstens was also interviewed by the Executive Board (IMF Press Release 6/2011).

The longer interval available for finding a successor to Robert Zoellick at the World Bank in 2011-12 permitted greater discussion, and several nationals of developing countries, including three former finance ministers – Indonesian Sri Mulyani Indrawati, Colombian José Ocampo, and Nigerian Ngozi Okonjo-Iweala, were widely discussed. Even after the Obama administration formally nominated James Yong Kim, media discussion of others continued. The members ultimately accepted Kim. Some may have preferred his policy orientations; he had made his mark in health and AIDS issues and published criticisms of "orthodox economics" (Kim and others 2002). As is often the case there may have been failure to coalesce around an alternate, and in the end there was also the obstacle of European and American readiness to use their voting shares to defend the 1944 understanding.

In all, the challenge form other members and outside commentators has not overthrown the 1944 understanding though the opening of the process to other nominees and formal statements about the qualifications needed for the Bank president and IMF managing director positions may become facilitators of change in the future. The discontent has not been enough to inspire any avoidance of the IMF or World Bank beyond that inspired by unhappiness with loan conditions or policy advice, as discussed in chapters 5 and 9, or any decisions to withdraw from membership. Other members may be biding their time; as economic growth outside the West continues to outpace growth in the West, other countries will acquire more votes and with them the ability to stop a selection. However change may also be slowed by the very complex politics of selecting heads of intergovernmental organizations and members of significant intergovernmental committees, in which government agree to trade support for each other's preferred candidate in different IGO positions (noted in e.g., Kahler 2001, 4; Engelen 2004, 52; others).

Breaking the 1944 "gentlemen's agreement" would change the nationality of the head, and with it the broader set of cultural references the person brings to the job. However it might not lead to a completely different sort of person because of Executive Boards' sense of the experience needed to run the organization effectively. The IMF Executive Board's set of criteria for the 2011 search indicated that candidates should have: a) a distinguished record of participation in senior level economic policy-making, b) an outstanding professional background, c) demonstrated management and diplomatic skills sufficient for running a global institution, d) capacity of providing strategic vision, e) commitment to building consensus, f) proven understanding of the IMF and the policy challenges it faces, h) firm commitment to multilateral cooperation, i) demonstrated capacity to be impartial and objective, and j) effective communication skills (IMF Executive Board 2011; also noted in IMF Factsheet 9/2013). The World Bank Executive Board's criteria in 1995 acknowledged similar realities, though were not as economics-centered as the IMF Board, in defining four characteristics of good candidates: a) private financial sector experience, b) age at appointment young enough to serve 10 years, c) ability to deal with NGOs and address the environmental and human rights controversies then facing the Bank, and d) acceptability to the global community of development officials and experts (Kahler 2001, 46). By 2011 they had been redefined to include a) a proven track record of leadership; b) experience of managing large organizations with international exposure, and a familiarity with the public sector; c) the ability to articulate a clear vision of the World Bank Group's development mission; d) a firm commitment to and appreciation for multilateral cooperation; and e) effective and diplomatic communication skills, impartiality and objectivity in the performance of the responsibilities of the position (World Bank 2/2012).

The UNDP did not go through a similar controversy about the informal limitations on nominations because they were ended before controversy became public. The UNDP was initially headed by American and British co-administrators: Paul G. Hoffman, who had run the

Marshall Plan and had a strong record of aid advocacy, and David Owen, longtime director of the UN's Expanded Program of Technical Assistance. After Owen resigned in 1969, UNDP's successive American heads typically appointed developing country nationals as Deputy Administrator, an arrangement that worked well because an important part of the Administrator's job was fundraising since even what UNDP calls its "core funds" are voluntary contributions from the member states. Hoffman had been recruited partly because of his good ties with the US, French, and West German governments, and throughout the 1980s and 1980s it was clear that a US national cognizant of political dynamics in the US Congress, where aid-skeptics were becoming increasingly vocal, was better-placed than others to engage in fund-raising (Murphy 2006, 261). However by the late 1990s US contributions had fallen to about 18% of UNDP core finds while those of Nordic countries had increased to 38% (Browne 2013, 31).

As Administrator Gus Speth's term was coming toward its end in the late 1990s, European governments were pressing for recruitment of Administrators from countries with a more consistent donor record than the US. The Clinton Administration, not inclined to fight to pry higher allocations for multilateral aid form a conservative-dominated US Congress then withholding contributions from multiple intergovernmental organizations, yielded the US hold on the post (Miller 1999; Murphy 2006, 296). However, UN Secretary-General Kofi Annan acted to keep the nomination in his own hands while accepting that a European should lead. He was helped by the Europeans when the EU member's initial Danish candidate did not receive uniform European enthusiasm. That let Annin step in with his own nominee, South African-born British national Mark Malloch Brown (Traub 2006, 288). Annan then assured succeeding UN Secretaries-General a wider field of nominees by selecting former Turkish minister of the economy Kemal Derviş in 2005. He was succeeded by former New Zealand Prime Minister Helen Clark in 2009.

Most intergovernmental organizations have few rules regarding removal of an executive head. Unlike the rest of the staff, the head serves for a defined term, and nonrenewal is the usual remedy for significant member unhappiness about poor performance or policy disagreements. Any significant cluster of members can force nonrenewal, as happened very publicly with Boutros Boutros-Ghali at the UN in 1996 or with Pierre-Paul Schweitzer at the IMF whose desire for a third term was frustrated by US opposition in 1973 (Williamson 1977, 66-67). Some heads resign voluntarily before the end of their term, whether out of frustration with the role (Eugene Meyer from the World Bank in 1946) or ill health (Lewis Preston from the World Bank in 1995). General rules for staff conflict can be applied to force a head’s resignation for serious misconduct. Public scandal over the favoritism he showed towards a senior World Bank staff member with whom he was having an affair impelled Paul Wolfewitz’s resign from the World Bank in 2007. A different sort of scandal, involving rape charges, caught up with Dominique Straus-Kahn in 2011, after he had managed to weather criticism over initiating a romantic affair with a married IMF staffer ("IMF director cleared over affair" 2008).

Senior Staff Positions

Even though it creates tensions with principles of meritocratic hiring and recruiting from most if not all member states, member governments often seek to place their own nationals in high level posts as a way to balance the influence of the executive head. Such practices are rife in most parts of the UN system, where they extend down the professional staff from deputy executive heads to department or section heads (Meron 1977). The most prominent example in the UN is the tradition that each of the Security Council Permanent 5 should have a national among staff at the Assistant Secretary-General level. This dynamic applies as much to the IMF, the World Bank, and the regional development banks (see Kapur 2002, 65; Cogan 2009, 228) as to other intergovernmental organizations. The IMF, World Bank, and UNDP have all accommodated this tendency to varying degrees. In the IMF, the number-two staff position – initially Deputy Managing Director, now First Deputy Managing Director – has been a US citizen from the start, while the two or three Deputy Managing Directors have come from other parts of the world. In June 2012 they were a Chinese, an Egyptian, and a Japanese national (see list and linked biographical sketches at http://www.imf.org/external/about/mgmt.htm). At the same time the IMF department heads or equivalent included 6 Europeans, 2 Americans, 1 Japanese, 1 New Zealander, and 8 nationals of developing countries. (http://www.imf.org/external/np/sec/memdir/officers.htm). The World Bank currently has 3 managing directors immediately below the president; in June 2012 they were Egyptian, Indonesian, and British. The 30 officials at the next rank – vice president – included 3 Asians, 3 Middle Easterners, 3 Latin Americans, 1 African, 1 Australian, 9 Europeans and 6 Americans (see list and linked biographical sketches at World Bank 2013). For a time in the 1960s and 1970s the World Bank chose a regional national to head each of its regional departments; that practice has ended but most of the heads of regional departments are developing country nationals with graduate degrees from Western universities. In UNDP, as noted earlier, the Deputy Administrators typically hailed from a developing country. In 1971, the UNDP Council endorsed an informal agreement reached the year before under which a national from one of the countries covered would head each of UNDP's 4 regional bureaus while the industrial country nationals would head the cross-regional administrative bureaus. This preference for developing country nationals in operational positions also spread to the second-tier staff (Murphy 2006, 150). By the late 1970s the IMF was usually appointing someone from one of the countries covered to head each geographically-defined area department (Southard 1979, 8) since most of the staff of the area department was also from the region. Concern about conflicts of interest did mandate a rule that no staff member could be involved in loan negotiations regarding his or her own country, and this was reinforced later by mixing the staff among regions through rotation policies (Chwieroth 2013, 275), but developing country nationals remain a large portion of area department heads.

Whether suggestions that the IMF and the World Bank would be more understanding of emerging and developing country government positions if more of their nationals were in the top ranks of management (e.g. Willett 2011, 472 for emerging countries) are borne out in practice depends on the particular persons selected. As the French would be the first to remark, the fact that English is the sole working language at both the IMF and the World Bank (Woods 2006, 54) gives nationals of English-speaking countries and graduates of English-language universities a significant advantage. In 2001, 42.1% of IMF department heads and 55% of its senior personnel managers came from English-speaking industrial states (IMF 2001, 121) and in the mid-2000s 60% of the senior staff members came from English-speaking countries including former British colonies in Africa, the Caribbean, and South Asia (Woods 2006, 53). Similar patterns have prevailed in the World Bank (e.g., Reddy 1985, 36;).

Other Staff

Staff selection at the IMF and the World Bank is guided by identical stipulations in their respective Articles of Agreement. The IMF Managing Director and the World Bank President are both instructed that in appointing staff they “shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible" (IMF Agreement, Article XII, sec. 4, par. d; Bank Agreement, Article V, sec. 5). While both rules have been interpreted as prohibiting adoption of explicit nationality quota systems, they have not kept governments from angling for appointment of nationals to particular posts or from complaining about the balance between personnel from different continents or from industrial states and developing states in the professional ranks of the staff.

Staffing the IMF, the World Bank, and UNDP is dominated by the norms of contemporary intergovernmental organizations, which still operate in the shadow of ideas about creating an "international civil service" from staff members of various nationalities willing to put their national loyalties on hold and dedicate themselves wholeheartedly to the organization. This does not keep member governments from believing that nationals on the staff are a convenient conduit for information and enhanced benefits. Nor does it settle member government-organization policy disagreements because an individual's nationality (most often determined by parentage or location of birth) and policy outlook (formed by education, character, and experiences) derive from different sources. Thus in practice overt attention to diversifying the nationality of staff proceeds hand in hand with covert maneuvering about which nationals with what orientations are added to the staff.

As with the UN Secretariat, the IMF and the World Bank began with managerial and professional level staff recruited primarily from Western countries. Of the nine highest-ranking IMF staff, 4 were from the USA, 4 from Western Europe, and 1 from Latin America while 64% of the 403 staff at all ranks were US citizens (IMF Annual Report 1948, Appendix XIV, p. 109.) In the Bank, more than 65% of the entire staff were US citizens in 1950 (World Bank 1959-60, p. 9). This lopsided pattern was accentuated by the nonparticipation of Soviet bloc states and the fact few African or Asian states had yet attained independence. In the 1960s IMF and Bank heads increased the number of non-Western professionals quickly enough to avoid demands for quotas or some analog to the UN's "desirable range" system, and have continued to accommodate member government pressures for diversifying the nationality of staff.

Though IMF Annual Reports began providing information about nationality of staff later than did World Bank Annual Reports, both had expanded recruitment well beyond the 24 nationalities of their industrial country members by 1980.

Table 3.6. Nationalities in World Bank Staff, 1947-2005

year	# total	# countries
1947	341	19
1951	424	30
1955	483	37
1960	650	53
1965	1094	65
1970	2252	85
1976		
1980		98
1985	5866	
1991	5900	
1995	6059	
2000		
2005	8700	

sources: *World Bank Annual Report*, *1946-47*, p. 22; *1950-51*, p. 45; *1954-55*, p. 26; *1959-60*, p. 9; *1964-65*, p.17; *1969-70*, pp. 40 and 3; *1975-76*, p. 3; *1979-80*, p. na; *1984-85*, p. 30; *1990-91*, p. 104; *1994-95*, p. 127; *2000*, p. ; *2005*, "about the staff" (unpaged) in website version

Table 3.7 Nationalities of IMF staff, 1970-2005

year	# staff	#countries
1970	995	81
1975	1318	88
1980	1416	90
1985	1661	97
1990	1731	104
1995	2814	115
2000	2455	133
2005	2712	141

sources: *IMF Annual Report 1970*, p.151; *1975*, p. 62; *1980*, p. 100; *1985*, p. ; *1990*, p. 90; *1995*, p. 227; *2001*, p. 85; *2005*, p. 86.

The World Bank's larger staff allows it to include larger absolute numbers of developing country nationals on the staff, but the overall percentages, particularly in the managerial and professional ranks, remain very similar to those at the IMF.

Table 3.8 Nationalities of World Bank management and professional level staff in 1984

country	professionals	%profl	management	%mgt	total	%total
USA	741	25.10	39	25.32	780	25.11
UK	329	11.14	18	11.69	347	11.17
India	186	6.30	9	5.84	195	6.28
France	168	5.69	14	9.09	182	5.86
W.Germany	117	3.96	14	9.09	131	4.22
Canada	94	3.18	9	5.84	103	3.32
Netherlands	82	2.78	4	2.60	86	2.77
Pakistan	65	2.20	6	3.90	71	2.29
Australia	62	2.10	1	0.65	63	2.03
Belgium	54	1.83	2	1.30	56	1.80
Chile	49	1.66	0	0.00	49	1.58
Japan	42	1.42	3	1.95	45	1.45
Philippines	44	1.49	0	0.00	44	1.42
Sweden	35	1.19	1	0.65	36	1.16
Egypt	32	1.08	1	0.65	33	1.06
Italy	29	0.98	4	2.60	33	1.06
Argentina	28	0.95	3	1.95	31	1.00

Turkey	28	0.95	3	1.95	31	1.00
Sri Lanka	30	1.02	1	0.65	31	1.00
Peru	30	1.02	1	0.65	31	1.00
others	707	23.95	21	13.64	728	23.44
total	2952	100.00	154	100.00	3106	100.00

others = all member countries with 30 or fewer nationals on staff
Source: numbers from Reddy 1985, Appendix IV (p. 121); percentages calculated by author.

Table 3.9 Nationalities of IMF professional and managerial staff in percentages

	1980	1990	2000	2005
Africa	3.8	5.8	5.7	6.0
Asia	12.3	12.7	14.8	15.5
Japan	1.4	1.9	1.4	1.8
Other	10.9	10.8	13.4	13.7
Europe	39.5	35.1	35.1	35.5
France	6.9	5.5	4.8	4.7
Germany	3.9	4.3	5.3	5.3
Italy	1.7	1.4	3.1	2.9
UK	8.2	8.0	6.2	5.3
Russia and Eastern Europe			1.9	5.3
Other	19	15.9	13.8	21.1
Mideast and North Africa	5.4	5.5	5.4	4.4
Western Hemisphere	31.9	41.0	39.0	38.6
Canada	2.6	2.8	3.9	3.6
USA	25.9	25.9	24.8	23.4
Other	10.6	12.3	10.3	11.7

sources: *IMF Annual Report* 2000, p. 97; 2001, p. 86 and 2006, p. 116.

Table 3.10. Industrial country and developing country nationals on IMF staff 1990 and 2004

		1990 #	1990%		2004 #	2004%
all	total	1774			2714	
staff	Industrial	1043	58.79		1527	56.26
	Developing	731	41.21		1187	43.74
professional	total	897			1633	
staff	Industrial	554	61.76		951	58.24
	Developing	343	38.24		682	41.76
economists	total	529			1008	
	Industrial	304	57.47		566	56.15
	Developing	220	41.59		442	43.85
specialized	total	368			625	
career	Industrial	245	66.58		385	61.60
stream	Developing	123	33.42		240	38.40
support	total	642			718	
staff	Industrial	328	51.09		324	45.13
	Developing	314	48.91		394	54.87
managerial	total	235			363	
staff	Industrial	175	74.47		252	69.42
	Developing	60	25.53		111	30.58

source: IMF Annual Report 2005, p. 89

In both organizations significant alterations of the nationality mix occurred more slowly than shifts in recruitment because most current staff members remain in the organization a long time. Staff retirements and resignations were averaging around 5% of the IMF's total staff in the 1990s (IMF 1999, 120), and if the rate was similar in the World Bank, accomplishing a complete turnover of staff in either organization would require about 20 years. Though changes at the most senior management levels arise more frequently, some second tier managers (Deputy Managing Directors at the IMF, Vice Presidents at the World Bank) do remain in place for an extended period.

Whether greater diversity of geographical origins means greater diversity of policy views among the staff depends on the degree to which policy preferences and geographic origin align. This has long been subject to doubt; the question of whether newly-hired Western-trained economists "really" represent their home country's culture and approaches to development (e.g., Reddy 1985, 36) is an old one. What William Ascher said of World Bank professionals in 1983 continues to summarize the situation there:

> The World Bank [staff] mirrors the ideological divisions of the international "development community." Thus the ideological division within the Bank is not a conflict between North and South as much as between the Chicago School and the Sussex School (Ascher 1983, 437).

The bias in favor of English speakers might have facilitated tipping the internal balance toward , particularly in the IMF, toward neoclassically-trained economists after 1980 because neoclassical ideas spread to a wider set of English-speaking universities than others.

Use of English intensifies suspicions that the advantages enjoyed by people trained in English-language universities also contribute to the predomoinance of neoclassical economists, particularly at the IMF. Criticisms of the extent of neoclassical influence rose in the mid to late 1980s. Many borrower governments remained committed to import-substitution and other inward development strategies, while IMF staff recruited in the late 1940s and 1950s, whose outlooks were broadly Keynesian and more sympathetic to inward-focused strategies, retired and were replaced by younger economists who included a larger portion of neoclassicals regarding inward orientations as recipes for failure (Chwieroth 2008, 145-146). Though Fund management did recruit individuals with a wider array of policy orientations in the mid-2000s (Momani

2005), they were not sufficiently numerous to affect outside perceptions of continued neoclassical dominance.

Reactions among member governments do not always track with those of the outsiders. While the level of unhappiness among leftist academics and antiglobalization/*altermondialiste* movements has been consistently high, the level of member government unhappiness about the IMF staff has varied considerably. In some countries officials in the ministry of finance and the central bank agree with many IMF policy suggestions and use them in bureaucratic battles with other agencies (Smith and Vreeland 2006; Drazen 2006; Broome 2010). Other governments are less affected because their ability to pile up their own reserves or use floating exchange rates (Trudel 2005) means they have not needed IMF loans (see tables in Vreeland 2003 and later IMF loan data). However criticism of “neoliberal” policy advice, and its supposed neoclassical basis, does spike whenever some major economic fiasco, like prolonging of the Asian Crisis or the 2008 global financial crisis, can be pinned to it.

Arguments about relevant professional qualifications for World Bank staff are more complicated because of its broader mission. In the 1940s there was consensus that the Bank needed engineering expertise if pre-investment studies were to be done “in house” and needed more legal expertise than the IMF because of the larger number of others (suppliers, contractors, households displaced by infrastructure works, etc.) involved in or affected by the projects it was financing. Most of the arguments about the appropriate mix of professional qualifications have been about whether, and to what extent, effective development assistance and research requires using the expertise of anthropologists, political scientists, sociologists, and ecologists, as well as economists. Though the Bank has hired these other types of expert, economists remain preponderant (Dethier 2007; Rao and Woodcock 2007). This is encouraged (though not necessitated) by the Bank's reliance on quantitative indicators to assess development and project or program success. The continuing strength of the economists' position within the Bank staff is revealed by long use of the employment category "non-economist social scientists" (see Kapur, Lewis, and Webb 1997a, 375) to describe the others, and by the exclusively economist composition of the external committee commissioned to undertake a comprehensive review of the World Bank's research efforts (Deaton and others 2006) in the mid-2000s.

A second argument focuses on the policy orientations of the World Bank economists. While most are market oriented and use neoclassical analytical tools, they are seen as generally less "market fundamentalist" (borrowing a term from Soros 2000, xxiii-xxiv) than their IMF counterparts. The highly publicized dismissal of World Bank Chief Economist Joseph Stiglitz and the resignation of some other economists in 2000-01 (Wade 2001; Weaver 2008, 80-82) have had no parallel in the Fund. The actual preponderance of neoclassical over other economic orientations among, and the particular variant of neoclassically-inspired policy advice that has been provided by, World Bank economists have varied over time. Though borrower governments felt that World Bank research was biased against their own notions of how to pursue development (Murphy 2006, 149), McNamara's strong interest in poverty reduction encouraged economists drawn from the development economics wing of the discipline even if they did not all share many borrower governments' belief in the virtues of vastly expanding the state's role in the economy. Hollis Chenery, the Bank's vice president for development policy from 1972 to 1982, encouraged a greater mix of orientations than his immediate successors (Stiglitz, 2006, par 2) while the appointments of Joseph Stiglitz (1997-2000) and Chinese national Justin Yifu Lin (2008-2012) were strong signals of openness to a wider range of views.

UNDP also began with a predominantly Western staff because its initial staff was defined by the merger of two predecessor UN agencies – the Expanded Program of Technical Assistance (EPTA) and the UN Special Fund. About two-thirds of EPTA's larger staff were Western Europeans. This was partly the result of EPTA having greatest need for persons fluent in English, French, and Spanish, and partly of EPTA Director David Owen's encouragement of efforts to coordinate recruitment of experts for UN agencies and provide scholarships for students from developing countries coordinate by national Technical Assistance Committees in Western Europe. As Co-Administrator in the UNDP's early years, Owen continued to rely heavily on his global network of Fabians or Keynesians – individuals Craig Murphy described as "'non-doctrinaire socialists of the old school,' people deeply concerned about social welfare and convinced that the state had a central and positive role to play" (Murphy 2006, 75). However the experts sent out were never entirely Western because the UN Specialized Agencies did have developing country nationals on their expert rosters. As UNDP shifted away from using the Specialized Agencies as implementing agencies in the 1970s, it came to rely more on "national staff" – locals employed in the UNDP's country offices – for operational activities and drew a larger share of the people hired to provide technical assistance from among developing country nationals with advanced training in specialized fields who were living in the West (Murphy 2006, 167).

Each pattern of staff selection has advantages and disadvantages. The advantages are often enjoyed without comment while the disadvantages open the organization to criticism from member governments and outside observers. The main advantage of IMF staff selection is ability to maintain strong organizational coherence because staff members are aligned by a set of shared beliefs and common analytical tools. The main disadvantage is limited ability to learn when lessons cannot be fit easily within the prevailing analytical framework. This does not mean complete inability to learn. The professional community of neoclassical economists has changed its views on particular policy questions, and those changes do affect IMF staff thinking (examples in Woods 2006, zz; Broome 2010, zz;). The larger World Bank staff includes people with a wider array of professional qualification, though the economists predominate, but even the economists are not as like-minded. This means the Bank often appears significantly less disciplined and consistent than the IMF but may give it greater ability to learn.

The preponderant criticisms of IMF and World Bank staff over the years have been that they ignore local conditions and local knowledge in borrower states to impose “one size fits all” programs (see discussion in Broome 2010, zz). While some observers note that the actual extent of this has varied (Seabrooke 2007, 252 for the IMF), UNDP has been perceived as being much more attentive to aid-receiving country concerns since the early 1970s. However openness to local differences involves some hazards. Complaints that UNDP staff are too close to aid receiving governments to be truly effective as advocates for the people generally or the poor in particular have been raised since the 1960s (Murphy 2006, 14). Attentiveness to local variation can inhibit developing a coherent organizational vision out of the laudable but highly abstract basic orientations towards ending poverty, promoting solidarity among peoples, and promoting bottom-up economics and politics. The periodic need to impose organizational transformations from the top to increase the coherence of operations and expand UNDP’s ability to learn from comparisons across countries (Murphy 2006, 238) suggests that centripetal impulses created by a deep focus on local conditions are very strong.

The 2008 global financial crisis discredited the most extreme versions of neoliberalism, but did not inspire any mass shift of expert opinion to structuralist, world systems, or Marxist economics because none of them provided a clearly superior set of ideas about how to cope with the global economic situation. Robert Howse (2001, 396) maintains that no one has been able to develop a vision of economic and social structure based on trade protectionism and capital controls that would be superior to the post World War II international economic order. Though some discussions of re-regulation after 2008 invoked Keynes directly, the limits of Keynesian policy advice were noted as governments sought to deal with the particular features of the global economic crisis (). The 2008 crisis also did not interrupt the trend towards convergence between UNDP and the World Bank approaches to development, as expressed in their respective *Human Development Reports* and *World Development Reports* since the 1990s (Joshi and O'Dell 2013). Some economists are exploring hybrid models of state-led development that involve using the state to direct economic activity through providing various incentives to private enterprise rather than through state-owned entities and employing neoclassical analytics to decide which industries or enterprises deserve encouragement (e.g., Ben Hammouda 2003; BB 04? Lin 2011; neodevelopmentalists). Joseph Stiglitz, longtime critic of IMF economic analysis, commented in May 2011 that Managing Director Straus-Kahn had shifted the IMF to a less neoliberal position (Stiglitz 2011), and only after IMF insistence in October 2011, some 22 months after the Greek crisis had begun, did the German and other Eurozone governments agree to reduce Greek public debt by imposing some losses on bondholders (Moravcsik 2012, 62). So while neoliberalism and neoclassical economics remain conflated in *altermondialiste* circles, there appears to a degree of separation in the eyes of member governments.

Actual or potential staff misconduct is the basis of complaints distinct from unhappiness with staff members' policy orientations. Staff regulations of all intergovernmental organizations include rules for removing individual staff members for serious misconduct, and member governments typically leave enforcing the rules to the executive head, though may exert pressure if the misconduct becomes the subject of media or other public comment. Yet unless the misconduct involves something really scandalous, like information that UNDP employees were running a variety of side businesses, including an internet sex site, out of UNDP field offices in the late 1990s (Murphy 2006, 303-4), little happens. “Downsizing” is the most frequent cause of involuntary release from the staff at all three organizations.

Summary

Formal selection criteria define the parameters for choosing authority holders by establishing selection procedures and general qualifications. Formal criteria are generally broad enough that informal understandings and practices are also brought to bear. These may alter the procedures by creating informal vetos over choice or the qualifications by adding to the formally-stated requirements.

At the IMF, World Bank, and UNDP selection criteria have been heavily influenced by wider social conventions about how organizations of various types should be structured. Creating two intergovernmental forums, a plenary forum where representatives of member states set basic policy and a smaller supervisory body where representatives of certain member states oversaw day-to-day operations, was already common multilateral practice in 1945. UNDP looks like an exception at first glance, but smaller board reports to the UN General Assembly because was created by the UN General Assembly resolution rather than a separate international treaty as were the IMF and World Bank.

Certain particulars of the structure and rules of the IMF and World Bank have been challenged. The supervisory group structure and the voting rules prevailing in those two IGOs were shaped by their character as types of intergovernmental joint stock companies, which encouraged drawing selection criteria from the world of finance. The weighted voting rule came in for particular criticism in the 1970s and 1980s because it diverged so sharply from the one state-one vote rule used in the ever-expanding collection of UN bodies and strongly preferred by much of an increasingly assertive G77 after the mid-1960s. However those challenges abated, and arguments now focus on making actual allocations conform more closely to the abstract rules that relate shareholding to size of national economic activity relative to the whole world.

The IMF, World Bank, and UNDP all have internationally-recruited staffs, and have been under the same pressure from member states that exists in every IGOs include individuals from a wide array of member countries to reflect the social and cultural diversity of the whole membership. Yet all three – the IMF and World Bank by asserting the need for high levels of expertise and UDP by a combination of expertise claims and heavy use of temporary personnel for most of its history – have been able to avoid establishing nationality quotas for hiring or even an analog to the UN Secretariat's "desirable range" system.

Common IGO practice also shapes the internal structure of their staffs. The executive head – titled Managing Director at the IMF, President at the World Bank, and Administrator at UNDP – works at the apex a formal bureaucratic hierarchy and is accountable to the intergovernmental bodies. However, both the "agency slack" that accompanies delegation of tasks from the member governments and the need for internal coherence create dynamics giving the head considerable room to shape organizational activity. Executive head influence in all three is strong, buttressed by formal rules (IMF) or unwritten practices (World Bank and UNDP) giving the executive head agenda-setting and decision-influencing power over individual loans or grants within the parameters of the organization's general policies. Similarly, the executive head as an individual is often in better position than the collective boards to formulate policy initiatives.

Governments establishing and revising selection criteria for intergovernmental forums and staff selection are fully aware of the strong tension between formal sovereign equality of states and the actual condition that some states are “more equal than others.” Formal equality is played up and actual differences played down in UNDP, even though it depends on wealthier states for a large part of its funds. Actual differences among states are allowed to show more openly in the selection criteria of the IMF and World Bank, where differences in aggregate national wealth become the basis of allocating votes. The IMF vote shares have never perfectly tracked countries’ current economic weight; even in 1944 any formula would have had to be modified for political reasons given the wartime disruptions to the international economy. Though both make greater efforts to use publicly-known formulas today, the impact of political fudging to meet pre-defined results remains strong.

The impact of the political inertia favoring the existing selection criteria decision rules can be seen the history of reallocating votes in the IMF and World Bank, where the major reallocations occurred after changes in relative economic power that suggested change was needed to maintain consistency with the weighted voting scheme. This stands in strong contrast to the UN, where changes in the sizes and compositions of most limited-membership bodies shifted in line with the changing number of member states in each region rather than shifts in their relative power.

Unlike most intergovernmental organizations (most spectacularly the UN Security Council) the World Bank and IMF have rules mandating periodic review of the allocations. The IMF was committed to quinquennial review by its Articles of Agreement; the Bank will take up

5 year reviews starting in 2015. This rule is both an "invitation to struggle" (Crabb and Holt 1980) and an assurance that members would be able to revise voting and Executive Board membership to better reflect the contemporary world. Here as in so many human interactions, those facing losses typically dread that prospect quite sharply and dig in. Conversely, those believing they deserve more than they currently have seek the gains they believe they deserve. Outcomes depend very heavily on who is able to persuade a middle group of members neither strongly disadvantaged nor strongly advantaged in the current distribution that their views correspond best to agreed principles and norms.

Getting the over-represented to yield in the World Bank and IMF has been easier when it could be presented as consistent with the basis of weighting the votes. External observers and smaller member states like to invoke the notions of sovereign equality of states so well established in other global intergovernmental organizations, but the weighted voting system was based on a logic acknowledging rather than masking differences in capability, and that logic still drives the process of change.

The same shift in global economic weight towards the emerging market economies, together with an increasing sense that arrangements worked out in 1944 are not appropriate to the contemporary world, impel the rising challenge to the 1944 "gentlemen's agreement" that a European will head the IMF and an American the World Bank. While the rhetoric from outside commentators and member governments about the need for open, transparent, and fair selection processes is important, the challenge would not have gotten as far as it has without the increasing economic weight of the emerging countries. The 1944 arrangement ultimately held in the leadership changes of 2011 and 2012, but the process has been changed significantly by formalizing a right of each Executive Director to nominate candidates and providing publicly-announced criteria for judging candidates. This is not yet the fully open and transparent process many reformers envision, and does not preclude a result consistent with the 1944 arrangement. However there is more discussion both among governments and in public than used to occur. Yet if the operation of other global intergovernmental organizations is any guide, the gentlemen's agreement is more likely to be replaced by a system of regional rotation allowing countries in different parts of the world to have one of "their own" lead the IMF or World Bank in turn rather than a completely open process.

Concern with staff selection has focused so heavily on the World Bank and the IMF because, as Willie Sutton is credited with saying, "that's where the money is" (Sutton 1976, 160 says a reporter made up the phrase and attributed it to him). With national origins more diversified and notable increase in female staff, unhappy members and outside critics have had more scope since 1980 for complaining about the heavily neoclassical cast of the economists working in both the IMF and the Bank. Yet most member governments appear divided on how bad that preponderance is for the organization and for themselves. The spread of neoclassical ideas at the national level and the collapse of centrally-planned economic systems meant that in countries where structuralist economic ideas had predominated in the early 1980s greater diversity of views developed among national level economic policy makers and advisers. In many countries factions happy to use IMF or World Bank prescriptions as levers in contentions with other factions have emerged.

In all, member governments pay attention to the selection criteria, but their ability to push back against them when they feel disadvantaged is constrained by the fact the main elements of the criteria are institutionalized in formal rules that can be changed only through fairly elaborate amendment procedures. These barriers to formal amendment mean that much of the pushback against selection criteria exerted by unhappy addressees consists of campaigning for informal practices that modify the working of the formally-specified criteria. Decision by consensus has enjoyed wide support in diplomatic practice, and has proven a useful device for deemphasizing the different allocations of votes. It never replaces weighted voting, since consensus formation always occurs in the shadow of the formal rules, but it is a way for minorities of members to acquire some protection against majorities. Recruiting the staff of an intergovernmental organization from a wide variety of member countries is also standard diplomatic practice, and developing countries have been able to secure a more diverse staff over the years, though industrial country nationals still predominate at the most senior levels. Yet here, too, changes in relative economic position are being registered, as a look at the second and third tier of World Bank and IMF staff today confirm.

Selection criteria can inspire unhappiness. Given the strength of general diplomatic traditions, the selection criteria used for intergovernmental organizations are fairly common and of themselves probably not significant elements in a government's decision about whether to join, avoid much interaction with, or leave an intergovernmental organization. Area, efficacy, and relevance criteria seem more important, and will be taken up in later parts.

AFTER CREATION: PART 4 ADDRESSEE CRITERIA

[This part dates back to 2018 when the project involved a comparison among the World Bank, the UNDP, and the IMF. UNDP was later dropped to keep the length of the manuscript to manageable proportions.]

Addressee criteria define the participants to whom authority-holders may issue particular types of instructions on particular occasions. They can be divided along two major analytical lines: inclusion-exclusion and generalization-differentiation. The first refers to whether the criteria address those entering or already within the authority relationship or apply to those leaving the relationship. The second refers to whether instructions apply to all addressees or to one or more subsets of addressees. All authority relationships have a few uniform addressee criteria – definitions of the qualifications an actor or entity must possess to enter the authority relationship as an addressee and definitions of the occasions for and types of instructions that can be given to all addressees. Thus in the UN Charter, the eligible addressees are defined as UN member states and are all expected to abide by Charter rules, pay their share of the organization's expenses and cooperate to attain the basic goals defined in Articles 1 and 2 of the Charter. Authority relationships also have differentiated addressee criteria that distinguish among groups of addressees and specify the sorts of instructions that each group may properly be given in various circumstances. Thus the UN Charter also provides for differentiation, such as the distinct rules for member governments administering Trust Territories or participating in the Security Council or for expelling members in response to seriously bad conduct.

Differentiated addressee criteria may establish continuing distinctions – distinctions expected to remain relevant to interactions over an extended period – such as the coastal state/landlocked state distinction in the international law of the sea. They may also establish a set of roles that particular addressees can fill at different times or in different interactions, such as distinction between a flag state (the state where a particular ship is registered) and a coastal state (the state within whose maritime jurisdiction that ship is sailing at the moment) operating in the parts of the law of the sea addressing ocean navigation. Differentiation can also cover a particular interaction. The UN Security Council does this quite frequently when it authorizes certain UN member states to use armed force in a particular situation, as when it referred to "Member States cooperating with the legitimate Government of Haiti, acting nationally or through regional agencies or arrangements" in Resolution 917 (1994) or to "Member States that have notified the Secretary-General, acting nationally or through regional organizations or arrangements, and acting in cooperation with the Secretary-General" in Resolution 1973 (2011) imposing the No-Fly Zone over Libya.

Exclusion criteria include rules allowing expulsion from membership. These are differentiated because expulsion is generally limited to members so disruptive of efforts to reach major goals that both authority-holders and a large majority of the other addressees regard their continuing presence as severely undermining the whole collective enterprise. Though expulsion is quite feasible in private associations consisting of individuals, intergovernmental organizations considering the expulsion of a member state possessing significant capabilities must give this decision careful thought because such a member may have enough capability to frustrate the collective enterprise from outside. Thus the leaders and members of an intergovernmental organization may decide that living with disruptions from within the authority relationship is better than pushing a great power member outside (Gruber 2000). Authority relationships involving intergovernmental organizations also resemble those of private associations in making provision for self-exclusion by withdrawal from membership. These enable member governments to act on the traditional Westphalian norm that governments may leave an IGO at any time, though may include procedural rules that impose a waiting period or a process of unwinding material connections between the IGO and the departing member.

A milder form of exclusion involves suspending enjoyment of all or some core rights or benefits of membership. Suspending all membership rights is an intermediate step less serious than outright expulsion, but more serious than the narrower punishments imposed for violating specific instructions. General suspension of membership rights can serve either of two functions: as a "backup" when the more specific punishments do not induce a change in a particular addressee's reaction to specific instructions, or as a remedy for more generalized noncooperative behavior. Yet suspension may be hard to apply because it could inspire the member to withdraw and thereby cancel all possibility of future cooperation.

Inclusion Criteria

Inclusion criteria are the norms and rules applying inside the authority relationship. Most involve differentiation. Member states can perform any of multiple roles in the World Bank, the UNDP, or the IMF, and most of the instructions those organizations can give to a member depend on the role it is fulfilling at the moment. In their capacity as members of the plenary forum or the supervisory group, relevant member governments receive notifications from the organization's executive head and senior staff convening meetings, providing agendas and other documentation, and circulating proposals submitted by one or more member governments or developed by the IGO staff. The representatives in the plenary then fulfill their decision-making role on matters of general policy and those in the supervisory group address particular organization interactions with member states to the extent specified in the organization's procedural rules.

Most of the different roles member states can take up stem from their parts in the day-to-day operations of the organization. The organization's head and staff interact with individual member governments as-needed in their work of coordinating organizational and member activity to attain the shared goal. In the World Bank and UNDP there is a basic differentiation between the members providing funds for development ("donor states") and the members receiving them ("recipient states"). The former provide the wherewithal for organization activity directly, by contributing some of their tax revenues to the organization's budget, or indirectly, by being home to private investors buying bonds issues by the organization, while the latter are eligible to receive funds and various forms of assistance from the organization. However each side of the donor-recipient distinction plays out in somewhat different ways. In UNDP donor states are just that: they provide funds through periodic contributions or establishment of Trust Funds and benefit from a distribution of seats on the Council/Board more favorable than prevails in the UN overall. They influence particular program decisions only when they have established trust funds to pursue particular goals that are administered by UNDP, something they have done increasingly in recent years (Browne 2013, 118). In the World Bank, donor states have extra influence over program decisions through the Executive Board's weighted voting system and more direct involvement in defining the loan policies that guide approving individual loans. There is a difference on the recipient side as well. UNDP recipients are not borrowing money; they are being supplied with technical and other assistance. This has allowed the UNDP management and staff to position themselves as collaborators with recipient governments. World Bank recipients also receive some technical aid, but their primary relation with the World Bank management and staff is that of a borrower whose creditworthiness needs to be assessed and whose use and repayment of the money have to be monitored.

Over the years, the donor-recipient distinction has become a bit fuzzy in both UNDP and the World Bank. This began earlier in UNDP, in the mid-1970s, with decisions that the higher middle income recipients should contribute all or a substantial portion of the funds used to support technical assistance to them by UNDP from their own resources. It occurred in the World Bank in 1985 when a few higher middle income countries that were still receiving World Bank loans began making contributions to replenishments of IDA funds used for loans to the poorest countries.

The IMF also differentiates between borrowing and non-borrowing members, but in the formal rules borrower status depends on current economic circumstances (a persisting balance of payments deficit or a financial crisis), and in principle any member can find itself in the borrower ranks. Between 1976 and 2008, however, borrowers were actually differentiated by income level because industrial and other high income countries borrowed from each other when needed rather than from the IMF, leaving developing countries at the higher middle income, lower middle income, and low income levels of per capita GSP as its actual borrowers. Occasional expressions of interest in shifting towards Keynes's original design under which surplus and deficit countries would share the burden of adjusting (e.g., Davidson 2009; later) have not yet had any impact on IMF practice. Only on the "surveillance" side, in its assessments of member country economic data and staff discussions of economic policy with member states, has IMF management and staff interacted continuously with all members. Since 200- even policy advice has developed an explicit differentiation between 25 "systematically important" countries, with which consultations are more frequent and far-ranging, and the others.

World Bank

Everyone at the Bretton Woods conference understood that for most operational purposes World Bank members would be divided into two primary groups: sources of funds – states sufficiently wealthy that the Bank would be able to raise money from private investors living there – and users of funds – states needing reconstruction or development loans. In 1944, these groups of countries did not have particular names; by the mid-1950s it was customary to distinguish between "industrial" and "less developed" countries. Continuing decolonization and the rise of the G77 in the late 1960s prompted a shift to "industrial" or "developed" on one side and "developing" on the other. The new term avoided the pejorative implications of "less" but did not change the underlying economic realities. Countries applying for or receiving loans were also designated with the financial term "borrower," particularly in their relations with Bank management and staff.

Yet the Bank has always fudged matters by operating with finer distinctions than a donor-recipient binary. On the fund source side, the term "major shareholder," derived from the financial tradition that all members pay in a share of capital, distinguishes the larger industrial countries from both the smaller industrial countries and the developing countries. Bank member states are also assigned to groupings based on per capita national income, with the "high income" countries not eligible to borrow. Today "high income" is not identical to "industrial" because some high income countries like Saudi Arabia or Oman owe their current prosperity to commodity exports and have too little domestic manufacturing activity to qualify as "industrial" in the usual meaning of that term. Differentiations among the recipient countries, which are defined by per capita GDP, have varied over the years. The Bank began with two categories of recipients: middle income and low income, but since 19yy has divided them into three: higher middle income, lower middle income, and low income. Individual countries shift between categories over time as their development efforts succeed or lag. These shifts have not been as numerous as they would have been if the initial per capita income thresholds had been retained, but they are modified each year to reflect "international inflation" (average inflation in leading market economies). This means a lagging country may actually drop to a lower income category even is the absolute level of its per capita GDP has increased if the rest of the world is doing better, as indicated in Table 4.1.

Table 4.1. World Bank Income Classifications

year	low income	lower middle income	higher middle income	high income
1989	≤$480	$481-$1940	$1941-$6000	>$6000
1995	≤$695	$696-$2785	$2786-$8625	>$8625
2000	≤$760	$761-$3030	$3031-$9360	>$9360
2005	≤$765	$762-$3035	$3036-$9385	>$9385
2011	≤ $995	$996-$3945	$3946-$12,195	> $12,195

Sources: World Bank historical country classifications, available via http://data.worldbank.org/about/country-classifications/a-short-history (accessed 14 August 2012)

The variability of borrower status is also indicated by IDA and World Bank "graduates" – countries that no longer receive loans from one or both of the World Bank's lending operations – and "reverse graduates" – countries whose economic performance has lagged to the point of returning to eligibility. 29 states that were eligible for IDA funds when they first joined the World Bank now have incomes above the threshold, while another 7 had incomes above the threshold for a time but are eligible again (IDA 2012). Similarly, 41 countries that once received Bank loans have attained per capita income levels placing them in the "high income" category (World Bank Historical Classifications 2012). [update]

The per capita GDP calculations are technocratic operations, though there is room for reasoned argument about whether exchange rate or purchasing power parity methods are more accurate. Though some economists regard the World Bank's "Atlas method" as outmoded, the Bank has strong incentives to continue with it for the sake of consistency of comparisons over time. One of the few complaints about particular income level assessments involved Moldova, which some economists claimed should have been classified as low income rather than lower middle income in 1993 (Moldova article source). It was reclassified as low income in 1998, then experienced enough economic growth to be reclassified again as lower middle income in 2005. Some aspects of Bank operations use differentiations that cut across or within income classifications. By the late 1960s the Bank was dividing borrowers into 5 groups eligible for differing portions of Bank and IDA lending. The low income countries were "IDA-only" borrowers, eligible to get all their financing as very low-interest, long-maturity (in banker-speak, "concessional" or "soft") IDA loans or grants, while the more prosperous higher middle income countries were "Bank-only" borrowers not eligible for any IDA financing. The other three groups, mainly in the lower middle income category, were "blend countries" eligible to receive funds from both IDA and the Bank in varying proportions: 75% IDA and 25% Bank for "soft blend" countries, 50%-50% for "blend" countries, and 25% IDA-75% Bank for "hard blend" countries (*World Bank Annual Report,* 1970 p. 47). Over the years the basic notion of "blend" countries has persisted but the sharp distinctions between hard, regular, and soft blends have not been maintained. The number of blend countries has varied, ranging from about 30 in the mid-1970s, dropping to fewer than 10 in the late 1980s, and creeping back up into the mid-teens in the early 1990s (Appendix, Table 1).

A more significant adjustment of IDA eligibility occurred in 1982 when widespread economic distress had landed a larger number of countries in the low income group. Up to that point, the Bank had been defining "IDA-only" eligibility using the "international inflation" correction to the $250 per capita income level that had been set as the upper bound of IDA eligibility in 1964. Bank management realized that continuing to calculate the cutoff in that way would exhaust IDA resources very quickly, and adjusted calculation of need to resources on hand by establishing a somewhat lower "operational cutoff." This figure is set annually on the basis of current global economic conditions rather than a mathematical correction for global inflation, and has remained lower than that more direct adjustment. In May 2013 the "operational cutoff" was 44% lower than what the cutoff would have been had the inflation correction been applied directly to the $250 per capita figure over the intervening 39 years (IDA-17 2013, 3). The inflation-adjusted number, called the "historical cutoff" in Bank discussions, influences discussions about which countries should or should not continue to have access to IDA loans in a blend with Bank loans (e.g., IDA 2012) by providing an alternate standard for assessing countries' financial needs.

When IDA began operations in 1961, the same member countries were on each side of the industrial/developing and donor/recipient divides. However that perfect mapping has broken down on both ends. As noted above, some high income countries are not industrial. While most of the "emerging market country" members are higher middle income, China's and India's large populations depress their per capita incomes into the lower middle group. The former Soviet countries, given the distinct label "transition countries" because of the scope of economic change they underwent, ranged from the higher middle to the low income category in 1993. "Donor" and "industrial" has not been coterminous in IDA replenishments for two decades. Contributors to the 7th Replenishment (IDA-7) in 1985 included higher middle income countries Argentina, Brazil. Colombia, South Korea, Mexico and Turkey (World Bank Annual Report 1985, p. z) and higher middle income countries have contributed to every subsequent replenishment.

The Bank's income classifications and differentiation among classes of borrowers have widespread support; they appeal to a common sense perception that some countries are needier than others and use a simple, even if imperfect, observable measurement for sorting. The UNDP and other UN development agencies also use the World Bank classifications for most purposes, even though they were the origin of the term "least developed" for the poorest countries. The IMF also acknowledges the classification, though has explicitly used only the low income category ([this chapter, p. 17]).

There are many ways to classify countries for development programs but only three other than per capita income level have much support as bases for differentiation among borrowers. Two – the level of indebtedness criterion identifying the low income countries eligible for the HIPC and MDRI debt relief programs, and very small population (less than 1.5 million) – resemble per capita income in deriving from observable data that can be quantified on a ratio scale. The third is geographical, the Bank's, UNDP's, and the IMF's practice of dividing their member states into regions and organizing program provision through regional bureaus. Governments and publics alike agree that regional affinities among countries – whether based on similar culture, similar geographical conditions, or some mix of both – matter even they do not quite agree on why they matter. One of the regional designations is a stretch – the World Bank's "Europe and Central Asia" region makes little cultural sense and will retain economic sense only as long as the shared experience of moving from centrally-planned to market economies remains relevant to those governments and peoples. However all regional designations provide a convenient way to organize operations at a medium scale between the whole membership and each individual member.

Proposals to distinguish among borrowers by other sorts of considerations have not attracted much support. In the early 2000s a number of academic observers argued that the major emerging market countries with particularly high growth rates – Brazil, China, India, and Indonesia in particular – should have their loan eligibility restricted beyond what their then-current per capita income levels would suggest. Though popular in academic circles, the idea had little support from governments (Taylor 2007, 145-46). Except as applied to IDA loans, it also had little appeal to Bank management, which needed its group of higher growth borrowers to maintain the Bank's income stream. At the time, China, with about $12 billion in outstanding loans, was approaching the $13.5 billion single country limit, but Brazil and India at about $8 billion each were still well below it (figures in *World Bank Annual Report, 2002*, vol. n2, p. 22). Brazil continued as a borrower of Bank loans, China and Indonesia, which had been eligible for a mix of Bank and IDA loans, shifted to "Bank-only" borrowing by the end of the decade (Bank and IDA Loan Data 2011), while India is expected to receive its last IDA loans by 2017 (IDA-17 2013, zz).

Outside academic observers acknowledge the apparently objective nature of assigning income categories and overall borrower eligibility, and are not surprised that these are emphasized in official Bank statements because it, like other intergovernmental organizations, needs to maintain technocratic appearances when differentiating among member states. However, they believe that a variety of other criteria affect which countries actually get loans – or at least the number of conditions attached and the amounts of the loans. Since these observers regard the tacit conditions as aimed either at advancing the interests of the leading shareholders or at imposing more market-reliant policies on governments than those governments want to accept, they relate as much to the relevance and efficacy criteria examined in chapters 7 and 8.

UNDP

Though much of its budget comes from contributions received from the governments of UN member states, UNDP is distinct from the World Bank and IMF in having no formalized major shareholder-smaller shareholder distinction because votes are not allocated by size of contribution. In practice, however, distinctions among donors have affected UNDP. For many years other donor governments used the level of US contributions to determine their own. This practice started as a pace-setting exercise under US Presidents Kennedy and Johnson, who pledged the US to provide 40% of UNDP's total funding as a way to attract contributions from other governments already making other bilateral and multilateral aid commitments (Murphy 2006, 140). Though there were complaints about declining US contributions in the early 1990s, Murphy concluded that the US level was still operating as an inhibition (or, in a more jaded view, as an excuse) against displacing it as the largest single fund provider (Murphy 2006, 301). Yet the situation soon changed. US contributions continued to decline while European contributions rose; the Netherlands replaced the USA as the largest single core contributor in 2006 and Norway exceeded the US contribution soon afterward (UNDP 2006, yy; UNDP 2010, 32).

By then, UNDP was already concerned about what its Executive Board called "overdependence on a small group of donors" in 1998 (Executive Board Decision 98/23). UNDP Administrators have all sought to recruit more donor governments, an effort revealed publicly in the yyyys by listing all countries whose governments contributed at least that amount per capita in dollars or local currency equivalent as members of a "$1 a Year Club" in UNDP annual reports. These diversification efforts have had modest impact so far. In 2000 the top 10 donor governments provided 86% of the money, and while this had been reduced to 82% in

2006, (UNDP Funding 2006, p. 8), the share was 85% in 2013 owing to exchange rate fluctuations and constraints on smaller donors from the global financial crisis (UNDP Funding 2013, p. 8).

UNDP does not formally define eligibility for assistance by income level, and its first Administrator, Paul Hoffman, initially conceived of operating in any country where it was invited regardless of national income level (Murphy 2006, 353; see if can get a quote from Hoffman himself "Devmt coopn: A fact of modern life Virginia Quarterly Review 47(3) 321-33 1971 In DuBois at AP2.V76). In practice UNDP immediately adopted its predecessor agencies' focus on developing countries, and ended up making some differentiations among them. Its severe financial woes in the 1970s triggered an implicit differentiation between developing countries with higher and lower per capita GDPs. Without referring explicitly to World Bank income classifications, UNDP asked recipient countries qualifying as higher middle income to provide a larger share of program funds through previously-established provisions for "local cost-sharing" than other recipients (Murphy 2006 yy? Not quite in Browne 2013, 45-46). UNDP also accepted an explicit income level-related distinction in 1981 when the UN Conference on Least Developed States charged it with forming aid donor coordination groups that would bring together all the multilateral and national agencies providing aid to each least developed country (Murphy 2006, 227). On the whole, UNDP's stress on "country ownership" of development plans, skepticism about the supposedly "one size fits all" policy advice coming from the World Bank and IMF, and strongly localized activity run through the Resident Representatives have biased it against grouping recipients except by geographical region.

IMF

Most IMF activities do not involve creating continuing categories of member states. All member states pay their quota, provide the IMF with regular and accurate data about their macroeconomic and balance of payments situations, and since 1978 participate in regular policy consultations. Drawings from the IMF's "General Account" proceed according to the same rules regardless of the economic level of the borrower. Over the years, however, the IMF has developed some distinctions among members to address differences in financial circumstances. Some of these are related to income level but others derive from relative significance in international trade and finance.

When the IMF was established in 1944, the task of realigning currency exchange rates could have been allocated in any of three possible ways: jointly to surplus and deficit countries, exclusively to surplus countries, or exclusively to deficit countries. By proposing that both persistent surplus and persistent deficit in a country's balance of payments be considered as "systemic" problems to be solved through joint effort, Keynes was suggesting that surplus and deficit countries alike would be expected to adjust policy to bring their current accounts back into balance, or else accept that other countries would impose payments controls or take other measures to limit their exposure the economic effects of that misalignment. The notion of assigning the adjustment task exclusively to surplus countries never had any traction; too much economic thinking regarded (and still regards) balance of payments surplus as a sign of economic strength. This shared mindset made it easier for the US government to gain support for its preference that the main burden of adjustment fall on deficit countries. Governments of deficit countries have never been happy about this. Those ruling developing countries, knowing that the basic approach is unlikely to change, have pressed the IMF to differentiate between deficits within and beyond a government's ability to manage and treat distinct instances of deficit accordingly. Developing country governments have also urged the IMF to go easier when payments problems result from significant increases in the price of a major import their country cannot do without – like oil or food – or inability to increase exports because of limited market opportunities elsewhere (Woods 2006, 42).

Another differentiation contrasts transmission of economic difficulties from one country to others because their economies are strongly linked through trade with "contagion" occurring when a financial or currency crisis in one country affects others (usually regional neighbors) because investors or speculators treat the countries as similar even though the others are actually in good financial shape. Transmission of economic difficulties through linkages requires economic measures; contagion is based on misperceptions best addressed by dispelling them.

In 1944 the Government India, then a British colony but on a path to independence, proposed that the IMF Articles of Agreement include provisions differentiating "economically underdeveloped countries" or "economically backward countries" from others. The idea was rejected at the Bretton Woods Conference owing to opposition from industrial country governments wanting to establish a clear distinction between IMF and World Bank activities (Gold 1974, 218-219). Even as the industrial country-developing country distinction came into wide use elsewhere in the 1950s, IMF Executive Directors and management remained reluctant to formalize differentiations among member states by income level. As IMF Legal Counsel Joseph Gold noted in 1974, the IMF preferred to address the needs of subsets of members through rules defining the circumstances in which the loan facility may be used rather than by creating an income-related category of members eligible to use it (Gold 1974, 219). Thus the Oil Facilities were open to any oil-importing country. Though oil-importing developing countries were expected to be the main users, the 45 developing counties using them were joined by 10 industrial countries (Kenan 1986, 11-12).

IMF members found it easier to agree on measures that would be available exclusively to developing countries when both neoclassical and other economic theories pointed to the same conclusion about the economic disadvantages of not being industrial. Thus it was not too difficult to secure agreement defining the Compensatory Financing Facility and the Buffer Stock Facility as open to developing countries heavily dependent on selling commodities for their export earnings. Both the Prebisch thesis on continual worsening terms of trade for commodity exporters accepted by Marxists, world systems/dependency theorists, and many Third World governments and the neoclassical arguments that elasticity of demand means that commodity prices are subject to unusually large fluctuations converged on a broad conclusion that commodity exporters often face difficult situations. The proposed solutions were starkly different: Prebisch and his followers urged establishing more systematic managing of global commodity markets to assure particular prices, neoclassical economists and most industrial governments as viewed commodity schemes as unlikely to produce a reasonable tradeoff among three related goals – price stabilization, supplier income stabilization, and efficiency (McCulloch and Piñera 1979). However the diagnoses of cause were close enough to support creating the Facilities. Yet, as successive changes to the Compensatory Finance Facility demonstrated, even in areas of convergent policy advice the IMF shied away from suggestions that it was engaged anything that might be interpreted as development lending. As other details of the CCF arrangements changed, the basic rule that the eligible developing countries could draw on the CCF only when their overall export earnings had declined noticeably remained; those losing some export earnings because of a drop in the price of one commodity while gaining other export earnings because of a rise in the price of another remained ineligible.

The first explicit IMF differentiation between developed and developing countries unqualified by other economic circumstances occurred in defining rules for access to the Extended Fund Facility in 1974. These specified that:

[get quote from first IMF ann rept noting existence would be 1974- have to get in DuBois].

The EFF allowed countries to access larger loans paying out and maturing in longer periods, but was an extension of lending from the General Resources Account. Thus it was less of a break with prior Fund practice than the Structural Adjustment Facility (SAF) or the Extended Structural Adjustment Facility (ESAF) established in 1986 and 1987 respectively. As Table 4.2 indicates, developing countries had been a growing portion not only of IMF members but also of

Table 4.2 IMF loans by economic level (% of mmebers in category with loans outstanding in year)

category	1975	1980	1985	1990	1995	2000	2005	2010
industrial	11	10	2	0	0	0	0	
emerging	13	9	18	16	11	11	7	
Wrn Hem	4	1	6	7	5	4	4	
Asia	6	5	8	6	2	4	2	
other	4	3	4	3	4	2	1	
developing	17	20	20	22	30	22	20	
PRGF eligible	58	61	60	62	59	67	73	
Africa	34	39	37	41	37	40	44	
other	25	23	23	21	22	28	29	
# countries borrowing	53	80	87	86	98	91	85	
% members borrowing	42	57	58	56	55	50	46	

Source: Truman 2005,

IMF borrowers since 1970. The SAF and EASF were designed to provide loans that would be disbursed over 5-10 years rather than the standard 1-2, be repayable in 20 or more rather than the standard 3-5, and carry lower interest rates than other IMF lending because the wealthier members provided money for subsidizing interest rates to a separate IMF Trust Fund. Differentiation proceeded further with the Poverty Reduction and Growth Facility established in 1999. Eligibility was limited to the low income states designated by the World Bank as IDA-only borrowers, and money for the loans and interest rate subsidies involved came from a combination of member contributions and IMF transfers of some income to a separate Poverty Reduction and Growth Trust. By the turn of the century, differentiation of members by income group has been sufficiently routinized in the IMF that its annual reports and other documentation refer to advanced countries, emerging market countries, developing countries, and PRGF-eligible countries.

Successive Arrangements to Borrow also altered the creditor side of the IMF’s operations. In the initial credit union setup, all member states could be regarded as creditors because they paid in their quota, and might be asked to provide additional funds if their currency was in high demand. This design was based on an assumption that balance of payments problems would be decomposable into bilateral balances, and countries would use a variety of currencies in their trade and hence in their bridge loans. However actual international trade practice continued to be marked by a strong preference among both private firms and governments for using a much smaller number of "key currencies" in their international transactions. Those “key currencies,” such as the US dollar, the British pound, or the French franc, were more likely to be needed when adjusting trade balances or dealing with currency crises. The General Arrangements to Borrow (GAB), initiated in 1962, institutionalized a mechanism through which the IMF could secure access to leading currencies up to a total of SDR 6 billion without needing to negotiate a general increase in quotas or invoke the scarce currency clause in the Articles of Agreement. In the original GAB the G10 countries – the USA, West Germany, Japan, France, the UK, Italy, Canada, the Netherlands, Belgium, and Sweden – and Switzerland could be asked to provide the IMF with additional money, but only for lending to other GAB participants. In 1983 the GAB was increased to cover amounts up to SDR 17 billion and extended to cover loans to other member states while a parallel agreement with Saudi Arabia gave the IMF access to another SDR 1.5 billion that could also be used for loans to any IMF member [source – must be in IMF 1983 or 1984 ann rept].

The New Arrangements to Borrow (NAB) established in 1998 in the wake of the Asian Crisis expanded both the money involved by totaling some SDR 34 billion and the countries supplying it by involving the monetary authorities in 24 countries – Australia, Austria, Belgium, Canada, Denmark, Germany, Finland, France, Hong Kong SAR, Italy, Japan, South Korea, Kuwait, Luxemburg, Malaysia, the Netherlands, Norway, Saudi Arabia, Singapore, Spain, Sweden, Thailand, the UK, and the USA (IMF 1998, 84). This expansion of potential creditors reflected the increased importance of certain regions in world trade and adopted an incremental approach to handling China's greater economic prominence by linking to monetary authorities in the Hong Kong Special Administrative Region, (a major locus of international finance on its own) who had considerable policy authority and much stronger connections to international finance than did the Chinese central bankers in Beijing. In March 2011 an expanded NAB totaling SDR 367.5 billion (about $560 billion) replaced ad hoc G20 commitments of additional financing to deal with the global financial crisis. It involved 38 monetary authorities, including those of mainland China (IMF Factsheet 5/2012).

Increasing economic openness and interconnection led to another differentiation, based on size and thus likely to be enduring, that crossed the emerging-industrial and deficit-surplus country divides. The Asian Crisis of 1997-98 revealed how financially interconnected countries in that region had become to neighbors and to non-regional trade or investment partners while the global financial crisis of 2008 reinforced awareness of interconnections. The IMF had begun distinguishing between surveillance and policy consultations with "systematically important countries" in 1999 (IEO 2006), formalized it into a separate form of "multilateral surveillance" focused on the 5 countries with the largest and most internationally-connected financial centers in 2010 (IMF 9/2010), and expanded the list of "systematically important countries 25 in 2012 ().

Exclusion Criteria

Both the World Bank and IMF have rules allowing for voluntary (withdrawal) and involuntary (expulsion) exclusion from membership in the organization. UNDP does not have separate rules on these matters because its rules for acquiring or losing membership are those of the United Nations. All three have suspension rules, though these are far more formalized in the World Bank and the IMF than in UNDP. Their financial intermediary roles give the World Bank and the IMF greater ability to operate a wide range of punishments, from focused measures related to individual loans through suspension of borrowing or voting before having to turn to expulsion (which their respective Articles of Agreement call "compulsory withdrawal" because of the legal technicalities involved in returning the money used to pay for shareholdings or quotas; see Bank Agreement, Article VI, section 4; IMF Agreement, Article XXVI, section 3).

The general right of sovereign states to withdraw from any agreement at any time prevails in the IMF and the World Bank through an identical provision in their respective Agreements. It specifies that:

> Any Member may withdraw from the ______ at any time by transmitting a notice in writing to the ____ at its principal office. Withdrawal shall become effective on the date

such notice is received (IMF Agreement, Article XXVI, section 1; Bank Agreement, Article VI, section 1).

Because it is established under a separate Agreement, Bank members can withdraw from IDA without affecting their Bank membership (IDA Agreement, Article z), though withdrawing from the Bank automatically means withdrawing from the IDA because membership in the two are linked (IDA Agreement, Article zz). Members of the IMF can also choose to end participation in the Special Drawing Rights scheme separately from their IMF membership (IMF Articles of Agreement, Article XXIV, section 1). Since joining the IMF is prerequisite to joining the World Bank (Bank Agreement, Article II, section 1), withdrawal or expulsion from the IMF automatically entails withdrawal or expulsion from the Bank three months later unless members holding 75% of the votes agree to let the withdrawing or expelled IMF member continue its Bank membership (Bank Agreement, Article VI, section 3). This provision was used after Poland withdrew from the IMF in March 1950, Cuba in April 1964, and Indonesia in August 1965. Poland and Indonesia were readmitted to the World Bank after they rejoined the IMF; Cuba remains a non-member.

Though the UN Charter lacks an explicit provision for withdrawal. Yet as noted by early commentators (e.g., Goodrich and Hambro 1949, zz) and confirmed by reaction to Indonesia's announcement of withdrawal in 1964 (source: Simma?), it has been interpreted to conform to the general rule that states have a right to withdraw from treaties and other commitments. Though a state cannot withdraw from UNDP separately, it can accomplish much the same result by avoiding all new contact – not seeking membership on the Board, not contributing money, and not requesting assistance.

The World Bank and IDA have identical rules about exclusion. In each, a member violating its obligations can be suspended by a vote of majority of the members holding a majority of the votes. Suspension from the Bank immediately covers both borrowing and voting, and a suspended member is expelled automatically after one year unless a majority of the members holding a majority of the total voting power decide to end the suspension (Bank Agreement, Article VI, section 2; IDA Agreement, Article VII, section 2). Since membership in IDA requires membership in the Bank (IDA Agreement, Article II), an IDA member suspended from or leaving the Bank is immediately suspended from or loses membership in IDA (IDA Agreement, Article VII, section 3). Bank By-Laws provide a measure of due process by specifying that before a member is suspended it must be given an opportunity to explain its situation before the Board of Governors makes a decision regarding suspension (Bank By-Laws, Section 20).

The Bank and IDA can also impose more focused penalties on borrowers lagging in their loan repayments. These differentiate between members "in arrears" because their payments are 30 days to six months behind, and members in "nonaccrual status" because they are more than six months behind. A notable increase in the number of borrowers in nonaccrual status led to a tightening of the rules in 1991. This began with earlier notices: instead of waiting the whole 60 days before notifying a member that it is in arrears, the Bank began sending the notifications at 30 days. The Bank then added a combination of sticks and carrots for dealing with laggard payments. The sticks involved adding the possibility of suspending a country from membership as well as cutting off additional money, while the carrots included a set of rules adopted in 1990 that are similar to the IMF's "rights accumulation" scheme (see [this chapter, p. 26]) by which countries can get help clearing arrears (World Bank Annual Report 1991, 73).

By January 1991, just before the new procedures were adopted, 9 countries were in "nonaccrual status." One, Zambia, paid off arrears in March, but the rest persisted. Though international economic conditions improved in the 1990s, 12 countries, including many of the 1991 group, were still in "nonaccrual status" in 2001 (World Bank Annual Report 2001, 139-40). Yet being late did not necessarily mean losing eligibility for loans. The Executive Board can waive the rules and allow new money to flow, as it did with Mexico in 2004 (not 1994 when it needed a big bailout? if 1994, source is C M Ur 1997, 108) (source on new cards). In 2010, despite two years of global financial crisis, the number of borrowers in nonaccrual status was down to 4: Myanmar, Somalia, Sudan, and Zimbabwe (World Bank Annual Report 2010, zz). Zimbabwe is currently excluded from new loans (World Bank website country listings, 8 August 2012). Myanmar had not received new loans since 1998 but in early 2012 after the first non-rigged elections in many years, the Bank reopened its country office and began working with the government again. Somalia was not getting loans because it lacked a government, but the World Bank was cooperating with UNDP to provide aid to local projects deemed viable despite the political situation. Sudan was not receiving loans but the World Bank continued to administer aid provided through two trust funds created in the 2005 Comprehensive Peace Agreement (World Bank 2012 country pages).

Borrowers can also get into trouble if they violate the Bank's Negative Pledge Clause, which requires that they avoid giving other creditors better guarantees of repayment than they give to the World Bank. This caused some countries troubles in 1980s debt settlements, though the Bank was generally willing to look at each situation individually and often provided waivers so that debt restructuring could proceed (World Bank Annual Report 1991, p. 66). As borrower credit improved, the Bank tightened up on the policy (e.g., Bank presentation 2/2011). Because its money is raised from governments rather than private investors, IDA does not need a negative pledge clause.

Expulsion from the IMF is a more drawn-out process. As in the World Bank a member not fulfilling obligations can be declared "ineligible to use the general resources of the Fund." The original IMF Articles of Agreement (1944, Article V, section 3) specified that the Executive Board can declare a member ineligible if it: 1) uses the money in ways contrary to the purposes of the Fund, 2) fails to comply with a Fund request to adopt controls to prevent large or sustained capital outflow, 3) persists in maintaining current account exchange restrictions inconsistent with Fund purposes, 4) fails to fulfill an obligation under the Articles of Agreement, or 5) changes the par value of its currency without Fund consent when that consent is required. In 1978, after the par value system had been abandoned, the rule on suspending access to IMF funds was simplified to specify that suspension could occur "[w]henever the Fund is of the opinion that any member is using the general resources of the Fund in a manner contrary to the purposes of the Fund" (IMF Agreement, Article V, section 5). Members failing to provide the currency needed to help maintain SDRs when called upon to do so or to fulfill any other obligation regarding Special Drawing Rights can lose access to all of its SDRs separately from its general borrowing privileges (IMF Agreement, Article XXIII, Section 2).

A member continuing to violate obligations can suffer suspension of its voting rights if the Board of Governors so decides by a majority of 70% of the total votes. Lifting the suspension also requires a 70% supermajority. If violation persists beyond "a reasonable period following a decision of suspension" the Board of Governors can expel a member by a majority of 85% of the votes (IMF Article of Agreement, Article XXVI, section 2). At all stages the member being considered for suspension of privileges or expulsion has the right to explain the situation and defend its conduct before a decision is made (Section 2d).

Required withdrawal has been used once, against Czechoslovakis in 1954, and threatened twice, against Sudan in 199y and Zimbabwe in 2001. Czechoslovakia had remained a member even after the Communist Party took power in 1948. In 1953 that government altered the par value sufficiently to devalue its currency from 5 kurona = US$ 1 to 7.2 koruna = US$1 without consulting the IMF even though this was a greater than 10% change in par value. When asked to explain their action, the Czechs did not reply. The Executive Board barred Czechoslovakia from using IMF funds in November 1953. Again the Czechs did not respond to IMF requests for explanation, and the country was removed from membership by the Board of Governors at the end of 1954 (Horie 1964, 108). It was readmitted in 1990 as one of the "countries in transition." [Is this the only expulsion? To what extent can it be put down to Cold War stuff, either the Soviets pressuring the Czechs to do something so they would be thrown out or the US pushing action because the Czechs were a Soviet satellite?] The threatened expulsions of Sudan and Zimbabwe stemmed from overly slow repayments ([this chapter, p. 27]).

Even before the Third World debt crisis hit in the early 1980s, the IMF Executive Board was reluctant to impose suspension or expulsion on members. This stemmed partly from objections for themselves, and partly – particularly among Directors representing countries likely to need loans – from concern that supporting suspension or expulsion of another country would become precedent for suspending or expelling their own later (Gold 1979, 215-216). The problems caused by a combination of late payments and Board reluctance to sanction became more obvious in the early 1980s as increased interest rates made repaying their various financial obligations difficult for many states.

Like the World Bank, the IMF distinguishes between payments no more than 6 months late (“arrears”) and payments more than 6 months late (“protracted arrears”). Arrears ballooned in the late 1980s, going from SDR 0.49 billion in April 1986 to SDR 3.25 billion in April 1990 (IMF Annual Report 1990, Table 3, p. 57). At this point the Board adopted a milder remedy, declaring a country ineligible for further IMF lending, a sanction applied to 11 at the height of the arrears problem. In 1985, the Executive Board approved charging higher interest on loans in arrears. The Third Amendment to the Articles of Agreement added a provision permitting suspension of a member’s voting rights for failure to repay on time in 19yy.

However member governments and IMF management alike were aware that a handful of low income countries, many wracked by internal wars, has accumulated more than 95% of the arrears. In late 1989, IMF management adopted a Strengthened Cooperative Strategy establishing a pathway for countries in protracted arrears to get out of that situation. The affected members could choose between paying off all the arrears at once or enter a “rights accumulation program” in which progressively adopting policies that IMF management and staff believed would put them in a better position to repay future loans would be followed by special financing to pay off arrears. Five of the 11 eligible – Cambodia, Guyana, Honduras, Panama, and Vietnam, paid off their arrears soon afterward while another three – Peru, Sierra Leone, and Zambia – used the rights accumulation programs to pay arrears over a longer period. The remaining three – Liberia, Somalia, and Sudan – remained in protracted arrears and by the mid-1990s had been joined there by 3 others – Afghanistan, DRC, and Iraq (more detail in IMF 1998). Since all these countries were experiencing internal conflicts or involved in external wars, addressing their particular situations required a variety of other measures as well.

Meanwhile, the Executive Board decided that both creditor and borrower countries would contribute to repairing the financial stresses on the IMF budget created by protracted arrears through a "burden sharing arrangement" under which the rate of remuneration paid to creditor countries was reduced and the rate of charge paid by borrowing countries was increased to compensate for the shortfall (IMF Annual Report, yyyy, p. zz). As economic conditions improved in the 1990s, most of the countries got out of arrears. In April 2012 only three countries – Somalia (accounting for 75% of the shortfall), Sudan, and Zimbabwe – were still in protracted arrears (IMF Annual Report 2012, 56).

Imposing punishment for getting behind in repayments does not operate on a fixed schedule; the IMF Executive Board has considerable leeway in deciding how quickly to move and when to reverse, as indicated in the five instances summarized in Table 4.3:

Table 4.3. IMF handling of serious arrears

country	arrears since	complaint (arrears = 2 months behind)	decln of ineligibility	decln of non-coopn	voting rights suspended	compulsory withdrawal procedure raised
Iraq	1 Nov 1990	30 Jan 1991	--	--	--	--
Liberia	19 Dec 1984	4 Apr 1985	24 Jan 1986	30 Mar 1990	3 May 2003	--
Somalia	2 July 1987	8 Sept 1987	5 June 1988	--	--	--
Sudan	12 July 1984	12 Dec. 1984; 22 Jan 1997	3 Feb 1986	14 Sept 1990; ended 27 Aug 1999	9 Aug 1993; ended 1 Aug 2000	8 Apr 1994
Zimbabwe	14 Feb 2001	4 May 2001	24 Sept 2001	13 June 2002	6 June 2003	3 Dec. 2003

Information from IMF website at http://www.imf.org/external/np/tre/ofo/2004/081304.pdf

Only in two of these cases was the possibility of compulsory withdrawal raised with the Executive Directors. The Directors delayed action on Sudan and the Sudanese government cleared its arrears in 1998. In 2001, Zimbabwe became the first member to get into protracted arrears on loans from both the General Resources Account and the PRGF Trust (IMF Press Release 2003). Though the Executive Directors did initiate the compulsory withdrawal procedure at that point, action was delayed and the Mugabe government's February 2006 decision to clear arrears on drawings from the general account sufficed to avert a forced withdrawal (IMF Press Release 2006).

Summary

All intergovernmental organizations use some basic uniform addressee criteria. There are some uniform membership rights common to all IGOs: all member states have the right to be represented in the plenary forum and to seek election to the smaller supervisory body, the right to vote on decisions in the bodies where it has representatives, and the right be heard when its interests are directly affected even when it is not represented. The obligation side of IGOs' uniform criteria is more variable. The intergovernmental forums' decisions may be defined as commands members are obligated to follow or as recommendations they may take up or ignore as they please; providing resources to the organization may be defined as an obligation, as a voluntary contribution, or assured automatically through income-generating activity the IGO is allowed to undertake. Once past these points of general practice, there is considerable variation even in the uniform rights and obligations of members more directly related to the organization's goals and geographical scope.

All intergovernmental organizations also maintain more or less elaborate differentiated addressee criteria, which are shaped by the nature of the organization's goals and areas of activity. Thus it is not surprising that the World Bank and UNDP, which were focused on development, quickly and willingly adopted grouped members by current income level while the

IMF, which had different primary goals, adopted such grouping slowly and reluctantly. Nor is it surprising that the UNDP never developed the same conception of fund-receiving governments as “borrowers” that prevailed in the World Bank and IMF because it was not defined as a financial intermediary.

However, as the IMF example indicates, differentiations among states that develop in other issue areas and gain wide political acceptance among the member governments as relevant to a particular IGO does influence how the IGO differentiates among its own members. G77 control of the UN General Assembly after 1966 meant that the North-South distinction pervaded every UN discussion of international economic affairs. At the national level public concern about gaps between high income and low income countries and the extensive discussion of development as a distinct enterprise among expert communities had by 1970 made the distinction as familiar to the general public as was Cold War division between East and West. Thus the IMF would not have been able to avoid all differentiating between developed and developing countries even if some members and outside critics were unhappy about it. However, as mention of the East-West divide suggests, widely-accepted distinctions can influence but do not determine how any particular organization uses any particular distinction; the actual differentiations of addressee criteria developed within the IGO depend on the nature of that organization’s own activity. Though the Cold War East-West rivalry suffused the international system between 1947 and 1989, it did not affect the differentiated addressee criteria developed in the World Bank, UNDP, or the IMF. World Bank and IMF criteria were not affected because Soviet bloc countries never became members or left voluntarily or by expulsion early on. Though the People’s Republic government in Beijing was able to assert its right to represent China at the UN in 1971, by the time it participated significantly in many other IGOs it was moving away from the central planning system imposed by Mao Zedong and reconnecting the country to international trade and finance. Where the Cold War did have impact on the IMF and World Bank was in discussions of relevance and efficacy because Soviet bloc countries' ideologies and actions provided attractive set of alternate economic theory deeply critical of the political and economic models underlying both organizations until the late 1980s.

UNDP experienced the East-West divide differently because Soviet bloc countries were members of UNDP, and some Soviet bloc nationals participated in its activities. However Cold War ideological competition had no impact on UNDP addressee criteria for two reasons. UNDP Administrators and staff downplayed the relevance of Cold War alignments through their readiness to deal with all governments regardless of ideology. The Soviets, for their part, paid relatively little attention to UNDP, though they did contribute funds, because they believed their political goals could be served more effectively with bilateral aid. This low interest is best seen in UNDP's constant problems in using all of the inconvertible rubles the USSR provided; even when they were asked the Soviets provided few specialists for UNDP programs (Murphy 2006, zz). Thus their attention level matched that of the major Western industrial states, and this parallel inattention gave UNDP more leeway to respond to the G77 preference for having UN agencies focus on the South-North divide and foster South-South cooperation.

All three organizations have applied the differentiations flexibly. Using per capita income to guide the differentiation built flexibility into the World Bank's criteria: as countries' economic fortunes waxed or waned they would be put into a different grouping. UNDP achieves similar results informally, through allocating assistance and varying the proportion of cost it asks the recipient country to contribute through "local cost-sharing." The IMF's differentiation among borrowers and others also has flexibility: the 1944 assumptions that any particular country would not be in deficit forever have largely proven true even if “not forever” has proven to be a longer time than particular governments hoped.

This stability of differentiations among groups of addressees is not matched by stability in the precise behavioral expectations created for each of the various groups. The implications of being a borrower have varied considerably in both the World Bank and IMF. In the World Bank, these shifts have developed through ongoing arguments over area, relevance, and efficacy of Bank activity, so are noted in parts 6, 7 and 8. In the IMF current accounts deficit countries are no happier about bearing the main burden of adjustment now than they were in the 1940s and, as discussed in part 6, they have reacted in two ways. Within the organization they have insisted that management and staff pay more attention to the policies of surplus countries and/or “systematically important countries” and exert what pressure is available through Article IV surveillance on the governments of surplus countries to change their policies. Outside the organization countries needing to borrow in the past but now enjoying payments surpluses have been piling up reserves or making other arrangements for financing so they will be able to ride out future deficits without having to borrow from the IMF.

The three IGOs’ exclusion criteria have also been accepted as reasonable, perhaps because use of the most serious, expulsion, is tempered by shared understandings that it is an extreme measure best avoided. While the reasons for restraint in the face of powerful countries are obvious, the smaller members are also protected because it is generally true that this is one area where the international norm of sovereign equality among states can be fully respected without much cost in efficiency or effectiveness. Even suspension of voting rights is seldom imposed. This is particularly true when it comes to suspension for laggard repayment. In the World Bank and IMF both the management and the other member states now accept that most of the countries in serious arrears have been coping with serious domestic political turmoil or caught by economic conditions beyond their control. Clearly forbearance is made easier by two facts. First, the total amount of money involved in the arrears has not been a significant portion of Bank, IDA, or IMF income. Second, even recipients engaged in serious pushback against loan procedures, loan conditions, or other aspects of World Bank and IMF activity have not used withholding repayments as a method of pressuring the organization. While this might reflect worry about the implications of angering major shareholders or the potential for scaring off private investors, it might also reflect another aspect of authority holder-addressee interaction – borrowers' collective ability to secure better deals on those questions when a significant portion of them engage in avoidance and thereby reduce the organization's income, as will be discussed in part 8.

Table

Table Appendix.1 Bank-only, Blend, and IDA-only Borrowers NB: These are the best #s I have; use in amended HHI calcs

Fiscal Year	Bank-only	Blend	IDA-only
2012	62	17	64
2011	58	14	59
2010	63	16	63
2009	60	16	63
2008	62	15	65
2007			
2006	64	15	66
2005	64	14	67
2004	64	13	68
2003	66	15	66
2002	65	14	65
2001	66	14	65
2000	66	12	66
1999	66	12	62
1998	62	17	65
1997	61	17	63
1996	62	16	63
1995	63	15	63
1994	63	14	63
1993	65	12	63
1992	51	12	58
1991	53	9	55
1990	52	9	55
1989	52	8	57
1988	52	6	57
1987	51	7	57
1986	50	12	53
1985	49	13	50
1984	50	12	49
1983	45	17	47
1982	44	17	46
1981	43	19	43
1980	42	19	42
1979	42	21	38
1978	44	20	38
1977	42	22	34
1976	46	22	32
1975	42	30	29
1974	44	25	30

1973	39	32	28
1972	39	31	28
1971	41	29	26
1970	40	31	23
1969	40	31	19
1968	41	29	19
1967	43	27	19
1966	40	27	19
1965	39	26	17

Sources: World Bank *Annual Report* 1994-2011 (exact location within report varies); my estimations using 1994 list as a base, income classifications, and World Bank loan data at data (World Bank 2012) on Bank and IDA lending for 1965-1993

Table

Table Appendix.1 Bank-only, Blend, and IDA-only Borrowers NB: These are the best #s I have; use in amended HHI calcs

Fiscal Year	Bank-only	Blend	IDA-only
2012	62	17	64
2011	58	14	59
2010	63	16	63
2009	60	16	63
2008	62	15	65
2007			
2006	64	15	66
2005	64	14	67
2004	64	13	68
2003	66	15	66
2002	65	14	65
2001	66	14	65
2000	66	12	66
1999	66	12	62
1998	62	17	65
1997	61	17	63
1996	62	16	63
1995	63	15	63
1994	63	14	63
1993	65	12	63
1992	51	12	58
1991	53	9	55
1990	52	9	55
1989	52	8	57
1988	52	6	57
1987	51	7	57
1986	50	12	53
1985	49	13	50
1984	50	12	49
1983	45	17	47
1982	44	17	46
1981	43	19	43
1980	42	19	42
1979	42	21	38
1978	44	20	38
1977	42	22	34
1976	46	22	32
1975	42	30	29
1974	44	25	30

1973	39	32	28
1972	39	31	28
1971	41	29	26
1970	40	31	23
1969	40	31	19
1968	41	29	19
1967	43	27	19
1966	40	27	19
1965	39	26	17

Sources: World Bank *Annual Report* 1994-2011 (exact location within report varies); my estimations using 1994 list as a base, income classifications, and World Bank loan data at data (World Bank 2012) on Bank and IDA lending for 1965-1993

Table 2.1. Regional and income level composition of IMF membership

	industrial		emerging		developing		PRGF-eligible		total
Africa									
1975	0	*0.0%*	1	*2.4%*	9	*22%*	31	*75.6%*	41
2005	0	*0.0%*	1	*1.9%*	11	*20.7%*	41	*77.3%*	53
Asia									
1975	3	*13.6%*	8	*36.4%*	1	*4.5%*	10	*45.5%*	22
2005	3	*8.8%*	8	*23.5%*	5	*14.7%*	18	*52.9%*	34
Europe									
1975	17	*77.3%*	1	*4.5%*	4	*18.2%*	0	*0.0%*	22
2005	19	*38.7%*	5	*10.2%*	17	*34.7%*	8	*16.3%*	49
Middle East									
1975	0	*0.0%*	1	*6.7%*	12	*80.0%*	2	*13.3%*	15
2005	0	*0.0%*	1	*7.1%*	12	*85.7%*	1	*7.1%*	14
Americas									
1975	2	*7.4%*	7	*25.9%*	12	*44.4%*	6	*22.2%*	27
2005	2	*5.9%*	7	*20.6%*	16	*47.0%*	9	*26.5%*	34
All members									
1975	22	*17.3%*	18	*14.2%*	38	*29.9%*	49	*38.6%*	127
2005	24	*13.0%*	22	*12.0%*	61	*33.2%*	77	*41.8%*	184

Rounding means percentages may not add to 100.0
Note that “Europe” includes the Central Asian post-Soviet states after 1991
source: Truman 2006, 42, Table 2.2.

AFTER CREATION: PART 5 PROCEDURAL CRITERIA

[Note: this part was last revised in 2018 when the project was designed as a 3-organization comparison among the World Bank, the UNDP, and the IMF. UNDP was later dropped to keep the length of the manuscript manageable.]

Procedural criteria, expressed in formal rules and informal understandings about interactions or acceptable exceptions to the formal rules, provide all participants in an authority relationship with guidelines for their interactions. They give authority holders guidelines for making decisions, issuing instructions, monitoring relevant addressee behavior, and using persuasion, reward, or deprivation to encourage addressee compliance with instructions. They give addressees guidelines that help them distinguish instructions from informational and other communications, know when and how they can request decisions or instructions, and know when and how they can seek review of prior decisions, instructions, or compliance-enhancement measures. Interacting according to the procedural rules helps stabilize an authority dynamic by enhancing mutual confidence among participants.

Procedural criteria usually include two sets of guidelines, a uniform set applying to all interactions and a differentiated set applying to some situations or some addressees but not others. Thus in the United Nations, all members can refer a dispute to the Security Council or the General Assembly and are expected to pay their share of the regular budget, but the Security Council's instructions to members in a particular situation vary by whether a particular member is deemed to be causing the problem, and the percentage share of total budget owed by each member is determined on a formula reflecting the overall size and level of economic development of each country.

Development of the procedural criteria in any authority relationship is influenced by both the broad notions of procedural fairness or unfairness prevailing in the wider cultural context within which that relationship exists and notions of how to do things that have develop among those engaged in activity in the same issue-area. The overall balance between authority holder rights to instruct, monitor, and act to increase compliance with instructions addressee rights to influence decisions or seek review will be very different if the wider culture is inegalitarian than if it is egalitarian, and the extent to which that culture is marked by wider or narrower power distance between elite and non-elite actors and more or less rule-focused and legalistic modes of dispute settlement (Hofstede, Hofstede, and Minkov 2010).

The wider cultural context influencing World Bank, UNDP, and IMF procedures is formed by shared conceptions of proper behavior for states and intergovernmental organizations in the international system. In 1945, the international system of independent states was a relatively fragmented social system. The practice of multilateral diplomacy remained an unstable mix of egalitarian and inegalitarian impulses reflecting the well-established Westphalian states system combination of nominal emphasis on sovereign equality with practices of extensive deference to great powers. Earlier experiences had habituated governments to the idea of multilateral conferences and organizations making decisions by vote after varying combinations of closed-door negotiations and open debate enough that some observers argued there was a distinct tradition of "parliamentary diplomacy" practiced in IGOs (e.g., Jessup 1956), but the word "parliamentary" did not have the same meaning or impact that parliamentary institutions had within states.

Formal expression of deference to great powers in the UN system was restricted to the Security Council, where each of the five leading powers had a veto over substantive decisions. Other UN bodies acknowledged sovereign equality by assigning each member state one vote and using some variation of majority decision-making. However there was still room for deference to great powers in negotiations, reinforced by the fact that such decisions usually had the status of recommendations rather than of binding instructions meant the mere fact of majority adoption did not create any sense of obligation to obey. The problems stemming from gaps between voting majorities and coalitions of states with the capacity to implement recommendations intensified as the Cold War hardened the bipolar configuration of capability into a sharp competition between ideologically-inspired blocs. Most UN bodies sought to minimize the problem by shifting to decision-making by consensus and not proceeding if serious objections were expressed by enough members to prevent implementation.

While UNDP is located firmly within the UN system, and operates by its rules, the World Bank and the IMF conduct financial operations and are influenced by the traditions of Western financial institutions. Though established as intergovernmental organizations in the normal mode of a multilateral treaty, the World Bank and IMF were both structured much like private financial institutions, with member states assigned shares of capital to pay in and allocated a number of votes based on their shareholding. Their lending activity is also shapred by genrral financial practice. Thus all participants have understood that a) borrowers would have to pay loan charges or interest for use of the money b) loans would linked to a defined purpose, c) the lender would pay attention to the overall financial condition and reliability (willingness to honor commitments to repay) of the borrower, and d) the lender could add other conditions to, or even decline to provide, a particular loan.

There were fewer precedents for other aspects of IMF activity. The IMF's right to approve or disapprove a country’s decision to make a significant change in the par value of its currency had no precedent internationally; the whole par value system was an innovation replacing the earlier gold standard. There was also no international precedent for IMF “surveillance” of members’ balance of payments situations though there were robust traditions of monitoring financial conditions by private entities and other governments, and of speculation by private investors and occasionally other governments against currencies that were perceived to be overvalued because of the issuing country’s balance-of-payments deficits or other financial problems. Thus in 1944 governments were inured to having their currencies assessed by “the market,” but not by a particular intergovernmental body or IGO staff.

World Bank, UNDP, and IMF economic research and technical aid had more precedents. The League of Nations built on and expanded the research activities of the 19th century public international unions. The Economics Section of the League Secretariat became a major research center, even attracting Rockefeller Foundation money for business cycle research (Jacques Polak quoted in Weiss 2005, 20-21). Though the League did not send experts to national capitals, its social and economic committees did convene meetings of government officials and experts in various fields and publish the results as studies most notably, the inter-agency study of nutrition (Nutrition Committee Report 1937), distributed around the world.

Member governments’ expectations about the conduct of World Bank, UNDP, and IMF activities are very specific to each, so will be treated in turn. However there are certain underlying commonalities that should be kept in mind. Both the norms of multilateralism and the political dynamics of maintaining organizational autonomy push intergovernmental organizations toward developing procedures and criteria for decisions that can be presented as "non-political" and equally applicable to any member in a similar situation. The reality often diverges from this abstract standard as powerful member states seek exceptions for themselves or their friends (see e.g., Woods 2006 and Stone 2011) or officials of particular member governments succeed in developing close relations with the IGO staff (e.g., the Indonesian example noted in Kapur, Lewis and Webb 1997, 467-71). Member governments, even the powerful themselves as they decide how far they will defer to each other (e.g., Voeten 2005), are constantly making choices about how far they will go in insisting upon strict interpretation and application of formal rules, allowing for ad hoc arrangements that occur at the gaps in the rules, and accepting deviations from the rules in a particular situation.

World Bank

World Bank loans are extended through two primary lending entities, the International Bank for Reconstruction and Development ("Bank") and the International Development Association ("IDA"). Bank loans are longterm loans at interest rates similar to those paid by wealthy countries and therefore lower than the rates the developing country borrower would pay if borrowing on its own. IDA loans are longterm "concessional loans" featuring highly subsidized interest rates with an extended "grace period" before repayment of principal begins. Since the same management and staff administer both sets of loans, other aspects of lending procedures are similar across the Bank and IDA.

The World Bank Articles of Agreement (Article III) establish the basic procedural rules for lending: 1) except in special circumstances loans must be for projects, 2) each loan is to be made for a useful purpose and the money used only for that purpose, 3) all local currency needs of a project must be met by the borrower itself, 4) the government of the borrowing state guarantees repayment of the loan, 5) the project should yield an income stream more than sufficient to service the debt, 6) contractors providing foreign goods and services needed for the project will be chosen through competitive international bidding, and 7) loans will not be made when the country can get private loans for the project (see Morris 1963, 45; Oliver 1975, 253-

255). Interpretations of these points (particularly the strength of preference for project lending) have varied some over time, but these remain the basic expectations for both Bank and IDA loans.

As understandings of what is required for development have expanded and the global economy has grown, so has the level of lending, as shown in Graph 5.1.

<< GRAPH 5.1 HERE >>

Most contention over lending procedures has focused on four questions: 1) the distribution of loans among purposes and borrowers, 2) the length and features of the loan application process 3) the terms of borrowing, and 4) the number and character of preconditions attached to a loan ("conditionality").

Distribution of Loans

The distribution of Bank and IDA loans across borrowers and purposes is created by a combination of basic financial prudence and the current results of the ongoing contention over the purposes loans should advance. Like any financial institution, the World Bank needs a diversified portfolio, and seeks diversity by spreading loans across economic sectors and borrower countries. The basic notion of lending for activity in different sectors has never been controversial. All World Bank members agree that a developed economy includes multiple sectors and even within a national economy financial prudence encourages spreading investments across different sectors. Only in one sector – large physical infrastructure projects involving dams or road systems – has disagreement over priority inspire strong concerted borrower pushback against Bank decisions (see pages [this chapter, pp.]).

Diversification of loans among borrower countries is assured primarily by the "country limit," a maximum amount of the Bank and IDA loan money currently outstanding that can be owed by a single country. Initially the limit was set as a money percentage of the total amount outstanding each year, initially at 6% and then in the early 1980s at 8%. In practical terms even the 8% limit meant that no single country could expect to get much more than 10% of the value of all new loans approved in any particular year (Reddy 1985, 75). In 1997 the basis for calculating the country limit was shifted from total of loans outstanding to Bank capacity to finance additional loans, using whichever is lower of the Equitable Access Limit (10% of total capital + reserves + unallocated surplus) or the Concentration Risk Limit (determined by calculating the sources and amounts of the Bank's anticipatable income). In 2002, the country limit was based on the Country Risk Limit, and set at $13.5 billion (*World Bank Annual Report 2002*, vol 2, p. 2). In 2010, the limit was based on the Equitable Access Limit, and set at $16.5 billion (World Bank Annual Report 2010, p. 18). IDA uses a separate rule, in effect since 1968, limiting any one country to 40% of the IDA credits approved in any single year (Pennant-Rea 1982: 37). The main effect of this rule has been to limit how much India and China can borrow so there is money available for other countries. Thus political instinct and financial prudence have work in tandem to encourage spreading benefits around.

The total amount of lending possible at any particular time is defined by the World Bank's total capital (for Bank loans), the replenishments to IDA provided by member states (for IDA loans and grants), and funds provided by some member states for special-purpose Trust Funds. The Bank Articles of Agreement (Article III, section 3) imposed a very conservative 1:1 ratio of loans to capital plus net earnings. However the World Bank has always been able to deliver more money to developing countries than a strict 1:1 ratio might suggest by selling off portions of existing loans to private investors or engaging in co-financing with other lenders. Though there was some talk of changing the “1 to 1 gearing” in the 1980s (Blitzer 1986, 149-151), this was rejected as likely to lower the Bank’s credit rating, forcing it to pay higher interest on its bonds, and thereby increasing costs to borrower countries. Thus a significant expansion of Bank lending requires increasing its capital, something that has been done four times since 1947. IDA loans and grants also operate on a 1:1 gearing since the total is limited by the amount of money donor governments provide in Replenishments plus the income from repayments of earlier loans.

Loan Application Process

The basics of the World Bank’s loan approval process were established very early in its history. First, an eligible member government expresses interest in securing a loan. Working together, borrower government officials and World Bank staff provide the necessary pre-investment study and prepare the necessary documents. When the papers are finalized, the bank president then decides whether to submit a particular loan proposal to the Executive Board, which has the power to approve or reject it. Though the Bank Board has considered only those proposals loans the president submits to it since 1946, it takes a more active role in decisions than its IMF counterpart by establishing subcommittees to review and sometimes amend proposals before they reach the full Board (Stone 2011, 60). The subcommittees expedite the Board’s work but also increase individual board members’ opportunities to influence lending.

The Board leaves the vast majority of decisions about cancelling or suspending loans to management (Udall 1998, 429, note 28). Most such decisions stem from application of policies regarding loss of borrowing privileges ([chapter 4, p.]). On the few occasions when the Board has been involved in loan cancellation, the decision came after significant public controversy about the social or environmental impact of the project being financed ([chapter 7, pp.]), not borrower failure to repay on time.

The detailed notes on individual loan discussions in early World Bank *Annual Reports* reveal that, except with its very first loans, getting from initial idea for a project to Board approval of a proposed loan required at least 3 years. Borrowers were already complaining about the length and detail of the process in the mid-1950s; one developing country diplomat maintained that borrowing governments "stand like prisoners in the dock," questioned intensely about a proposed project and its feasibility (quoted in Heilbroner 1956, 20). Bank staff have always regarded the vetting process as necessary to ensuring the economic viability of projects selected for loans. Bank management was concerned with securing and then maintaining the Triple A credit rating it had attained in 1959, particularly as repayment of the early Bank loans to industrial countries was completed in the mid-1960s (Pennant-Rea 1982, 14). Bank management caution is evident from the slow increase in loan commitments after the 1959 general capital increase (indicated in Graph 5.1).

Addressees were already complaining, but few of them went elsewhere, because the only alternatives were bilateral aid agencies and other multilateral development banks – private investors were not yet attracted to most developing countries. Bilateral agencies often had less expensive financial terms, but their money came with implied politics and clear spending conditions to ensure that a good portion of the money went to purchasing goods and services from the aid-providing country. Only a few developing countries, India in the van, were able to play Western and Soviet bloc governments off each other and secure aid from governments on both sides of the Cold War divide.

The speed and nature of Bank project loan preparation did not change much in the early 1970s even as Bank president Robert McNamara increased the Bank's lending. Pakistani economist Mahbub ul Haq, then on the Bank staff, noted that 4-5 years typically elapsed between initial proposal and the first transfer ("disbursement") of first money in a project loan (Haq 1973, 85). For some projects the timeframe was even longer because the borrower government's weak planning and project-design capacities pushed Bank staff or other outside experts further "upstream," from pre-investment studies into the initial project identification even though the formal rules assume the borrower government identifies projects itself (Gruhn 1978, 549-550; Murphy 2006, 142). Though not affecting the length of the formal application process, it did influence borrower perceptions of how long it took to get a loan. Even 4-to-5 year process was particularly discouraging to governments in the less politically stable countries, where political leaders' average term in power was 3-to-4 years (Haq 1973, 85). This often meant that the leadership receiving the money was not the one that began the loan application process.

While a lengthy process provided some insulation from political leaders' short-term domestic political calculations, and helped the Bank maintain its reputation for careful work, which remained very strong through the late 1970s (Degnbol-Martinussen and Engberg-Pedersen 2003, 123), the 4 to 5 year interval was seen as a problem by the Bank and borrowers alike. Borrower desire for faster loan approval, Bank management's interest in getting money out the door, and McNamara's strong pressure to increase lending to meet the broader challenges of development all contributed to development of a new stream of "program lending" not tied to particular projects and therefore not needing as detailed an evaluation of their technical merits and likely financial returns. This development plus faster work on project loans meant the pace of loan approvals and disbursements picked up considerably, as indicated in the lending figures for 1968-81.

<< GRAPH 5.2 HERE >>

Two new reasons for expediting loan processing appeared in the mid-1970s. After the 1973 oil price increase member governments and Bank management agreed that the established project lending process moved far too slowly to provide oil-importing developing countries with the rapid financial support they needed. Part of the solution was the shift to program lending, but another was speeding up disbursements of approved project loans and being more flexible about using Bank funds to cover some local costs of projects so they could be kept on track as the countries' export earnings fell (Hoguet 1983, 318). Second, as developing countries began to repay a significant portion of the World Bank loans they had taken out years before, the G77 became more assertive about judging the Bank's usefulness by the amount of net lending – current disbursements minus repayments of earlier loans – it provided (Reddy 1985, yy). Net lending had gone negative in the early 1970s (Pennant-Rea 1982, 37), and in the tough economic conditions accompanying the "Third World debt crisis" of the 1980s, the G77 continued to press for net financial flows to developing countries.

Bank management and staff heeded these pressures and complaints. By the mid-1980s, the delay between development of a project or program statement and first disbursement of funds from an approved loan was 18-36 months (Reddy 1985, 29). Total lending increased enough to make net lending positive again, as indicated in Graph 5.3

<< GRAPH 5.3 HERE >>

As economic hard times were replaced by rising prosperity in the 1990s, borrower government influence was strengthened by a different dynamic. A bank and its borrowers are mutually dependent; a bank needs paying customers to provide it an income while borrowers need loans to undertake gainful activity. Thus whenever borrower countries have good access to other sources of finance, Bank management has to compete harder for customers. One way is to streamline the application process. This was clear in the mid-1990s and again in the early 2000s when Bank lending dropped for several years. The mid 1990s drop was less severe overall and less publicly visible because post-Soviet "economies in transition" states lacking good credit among private investors had joined the borrowers, as indicated in Graph 5.4.

<< GRAPH 5.4 HERE >>

The decrease in the early 2000s was much more obvious. Once the most affected countries finished their post Asian Crisis borrowing, Bank lending fell considerably and stayed lower than pre-Asian Crisis levels (Graph 5.5).

<< GRAPH 5.5 HERE >>

In this more competitive climate, borrowers were provided with reduction in and faster processing of paperwork, wider choice of loan types, wider choice in loan denomination (the currency in which the loan is expressed), more efficient transfer of authorized disbursements, and advisory services unattached to loans. Bank management could make most of these changes as part of administrative reorganizations, though change was limited by Executive Board pressures to keep loan decisions centralized (Mallaby 2004, zz covers the arguments of the late 1990s) and partly because of organizational routine. Thus the change was not as great as many borrowers hoped to see. As one Bank staff member acknowledged in 2005, "Available information suggests that IDA and IBRD lending terms are the cheapest among all multilateral development banks (not to mention private creditors) offering comparable loan products. Preparation time, however, is longer in the case of World Bank loans as these may involve environmental safeguards and consultations with the program country" (Ratha 2005, 412, note 8).

Loans for large infrastructure projects were an exception because of activists' success in pushing the World Bank to adopt sets of social and environmental policies and include compliance with them as policy conditions in project loans. Bank management reduced infrastructure lending in the late 1990s, from the approximately $8.5 billion a year in 1987-98 to a low of $5.45 billion in 2003 (World Bank 2006), favoring other sectors less likely to attract activist criticism. Middle income borrowers wanting to pursue infrastructure projects were very unhappy, and expressed that sentiment partly in pressures on Bank management to resume previous levels of infrastructure lending and partly in discussions among the BRICS (e.g., BRICS Summit 2012) leading to establishment of the China-led Asian Infrastructure Investment Bank in 2015 (Chin 2016) and the jointly-organized New Development Bank (Chin 2014).

Many borrowers were also unhappy in the mid-late 2000s with the major shareholders' pressure for the Bank and IDA to focus more on poverty reduction and to include quantitative indicators of borrower government poverty reduction efforts and consultations with civil society in evaluations of Bank lending. However borrower need to push back on this point was reduced by two concurrent developments. The drive towards using poverty reduction indicators in decisions about loans was dampened by major shareholder and staff criticisms leading to modification of the performance indicators. In the wake of the 2008 global financial crisis Bank management and member governments alike realized that additional lending was required. This was indicated most clearly by adoption of another general capital increase totaling $86.2 billion in 2010 and an increase of loan commitments from the approximately $14 billion of 2008 to $45 billion in 2010 (Clegg 2013,173-174; World Bank *Annual Report 2009*, p. 58 and *Annual Report 2014*, p. 58).

Terms of Borrowing

Borrowers like World Bank and IDA loans because they help solve some serious financial problems. Developing countries have relatively weak credit ratings, so must offer higher interest rates to secure loans than do industrial countries. These may be high enough to force them into financing longterm activity with short-term loans, a sure recipe for trouble if investors panic and refuse to roll over old loans. As relatively inexpensive longterm credit, Bank and IDA loans are attractive to developing countries. They do not help directly with another problem, the fact most developing countries must borrow longterm money in other countries' currencies – either because their own people are poor or because foreigners are not interested in having their currency because it is not heavily used in international trade. While useful, loans denominated in a major currency can impose additional costs if either the local currency or the other currencies the country holds as part of its reserves depreciate against the currency in which their debts are denominated.

The precise loan terms have changed considerably over time in reaction to global economic circumstances. When the World Bank was established in 1944 and IDA in 1960, changes in interest rates were assumed to be sufficiently gradual to permit making longterm fixed rate loans. Nor were the Bank's financial managers worried about the Bank's policy of setting the interest rate when agreeing to a loan but not actually raising the money committed until at least a year later when disbursements were about to begin. In the financial and economic turmoil in 1973-83, interest rates varied more frequently and widely. Variable rate loans became and remained the norm for Bank loans, as summarized in Appendix.2.

Yet in two respects the Bank's practices remained distinct, choices Rupert Pennant Rea (1982, 26) attributed to the influence of its self-conception as a financial cooperative. In 1980 it addressed the greater currency risk facing countries in the post-1973 era of floating exchange rates by pooling all loans and valuing them as the US dollar equivalent of the basket of currencies the Bank had available. This meant all borrowers faced the same currency risk no matter what currency they received at disbursement time. In 1981 it coped with rising and fluctuating interest rates by treating its all of its bond issues as a pool and charging borrowers based on the average of the interest rates it had to pay at the time and adjusting the charge every 6 months. Because the money came from governments, IDA loans were immune from private market changes and remained at their existing fixed rates (Appendix, Table 3.

Loan Conditions

"Loan conditions" – explicit statements of lender expectations regarding how the borrower will use and/or repay the money – exist because of the time-inconsistency between lender and borrower interests. Lenders provide money now against repayment later, so want assurance the borrower will be able and willing to repay when interest and principal come due. Borrowers want money now and as much ability as they can secure to modify repayment terms as their future financial conditions seem to warrant. When loans are provided as a series of disbursements, borrowers also want assurance that all the disbursements will occur as scheduled. This tension is reflected in the balance between loan provisions precommitting the lender and loan provisions precommitting the borrower.

This basic split in lender and borrower preferences has suffused relations among the World Bank's member states. The industrial and other high income countries providing most of the its financial resources directly (through paid-in capital, on-call capital, IDA replenishments, and Trust Fund donations), or indirectly (as their citizens buy World Bank bonds or portions of World Bank loans) view World Bank activity from the lender side while the developing countries seeking Bank loans and IDA credits view it from the borrower side. World Bank management and staff are somewhere in between. Their fiduciary duties to World Bank and to the resource-providing members require them to take a lender perspective, while the need for income to keep the organization going requires attentiveness to borrower perspectives – especially, but not only when, borrower irritation rises to the point of avoiding new loans.

The World Bank has always maintained standard lender safeguards. Members agreed to treat Bank loans and IDA credits as "senior obligations" to be repaid before loans from other creditors are repaid. Bank loans and IDA credits are typically disbursed over an extended period, permitting Bank staff to monitor progress and delay or cut off later disbursements if the borrower is not meeting performance conditions. Bank rules also allows Bank management to defer action on new loan applications if a borrower is more than 60 days in arrears in its repayments of currently outstanding loans (see chapter 4).

Other than a change in the exact terms of the seniority among creditors enjoyed by the Bank (and the IMF) in debt restructurings in the early 2000s, the seniority and arrears precautions have not been the subject of much discussion. Particular borrowers have sometimes appealed for relief from the arrears rule, but none has challenged the legitimacy of having such a rule. Actual or threatened non-release of disbursements have been the source of more argument because this provides the immediate leverage for enforcing loan conditions. Yet even borrowers agree that on some occasions delaying or withholding a disbursement is reasonable. All project lending – private as well as public – comes with conditions relating to completing the project: building or acquiring the items specified, following good construction practices, and meeting deadlines.

Even under the simpler conceptions of development prevailing immediately after World War II, it was clear that projects would not attain their full economic potential unless if the economic growth they were expected to spark actually occurred. This entailed paying some attention to broader macroeconomic trends and expecting certain policy choices from borrowers. In the 1940s and 1950s borrower governments knew that Bank management strongly and uniformly disapproved of two policy choices: 1) defaulting on other foreign loans because defaults would make it harder to interest private investors in buying World Bank bonds, and 2) permitting high inflation in the domestic economy because this eroded the value of the local currency contribution to bank-financed projects (Oliver 1975, 255-256). These concerns caused few tensions because most borrower governments also regarded defaults and long periods of high inflation as undesirable. Though many borrower governments were willing to discourage imports by manipulating exchange rates or adopting somewhat looser in fiscal and monetary policy than the Banks's more financially conservative staff members thought was wise, these divergences did not trigger serious disagreements between the Bank and borrowers. By the end of the 1960s, loans for large infrastructure projects did include some sectoral policy conditions, such as rate-setting schemes attached to loans for electric power generating facilities (Narasimhan 1989, 21-22) but these also caused little controversy.

The serious disagreements about loan conditions arose with the expansion of program lending in the 1970s. Though defining leding for particular projects as the primary form of activity, the Bank Articles of Agreement (Article III) did allow for "non-project lending." Bank management considered the possibility in the late 1940s, but decided against going very far. In the 1950s it developed a hybrid form of activity by making simultaneous or near-simultaneous loans for clusters of related projects (Narasimhan 1989, 10).

Interest in program lending increased as conceptions of what is needed to promote development broadened in the 1960s. Yet advocates of program lending had to overcome objections that program loans would end up filling balance-of-payments shortfalls rather than supporting development. This argument was somewhat of a distraction because, as Paul Rosenstein-Rodin (1943) had shown, all aid money is fungible – any outside funds financing a project or program free up an equivalent amount of government money for other purposes – but had to be addressed. Advocates of program lending sought to limit diversion into balance of payments support partly by specifying intended program uses in the loan agreement and partly by arguing that loans for programs that enhanced borrower government administrative capacity would make project lending more effective (Narasimhan 1989, 10-11). However there was still considerable staff economist resistance to getting involved in program lending because assessing its effectiveness would require moving beyond the most common tools of quantitative economic analysis.

The early program loans appealed to borrowers because they could be processed more quickly and were relatively flexible regarding use of the money and schedule of disbursement. At the same time, borrowers were aware that conditions would be attached; the debate was about what conditions defined by whom. The Group of 24 developing countries urged that borrower governments have primary say in the substance of conditions, a rule that would allow those most strongly committed to import substitution industrialization and limiting linkages to the international economy continue those policies (Lewis and Kapur, 1973a, xiv). Outside commentators, particularly from countries with strong social welfare orientations, also perceived the Bank management as too strongly committed to economic liberalization and wanted it to support a wider range of paths to development (e.g., Ohman 1973, 29).

The major shareholder governments had been less enthusiastic about program lending (Hoffman 1973, 19), but McNamara had led Bank management into paying more attention to rural development, poverty reduction, and helping borrowers cope with higher oil prices through energy conservation and development of local energy resources. These goals had enough support in industrial country aid agencies (if not always in their finance ministries) that program loans continued (Morawetz 1977). Bank staff also supported a shift to more program lending because of difficulty identifying projects in sub-Saharan Africa that would be self-supporting even at subsidized interest rates because of the depth of economic downturn in that region (Mosley, Harrington, and Toye 1995, 22). Citing the earlier endorsement of program lending by the Pearson Commission (1969, 178-179), the Group of 24 proposed in its October 1979 Programme of Action (G24 1979, also see Narasimhan 1989, 1) that program lending increase to about 25% of all Bank lending. Donor governments participating in the OECD's Development Assistance Committee also recommended increased program lending in their Guidelines for Improving Aid Implementation (OECD-DAC 1979).

Divergences sharpened when, as immediate-term developing country prospects worsened again after the 1979 oil price increase, the World Bank adopted a new type of program lending, Structural Adjustment Loans. The conditions attached called for major changes of economic policy and became more numerous as the decade wore on, with loan agreements made in 1989 including an average of 56 policy specifications (Gilbert and Vines 2000, 24).

Borrowers were unable to push back in the 1980s with avoidance because private lending to developing countries had dried up and the Soviet bloc, mired in its own economic stagnation, also provided no alternative source. They shifted to a complain-and-lag strategy, particularly as they realized that failing to meet all conditions would not result in cancellation of loans. Bank management tolerated incomplete compliance because the already-existing internal impetus to "move money" (Ranis 1997, 79-81; Gilbert and Vines 2000, 22-23; Ranis 2006) was reinforced by acknowledgement that developing countries needed money to cover balance of payments gaps and Bank or IDA loans helped free up money for that purpose.

Borrower pushback was also assisted by the fact that structural adjustment lending met with counter-pressures among the industrial states and within the Bank itself. One source of counter-pressure came from the governments of smaller industrial states – Canada, the Netherlands, New Zealand, and the Scandinavian states – opposing the strongly market-oriented policies identified with Thatcher and Reagan. Their impact in the World Bank (and IMF) was limited by their relatively modest shareholdings, but their impact in public debates about aid was significant because they continued to define poverty reduction as the primary goal of aid, support many G-77 stances at the UN, and articulate a social democratic vision of private enterprise bounded by a large public sector, social welfare programs and action to reduce economic inequality within countries.

A second source of counter-pressure came from an energetic coalition of development advocacy and environmental groups mainly in the United Kingdom, the United States, Canada, and Scandinavia. In the mid-1980s they were already campaigning to have their own governments use their positions as aid donors to address the hardships that structural adjustment was imposing on the poor. This proved more successful in Canada and Scandinavia where the national aid agency weighted poverty reduction more heavily in the goals of aid provision (Stokke 1989). In the USA, where the Reagan and Bush 1 administration was particularly supportive of the policy changes being recommended, activists exploited the division of powers between legislature and executive to force certain changes in US positions regarding Bank lending on a reluctant executive branch. Between 1987 and 1994 US-based NGOs were able to persuade the US Congress to require the US government to support greater emphasis on poverty reduction, programs to promote women's participation in economic activity, and micro enterprises (Woods 2006, 159). The US Congress was also the most prominent, but not the only, national legislature using IDA replenishments as a lever for forcing Bank management to tighten and more consistently implement Bank policies for mitigating the social dislocations and environmental impacts of large infrastructure projects (Bowles and Kormos 1995; Udall 1998: 402-403).

For borrowers these NGO efforts were a mixed blessing because NGOs advocated replacing one set of policy conditions borrowers disliked – structural adjustment – with another – adoption of different environmental, social, and information policies – they did not welcome. In fact, the most largest and most public cancellations of Bank loans in the 1980s and early 1990s were triggered by environmentalist and development group pressures relating to the environmental and social consequences of some very large infrastructure projects, particularly the Chico River Dams project in the Philippines (shifting of loans to other power-related projects, 1977 and 1981), the Polonoroeste Project in Brazil (disbursements suspended, 1985), a six-dam project in Brazil (loan suspended, 1987) Indonesian transmigration projects (loans scaled back and redefined, 1988) the Sardar Sarovar Dam project in India (loan delayed, 1991 and foregone by India, 1993), the Mt. Apo geothermal energy project in the Philippines (loan request withdrawn in face of likely denial, 1992), and the Arun III dam in Nepal (loan cancelled, 1995) (Fox and Brown 1998).

The Indian decision to forego Bank loans rather than accept further delay of the Sardar Sarovar project was one of the few public expressions of borrower unhappiness with the Bank's openness to NGO concerns. Open expressions of borrower government unhappiness with the ability of local activists and their transnational supporters to influence government decisions through the World Bank were rare, but in 1999 Brazilian President Cardoso was reported to have told local activists that he would block Bank Inspection Panel review of a Brazilian project because when he was a rising politician "it would have been unacceptable for a civil society group to ask an agent of 'imperialism' to get involved in domestic issues" (*Folha de São Paulo*, 10 July 1999, p. 3, quoted in Fox 2002, 157, note 35?).

The third counter-pressure against strict enforcement of loan conditions stemmed from Bank managers and staff. Some realized that drawing up loan documentation had become an extremely cumbersome process because conditions had become so numerous. An overlapping group came to see that the effort to attach macroeconomic policy conditions was hurting the Bank by attracting considerable outside criticism and donor country legislative pressure (Petersmann 1988, 51). Bank staff moved to ease the situation in two ways, by avoiding sole reliance on quantitative performance targets to assess borrower compliance with conditions and moving over time to engage in more dialogue with borrower country officials than did their counterparts at the IMF (Riesenhuber 2001, 69). These changes were not apparent to the NGO advocacy coalitions or other outside critics, but they were reflected in the shift from "structural" to "sectoral" adjustment lending in the mid-1980s and in the continuing flow of loan disbursements.

The Bank's shift from "sectoral adjustment lending" to "development policy lending" in the early 1990s, coincided with adoption of new macroeconomic policies by many borrower governments. While the changes were a reaction to global developments, it also reflected a generational change in national policy circles, with a younger generation of market-oriented economists trained primarily in the USA and the UK replacing the more Keynesian or socialist generation that had been in charge of national policy since the 1940s or 1950s. Even where market oriented economists did not prevail, committed economic structuralists attributing the country's weak economic performance primarily to external conditions were replaced by officials willing to acknowledge that country performance also depended on local choices that needed revising (Ahiakpor 1985, 17-30; Helleiner 1986, 58). In many Latin American, Middle Eastern, and African countries, pro-reform factions contended with stand-pat factions, their debates affected by developments in other parts of the world. Stark differences in growth rates between East Asia and other regions became apparent by the mid-1980s while the collapse of the Soviet bloc and then of the USSR itself cast further doubt on highly state-centered economic policy models. The East Asian model was not "neoliberal" in the Reagan-Thatcher mold; the government provided much more steering of the economy through "guidance" to private firms, but East Asian policies on openness to international trade, limiting the size of the public sector, and using market-based prices as the primary definer of economic incentives were similar to what the Bank was urging on borrowers. By the end of the decade, and even more in the early 1990s some borrower complaint about Bank conditions reflected sincerely-held policy preferences, but a considerable portion of it was strategic communication addressing domestic audiences not yet persuaded of the need for policy change.

Yet even as signs of reduced tension between the Bank and borrower members emerged, tensions between NGO advocacy coalitions and Bank management were increasing. Weak enforcement of the social and environmental requirements laid out in its general lending policies or established in particular project loan negotiations (conceded in Wapanhans 1992; also see Morse 1992 and comments in Rich 2002, 27-28) made borrowers happy but landed the Bank in trouble with development and environmental NGOs. The intense "50 Years is Enough" campaign against both the Bank and the IMF demanding sweeping change or else abolition of the organizations that dominated media coverage of the 1994 and 1995 annual Bank and IMF Board of Governors meetings was the sharpest expression of these demands. Yet as this was happening, the older alignment between national legislatures in major shareholder states and NGO critics was eroding. Part of the erosion resulted from Bank steps to adopt certain changes the legislatures wanted. It agreed to public disclosure of a far larger range of project and loan documents while projects were still under consideration (Udall 1998, 402-406), it adopted clearer policies on handling environmental and social aspects of loan-supported projects, and acceded to demands for independent review by creating the Inspection Panel, which could receive and investigate complaints about failure to follow Bank policies and recommend remedial measures to the Bank Executive Board. The 1994 congressional elections in the USA resulted in formation of a Republican Party majority in the House of Representatives that included a large group of aid-skeptics more inclined to end rather than improve aid reduced NGO influence. The concurrent emergence of clear differences in approach between NGOs based in the industrial countries and NGOs based in developing countries also reduced advocacy coalition influence. Even before the 1994 US elections several developing country-based NGOs had decided that though they still wanted reforms of Bank practices threatening IDA Replenishments to get those changes was a self-destructive strategy, and were communicated their support for IDA replenishment to members of industrial state legislatures (Covey 1998: 101-102).

James Wolfensohn, who became Bank president in 1995, spent much of his term simultaneously engaging with those NGOs he regarded as having well-founded criticisms and renewing Bank attractiveness to borrower governments. With aid-skeptics receiving wider hearings in several donor states, not just the USA, Wolfensohn sought to address their critiques of aid through greater openness and detail in the Bank's financial reporting. This even included adopting the COSO framework (COSO 1992) developed for a US Congressional Commission studying financial sector activity to analyze and report "operating risk" from its own operations or external events affecting its ability to maintain its operations (World Bank 1998, 199).

Wolfensohn's readiness to respond to borrower concerns was strongly reinforced by the increased ability of developing countries, particularly the high growth "emerging market" countries, to raise money from private lenders. Though hidden in aggregate statistics about Bank lending because of borrowing by former Soviet republics, Wolfensohn was keenly aware that several of the Bank's major middle income borrowers taking out a significant portion of the Bank near-market loans central to its income had drastically reduced their borrowing. Thus the Strategic Compact announced in March 1997 (see World Bank 1998, p. 3) promised borrowers greater responsiveness their needs, better quality and greater efficiency of operations, and a wider variety of services and loans. The Bank's conditions and lending decisions did not change very much (Weaver 2007, 507; Gulrajani 2007, 58-59; African government views noted in Sender 2002), but borrowers did benefit from greater choice of loan terms and more flexibility in accessing the money (detailed in *World Bank Annual Report 1998*, 187-188 and 191-92; *1999*, 188-189).

Wolfensohn regarded the Comprehensive Development Framework (CDF) process adopted in 1999 as the centerpiece of his efforts to restructure the Bank's interactions with borrower governments (Wolfensohn 2010, 341-342;), but outside commentators on left and right alike saw little change from the earlier Bank-IMF Poverty Reduction Strategy Papers or Policy Framework Papers. The change of Bank loan names from "structural adjustment" or "sectoral adjustment" to "adjustment" in the 1990s and to "development policy" in the 2000s also changed few outside perceptions of Bank operations. Yet some borrower governments were able to use the CDF process to challenge Bank staff suggestions and get revised terms (Gulrajani 2007, 58-59), and it legitimated bringing civil society into the national development policy process along lines already pioneered by Bolivia and Uganda in the mid-1990s and Indonesia after 1998.

Policy considerations began figuring explicitly in IDA procedures for determining loan eligibility in 1977 when Bank staff began using annual Country Performance Reviews as a factor in allocate IDA funds. In 1989, following pressure from national legislatures in the West, the Executive Board agreed to give performance reviews greater weight in determining the amount of IDA money each borrower could tap. For a country with a population between 2 and 50 million, a "high" rating opened up SDR 8.75 per capita in IDA lending, a "moderate" rating was good for SDR 5.36 per capita, and a "low" rating for only SDR 2.77 per capita (Kapur, Lewis, and Webb 1997, 1152-53). The major shareholders and other IDA donors continued to support the basic ideas even as it was revised and renamed Country Policy and Institutional Assessment in 1998 (new policies described in IDA 2003) and the formula revised periodically (IDA 2003; Van Waeyenberge 2006; Steets 2008).

Proposals that the Bank engage in "policy selectivity" by lending only to governments that had "good policies" – developing market-supporting institutions, reducing the role of state enterprises in production and distribution of goods, ending tax credits, subsidies, and other fiscal policies that created significant price distortions, and improving the transparency and accountability of government at all levels (e.g., Dollar and Pritchett 1998; Ferreira and Keeley 2000) – were also considered. Other economists (e.g., Gilbert, Powell and Vines 2000, 62-64; Hansen and Tarp (2001); Easterly, Levine and Roadman (2003) argued that there was no clear correlation between good policy and relatively high rates of economic growth and that policy selectivity should not be applied to poor countries because cutting off their loans would only reduce their ability to adopt and implement better policies (Mosley, Hudson, and Verschoor 2004).

The arguments led to Bank management and member government consensus that Bank lending to middle income countries should favor governments ready to try better policies rather than be delayed until after implementation of better policies began (Mosley, Hudson, and Verschoor 2004; Mishkin 2006, 14-15). Thus the guidelines for the "Development Policy Lending" that replaced "Adjustment Lending" for Bank borrowers defined eligibility as a range of possibilities with a "very good" aid recipient receiving program loans for policy reform, accelerated debt relief, and social-sector aid (education, health, and rural infrastructure), a "moderate to poor" recipient getting social-sector loans, and a "hopeless recipient" getting no loans (Mosley, Hudson and Verschoor, 2004, F219). Later the sets of conditions attached to Development Policy Loans were replaced with a simpler set of outcome-centered "prior actions" to be accomplished before the loan is disbursed and "tranche release conditions" to be met before a second or later disbursement occurs.

Similar approaches were extended to IDA loans as well, resulting in a notable reduction of the number of conditions attached to Bank and IDA loans. This began even before the more diverse G20 replaced the G7/8 as the primary forum where the powerful countries discussed global economic affairs in 2009:

<< TABLE 5.1 HERE >>

Borrower countries' renewed need for money after the 2008 global financial crisis did not inspire any increase in conditionality.

Pressure about conditions moved in the opposite direction. The G20 was pressing both the IMF and the World Bank to increase the total and speed of lending as part of the global recovery effort there was no external impetus either. The UN General Assembly President's Stiglitz Commission's call for greater "national ownership" (aid recipient country determination) of development plans also reflected a significant stream of developing country opinion in stating that

> "The use of governance indicators (and more broadly, the Country Policy and Institutional Assessment indicators) for aid allocation and other international cooperation has been greatly discredited. Yet these indicators are currently a critical element in determining access to aid and debt financing for developing countries. They should no longer be used as a basis of aid allocation, as they represent a hidden form of conditionality." (2009, ch. 4, par. 62)

Yet the behavior of some developing governments suggested that the sentiment was not universal. Many continued to pursue wider consultations with their own publics about development plans and increase domestic transparency and accountability. Reforming factions continued to welcome World Bank loan conditions as incentives for policy change at home.

UNDP

Most UNDP aid has been technical assistance meant to help train local specialists in various fields or increase government agency capacities to design and operate physical infrastructure, provide other government services, or engage in planning. UNDP began by following the operating practices of the predecessor UN Expanded Program of Technical Assistance: 1) deal only with the national governments of developing states, 2) focus on the poorest countries, 3) provide all outside financing as grants, 4) use personnel from by UN agencies in the relevant technical field to provide the aid, and 5) maintain a Resident Representative in each aid-receiving country to monitor activity, connect with the country's government, and become deeply familiar with the country's conditions and needs (discussed in St. Clair 2004, 180). UNDP's initial budgeting decisions were largely determined by the decision to continue the UN Expanded Program of Technical Assistance practice of allocating a set percentage of the technical aid budget to each participating UN specialized agency (Auerbach and Yonekawa 1979, 510-511).

Providing technical assistance requires routines for identifying individuals possessing the needed expertise, and determining where, when, and under what terms those individuals will work in a particular country. Thus providers of technical aid resemble employment agencies – they identify people with the skills needed for particular projects and connect them with governments needing people with those skills. In one respect, however, the UNDP was unlike most employment agencies – any experts it sponsored needed ability to work in a another country, interact effectively with others having a different cultural background, and work with them in ways that help them build their own expertise and skills (Zarkovich 1970, 7).

UNDP's initial method of identifying experts was simple – the experts hired for particular projects were drawn from the existing UN specialized agencies. This sourcing rule was interpreted so stringently that each Specialized Agency had a near-monopoly on provision of experts in its field; even experts affiliated with national aid agencies were not hired (Griffin 1997, 27). For their part, the Specialized Agencies were eager to participate, and recruited experts with that in mind, because UNDP paid a specialized agency "overhead" equivalent to something between 1/7th and 1/6th of the cost of each expert sent out. Since their own budgets were also relatively modest, these overhead payments were significant – having 6 or 7 experts on assignment allowed a Specialized Agency to hire another person for its headquarters staff. With UNDP funds amounting to almost as much as all the Specialized Agency budgets put together ($197.4 million versus $207.8 million in 1969 (Auerbach and Yonekawa 1979, 510) working with UNDP was very attractive to the Specialized Agencies. Not surprisingly, each encouraged developing countries to ask for the kinds of expertise that it could provide as a way to keep this money flowing (Griffin 1997, 27; Murphy 2006, 107). Specialized Agency ability to steer UNDP activity was also helped by the lack of planning capacity in many developing country governments; often their requests for UNDP assistance were prepared for them by the Specialized Agencies (Gruhn 1978; Griffin 1997, 27) while UNDP's small staff and desire to show responsiveness to developing country preferences limited its ability to suggest other possibilities.

Other aspects of the initial design of UNDP also reduced its effectiveness. The short-term orientation of the UN Expanded Program of Technical Assistance was maintained by continuing its rule that no expert could serve in a particular country for more than three years. Outside observers including Jackson (1969, zz) and Zarkovich (1970, 181-183) also believed there was a

UNDP version of the "one-size-fits-all" policy mentality: since building physical infrastructure is pretty much the same everywhere, engineers and other technicians involved do not have to pay much attention to social context.

The Jackson Report's commentary on UNDP weaknesses helped legitimate significant changes in UNDP modes of operation. Most notably, UNDP added regional bureaus at headquarters to provide better linkages between UNDP management and the Resident Representatives in each aid recipient country (Governing Council Decision 70/34). However the UN did not take up Jackson Report recommendation to align UNDP activities and finance to 9-year recipient country planning cycles. This idea withered because even those industrial country governments supporting multi-year planning resisted making financial commitments that far in advance while some developing country governments had so little planning capacity that a nine year planning horizon was wildly unrealistic. In the end, the UNDP Governing Council agreed that planning should use the much more common five-year cycle.

Arrival of a new administrator, Rudolph Peterson, in 1971 reinforced the momentum for change. He took up the themes of self-reliance then pervasive in G77 discourse to focus UNDP activity on building the national management, administration, technical, and research capacities of recipient countries. He also increased receiving government involvement in project choice in two ways. The first, implementing the Jackson Report's suggestion for a "country program approach," involved providing each recipient country with an estimated budget total in advance and nudging it towards selecting priorities more carefully. This shift to putting projects out to bid and accepting bids from many sources, even private companies and NGOs (Griffin 1997, 27) broke the UN specialized agencies' hold over provision of experts. The other, "national execution," involved having the recipient government be the employer of experts while UNDP helped identify and pay for them (endorsed in UNDP Governing Council Decision 75/34 of June 1975). Increasing talk of the need to promote "South-South cooperation" in the UN General Assembly and elsewhere also encouraged UNDP to shift towards another source of outside experts – individuals born in developing countries but educated for and pursuing careers in Western countries or Japan. This was the basis of the TOKTEN (transfer of knowledge through expatriate nationals) program that that many in UNDP regard as the most successful of its technical aid efforts (Murphy 2006, 167-68).

The 1975 adoption of multi-year indicative guidelines and country planning also was accompanied by a decision that the Governing Council would confine its attention to general policy and approval of the overall plans rather than scrutinizing the specific annual money allocation to each recipient country. This concentrated authority to approve individual projects and release money in the Administrator and the Resident Representatives, strengthening them vis-à-vis both the regional bureaus and the Governing Council (Murphy 2006, 150).

UNDP hopes that donor governments would make advance commitments of funds matching the 5-year planning cycle ran up against their insistence on maintaining their national rules requiring an annual legislative budgeting cycle. Even where the legislature could be persuaded to adopt multi-year program authorizations, year-by-year approval of actual spending was maintained because annual budget approval is regarded as central to maintaining legislative control over the executive branch. Though large changes between authorizations and appropriations were less likely in parliamentary countries where the executive is assured of majority support in the legislature, national elections could result in victory for a party with very different attitudes toward foreign aid or about channeling it through UN agencies before the 5 year cycle had run. The politics were more complex in countries like the USA where division of powers between the separately elected President and Congress often lead to each branch being controlled by a different political party with distinct attitudes towards foreign aid spending.

UNDP had hardly begun using the country programming approach when its finances were hit by the financial consequences of the 1973 oil price increases. When doing initial planning in 1971-71, the UNDP management and Governing Council assumed that funding would continue to increase at the same approximately 8% a year prevailing in the late 1960s. However nominal increases after 1973 were only about 4% a year and real (inflation-adjusted) funding actually dropped during both the first (1971-1976) and second (1977-1981) planning cycles (Auerbach and Yonekawa 1979, 512). To maintain programs UNDP was forced to find other streams of money, leading the Council to approve of asking middle income countries for more "local cost sharing" – money used to cover in-country costs of UNDP programs. These changes were pushed further by Administrator Bradford Morse and his Jamaican Deputy Administrator George Arthur Brown in the early 1980s, by asking higher middle income recipients to provide "100% cost sharing" and by opening up a greater variety of positions to "national staff" (locals employed in UNDP country offices) because they were less expensive than foreign personnel (Murphy 2006, 167). UNDP also became more willing to administer Trust Funds for defined purposes, though Administrators did note that running the funds imposed administrative costs on UNDP (e.g., UNDP Report of the Administrator 1979, p. yy). Graph 5.6 traces the actual extent of increased reliance on recipient country cost-sharing, and indicates that it allowed UNDP spending to plateau at a higher level in the late 1970s and early 1980s than would otherwise have been the case.

<< GRAPH 5.6 HERE >>

UNDP also faced one challenge the World Bank did not because it lacked control over which currencies it acquired. Whereas the Bank chose the currencies and amounts in which to issue its bonds and specified currencies for IDA Replenishments, UNDP was required to accept contributions in whatever currency a member state chose to provide. The USSR and its allies generally supplied rubles or other inconvertible currencies. UNDP made strong efforts to spend that money on Soviet bloc goods or paying part of the salaries of Soviet bloc experts, but was not always able to use all the money effectively (Auerbach and Yonekawa 1979, 522 and note 12).

Increasing the roles of developing country nationals in planning and executing programs were popular with developing country governments, and were also applauded by the Dutch and the Scandinavians whose own bilateral aid programs already had similar orientations. The British were indifferent while the Nixon and Ford administrations in the United States did not particularly like the direction, but did not actively oppose it (Murphy 2006, 153). This may have been an occasion when the Administrator's nationality and connections at home helped protect agency autonomy.

UNDP worked with a larger number of recipient governments than the Bank or the IMF because of its commitment to working with all developing country governments regardless of their political ideology, and its system of Resident Representatives in aid-receiving countries meant its interaction with officials in recipient country capitals were more consistent and wide-ranging that those of the World Bank or the IMF. Though following the standard UN practice of interacting only with the government, UNDP administrators and staff became more attuned to the "ultimate clients of development" (Murphy 2006, 24) – poor and marginalized individuals living in developing countries in the early 1980s – even before its discussion of "the human element" was given clearer form in the concept of "human development." This awareness did not require UNDP to change its organizational structure or style of operation, but it did encourage paying more attention to conditions in areas outside the capital city and to the activities of local groups as well as central governments (St. Clair 2004, 184).

This attention was reinforced, and local participation in UNDP programs strengthened, by UNDP efforts after 1990 to encourage local researchers to gather data and apply the Human Development Index to their own countries. Thus UNDP's Human Development Report Office became the hub of a knowledge network offering a way to assess whether development efforts were succeeding that included more than growth in total and per capita GDP and information from outside central government agencies.

Yet even with those broadened horizons, UNDP remained closely attuned to recipient government concerns. This tendency was so strong that Mark Malloch Brown regarded UNDP as being too tied to the recipient governments to be innovative when he became Administrator in 1999. Though earlier administrators had talked about transparency and accountability, Brown was more willing to risk recipient government unhappiness by pressing them to make their civil services, ministries, and legislatures more transparent and accountable to their people. This aligned UNDP with the "good governance" agenda then prevailing in the World Bank and other aid programs, and was viewed by at least some of the recipient governments as a variant of neocolonialism that should be resisted. However, the orientation was strongly supported within the UN by Secretary-General Kofi Annan and within an increasing number of countries by local democratization movements (Traub 2006, 288-289).

UNDP has undergone several reorganizations since 2000, each promising to provide more efficient and effective programming. At the country level, the most significant change was splitting the Resident Representative position in two (Resident Coordinator and Country

Director) where the size of the UNDP aid program made it hard for one person to run UNDP programs and serve as coordinator of all UN system aid simultaneously. This has occurred in 50 countries by early 2011 (UNDP 2012, 32).

These changes affected activity but did not help UNDP attract higher core contributions (money usable in any program) which were $1001.5 million in 1990 and $965.6 million in 2011 while total UNDP funding went from $1364 million in 1990 to $4341.7 in 2011, as indicated in Graphs 5.7 and 5.8.

<< GRAPH 5.7 HERE >>

<< GRAPH 5.8 HERE >>

IMF

As specified by its Articles of Agreement (Article X), the IMF channels its interactions with member governments primarily through finance ministries and monetary policy agencies. Exactly which officials are involved depends on how a particular government has institutionalized its regulatory institutions. In the USA and Japan the central bank deals with monetary policy and stability of the domestic financial system while the finance ministry deals with exchange rate policy. Among the EU members using the Euro as their currency, the European Central Bank guides monetary policy through setting interest rates and shares authority over maintaining or altering effective exchange rates with the Euro Group of national finance ministers. Before 1991 most developing country governments concentrated both monetary and exchange rate policies in the finance ministry, with national leaders keeping close control over its decisions and activities. Afterward an increasing number of developing country governments signaled greater commitments to avoiding inflation by creating independent central banks similar to those in the industrial countries, or to economic openness by establishing an independent currency board responsible for maintaining a stable exchange rate.

As it deals with these various national interlocutors, the IMF follows distinct procedures in each of its three main areas of activity: 1) the general monitoring of economic conditions and provision of advice regarding their likely implications for balance of payments known as "surveillance," 2) approval of announced changes in a country's official exchange rate (1946-1971), and 3) provision of short-term loans to countries experiencing troublesome ba;ance of payments deficits or financial crisis. IMF procedures in the first two areas are shaped by its function as a monitoring body with the task of ensuring better policy coordination among member governments. The IMF operates in the third as a financial institution using funds it possesses or can call up on short notice.

Demise of the second function after 1973 was followed by a significant increase in IMF lending to a different set of member countries. Industrial countries had developed lending arrangements among themselves in the late 1960s, and were able to handle most of their reduced need for balance of payments financing under floating exchange rates after 1973 through those arrangements. Concurrently, most new IMF loans went to developing countries. Thus interaction between the IMF and its members involved three sets of relations: with the major shareholder countries, with minor shareholder countries that were borrowing, and minor shareholder countries that were borrowing. yet there were plenty of accasions fr arguments within or about the IMF to take on a more general South-North cast.

Surveillance

"Surveillance," the combination of data monitoring and periodic policy consultation, applied between 1946 and 1978 only to member governments exercising their right to maintain exchange rate restrictions under the par value exchange rate system to ensure that they were not using those restrictions to gain unfair advantage in trade (IMF Articles of Agreement, Articles IV and XIV). Countries maintaining a freely convertible currency needed to consult only when they wanted to change their par value (as noted below) or wanted to re-impose controls on current accounts. Controls on capital accounts were widely accepted as proper, and member countries had complete freedom to maintain or alter them as they chose, while current accounts restrictions were disfavored and the IMF gave strong encouragement to move toward free conversion (Southard 1979, 11-12).

With the demise of the par value system, the distinction between "Article XIV countries" restricting the convertibility of their currencies and "Article VIII countries" maintaining freely convertible currencies became irrelevant. Member governments and IMF management agreed in 1974, as it was becoming clear that there would be no return to fixed exchange rates, that annual consultations with all members about avoiding market interventions to secure trade advantages would be desirable. Thus Article IV was formally amended in 1978 to provide that IMF staff would engage in annual policy review with all members. By then, expert opinion had also coalesced around the proposition that governments could identify a "wrong" exchange rate more readily than the "right" one, and should be encouraged to intervene in currency markets to move them away from a wrong one rather than to try reverting to a fixed exchange rate system (Dam 1982, 265).

The revised Article IV provided the IMF with a better platform for engaging in discussions of trade imbalances and exchange rate developments with the industrial countries even though they generally preferred discussing these issues in their own forums. IMF management shared developing country members' concerns about those forums' exclusivity and successfully used the annual policy consultations to get involved in these discussions. The industrial country G7 acknowledged this by including IMF management in the discussions that led to the Plaza Accord in September 1985, the Louvre Agreement in February 1987, and the G7 Venice summit in June 1987. IMF participation was reinforced when the G7also asked IMF staff to develop objective indicators that could be used to monitor the results of their policy coordination efforts (Petersmann 1988, 59).

In reaction to complaints that standard surveillance was too bilateral (noted in Brau 1986, 36) IMF staff also began a broader form of monitoring economic conditions by producing two annual reports, the *World Economic Outlook* and the *Global Financial Stability Assessment*. These became more elaborate over time and enabled a form of "multilateral surveillance" because they reported on conditions in multiple countries and were discussed at the Annual and Spring meetings of the Board of Governors. Yet complaints about misalignment of major currency exchange rates continued. Developing country governments continued to argue that because industrial country policy choices often create economic problems for other countries, the IMF should either work harder at getting them to undertake needed adjustment or be more willing to acknowledge that the external environment those choices create significantly limits developing country options (e.g., Husain 1986, 39; Finch 1989, 19; Meller 1997, 206-08).

IMF response to these complaints was slow. The Article IV consultations undertaken in 1999 were supplemented by a highly structured look at a country's financial sector in Financial

Sector Assessment Papers (FSAPs). However, FSAPs were optional (IEO 2006). Frequent borrowers were under great pressure to agree, but other members, including the USA, did not sign up. This changed in the wake of the global financial crisis when, as encouraged by the G20, the IMF Board agreed in September 2010 to require the 25 countries “with systemically important financial systems,” identified on the basis of the size and cross-border interconnectedness of their national financial sectors, to undergo Financial Sector Assessment every 5 years. At that time the 25, which include 15 of the G20, were home to about 90 percent of the world’s financial institutions and about 80 percent of global economic activity (IMF 9/2010).

Surveillance involves a combination of IMF staff compiling and analyzing data on financial, balance of payments, and macroeconomic provided by member countries and discussions between an IMF visiting staff mission and the member government’s ministry of finance and central bank or other monetary authority. Though still less enthusiastic about working with NGOs and other civil society groups than their World Bank counterparts (Kelly 2011), IMF staff conducting Article IV consultations in recent years have met with members of the legislature and leaders of business associations, labor unions, and civil society groups to get their perspective on the country’s economic policies and direction. After completing discussions, the staff team returns to IMF headquarters and writes up a note outlining their conclusions and recommendations. This goes to the Executive Board for comment, and forms the basis of Board discussions with and comments for the member government. These documents were treated as confidential for many years, but since the Asian Crisis a summary of broad trends and of IMF suggestions for each country has been posted on the IMF website.

The Asian Crisis inspired considerable member government complaint about IMF practices in surveillance as well as in lending. Realization that some governments had actively hidden data inspired efforts to penalize “serious and persistent nonobservance” of data standards (IMF Executive Board 2005), but this remains hard to control. Though much discussion of the initial errors in the advice the IMF provided in the early phases of the Asian Crisis obscured the extent to which the IMF later modified its positions, member demands that surveillance focus on fewer policy areas and defer more to member governments’ policy choices spread and became more vocal. Again change occurred, but slowly. In June 2007 the Executive Board endorsed member agreement that surveillance discussions will focus on assessing whether the member government’s monetary, fiscal, financial, and exchange rate policies promote domestic and external stability, and pay particular attention to assessing risks and vulnerability to financial crisis (IMF Executive Board 2007). Continuing developing country complaint about IMF consultations with major countries were addressed by adding staff reports analyzing the impact of economic policies in the world’s five largest economies—China, the euro area, Japan, the United Kingdom, and the United States—on their partner economies, which were began to be supplied as Consolidated Multilateral Surveillance Reports in 2011 (IMF 9/2011). The Board also agreed that surveillance policies would be reviewed every three years, assuring that surveillance routines would remain under periodic review.

Member government unhappiness with lack of warnings before the 2008 global financial crisis dominated the Triennial Surveillance Review held in 2011 (IMF 2011), and intensified the already-existing pressure to better integrate the individual country and system-wide aspects of surveillance (IMF Executive Board 6/2012). The G20 also encouraged bringing single-country and system-level analysis together by asking that IMF staff provide analyses for the G20 Mutual

Assessment Program evaluations of how members' policies and actions fit together and contribute to attaining the economic stabilization objectives decided at G20 summits (IMF Factsheet 4/2012.)

Exchange Rate Modifications

Adopting and maintaining current accounts convertibility means a government commits itself to allowing individuals, groups, and companies to exchange local currency for a foreign currency of their choice in whatever amount whenever they wish at the exchange rate prevailing at the time of the transaction. At the most general level both the par value system of 1946-1971 and the variety of floating, managed float, and pegged currencies prevailing since are simply different means to the same policy goal: opening up (in economic policy language, "liberalizing") cross-border payments.

Each causes different sorts of domestic arguments. As economists, governments, and the IMF are all aware, no matter how neutral the rules for exchange rate policy appear to be, any particular valuation of the currency in relation to gold, silver, or the exchange rate with some heavily-used other currency inspire considerable contention. Occasionally, the contention focuses on symbols: some long-standing value in terms of gold or a particular exchanger rate with another country’s currency becomes associated with national prosperity, and any revision downward viewed as a sign of national decline. More often contention arises because any method of valuing a currency and any particular exchange rate benefits some domestic groups more than others. Groups favored by the current scheme want to keep it; groups believing their interests would be better served under a different scheme want to replace it. The contentions are likely to be particularly intense when economic crisis and changes in methods of valuing a currency or handling cross-border current accounts payments coincide.

The par value provision included in the original IMF Articles of Agreement fudged one fundamental disagreement while expressing two areas of consensus. British negotiators, led by John Maynard Keynes, did not want to return to the gold standard while the Americans, led by Harry Dexter White and mindful of sentiment in the US Congress, wanted to retain a link between gold and paper currency. The stipulations regarding how countries would determine their currency's par value were written in a way that each side could say that the IMF institutionalized its preferred currency system. However there was no disagreement on two other points. All agreed that stable exchange rates promote international trade and thereby increase prosperity. All also agreed that on those occasions when – for whatever reason – the market values of currencies diverge significantly from their official exchange rate for a protracted period, governments should be assisted in making a transition to a more sustainable exchange rate without having to resort to a large and sudden devaluation that would slow down domestic economic activity and might even trigger recession.

Fudging whether the par value system did or did not link currencies to gold could occur because the essentials of the 1944 Bretton Woods rules were a slight modification on a tripartite agreement reached among the US, British, and French governments in September 1936 after several years of following divergent policies. Britain had devalued the pound and gone off gold in September 1931; the USA floated the dollar in 1933-34 until Congress endorsed a new gold value for the dollar ($1 = 15 and 5/21 grains of 9/10s fine gold, or $35 an ounce, and limited sales of US government-owned gold reserves to foreign monetary authorities under a rule allowing sales to be suspended at any time with 24 hours' notice. France had kept the franc pegged to the same gold value. The Tripartite Agreement registered decisions that the French could devalue while the Americans and British kept their currency's value steady. The Tripartite Agreement also specified that each participant had to give the other two 24 hours' notice of any decision to alter the exchange rate between its currency and the other two and to cooperate with them in market operations to dampen private speculation (text in BIS 1937, Annex VII). The IMF articles of agreement incorporated the gold value of the dollar while obliging other governments to fix a par value relative to the US dollar and limit fluctuation of exchange rates around that par value to ± 1%. When countries were unable to do so, they were expected to adjust their exchange rate upward or downward to a point where currency markets would come back with in the ± 1% band.

Yet the system was not rigid; the harsh lessons of too tight a link between gold and exchange rates had been learned. Under the original Bretton Woods rules, proposals for a change in the par value had to come from the member government, though nothing prevented the Managing Director or the Executive Board from advising a country that it needed to consider changing it par value. The only exception arose when the membership as a whole, through a simple majority vote that included concurrence by each member holding 10% of more of the shares, agreed to a uniform change in all par values to adjust to changes in the gold market so that abundance or scarcity of gold would not be driving exchange rates (IMF Articles of Agreement, 1944, Article IV, section 7). There was general agreement that the monetary and commercial value of gold should be the same, and that shortages or gluts of newly-mined gold should not be allowed to affect exchange rates.

Article IV section 5 also specified clear guidelines for IMF reaction to a member's proposed change in par value. The IMF had no say when a change would not affect the cross-border transactions of other members or if the member had asked for an exemption from an agreed uniform change in par value. The IMF had no right to object to a change that increased or decreased a country's par value by no more than 10%. If the proposed change was within ± 10 to 20%, the IMF could either object or concur, and had to respond within 72 hours if the member requested a rapid answer. If the proposed change was greater than ± 20%, the IMF could concur or object and had longer to react. These provisions for prior IMF approval of larger changes were intended to avert the competitive devaluations that most policy-makers then believed had lengthened the Great Depression.

Temptations to manipulate currency values for national benefit were also restrained by a rule that member governments should propose changes in par value only to address a "fundamental disequilibrium" in their balance of payments. That term was not defined in the Articles of Agreement, but in 1946 the Executive Board adopted a broad definition by formally accepting the British argument that the persistent unemployment resuting from balance of payments pressure should also be accepted as a sign of "fundamental disequilibrium" (Horie 1964, 106-8).

The IMF was also given some enforcement capacity. A member going ahead with a large change in par value was barred from using IMF resources. The Board of Governors could also require members that persisted in changing par values by more than ±10% without IMF approval to withdraw from membership, a provision that was used once, against Czechoslovakia in 1954 (see below, p. [in ch 6]). The "scarce currency clause" (Articles of Agreement Article VIII, section 3), which allowed the IMF to authorize limits on trading of a currency deemed scarce in relation to global demand, established a possibility of IMF-led retaliation by allowing members to adopt discriminatory current account controls against a country running persistent balance of payments surpluses (Dam 1982, 110), but the rule was not ever used in this way.

IMF flexibility in applying the rules began almost immediately. 32 of the IMF's then 39 member countries declared par values in December 1946 and simply used the value prevailing in 1939 even though the Articles of Agreement specified that the value should be the (usually lower) market value prevailing on 28 October 1945. This meant that most currencies were overvalued, but the IMF did not object for three reasons. Many members' trade was more dependent on US reconstruction aid than the exchange rate; economists argued that trying to enforce the lower 1945 par values might trigger inflation; and IMF management realized that it was better to have a reasonable par value in place now rather than argue about the choice for a long time. The British decision to reduce their par value some 30% in September 1949 (taking the exchange rate with the US$ from £1=$4.03 to £1=$2.80) was consistent with IMF views that the pound was overvalued; thus it did not object to either the British move or decisions by 18 other members whose currencies were closely tied to the pound to adjust their par values as well (Horie 1964, 131-132).

Though the Articles of Agreement implied that members should set par values fairly quickly, the IMF also allowed number countries to delay that action. In May 1960, 13 member countries had not yet declared a par value while another 5 or 6, including France, were still running multiple exchange rate systems. Multiple exchange rates were sufficiently common that the IMF went from case-by-case approval to establishing guidelines for members to follow (Dam 1982, 133).

Nor did the IMF object to occasional use of floating exchange rates. The IMF had long advised smaller countries to float their currencies and then reset their par values as markets indicated rather than use exchange controls to maintain an overvalued currency, though many preferred for domestic policy reasons to use current account controls. Canada was allowed to float the Canadian dollar against the US dollar in September 1950 to deal with a significant inflow of US capital, and it also maintained floating rates through most of the 1960s. Mexico also resorted to floating rates several times. Floating actually occurred often enough that the IMF developed rules for floating that included consultations and an expectation that the member would return to a fixed exchange rate in a relatively short period of time (Horie 1964, 133-134).

IMF management was flexible on other points as well. As the six members of the European Economic Community prepared to make Article VIII declarations they also concluded a European Monetary Agreement. Each was ready to maintain its currency's value within ± 1% of par, but "the Six" realized that they needed to address the likelihood that the exchange rate of individual currencies with the US dollar could vary enough that currency speculators would start trying to exploit those differences. In July 1959 the IMF Executive Board accommodated European plans by formally declaring that spot transactions on currency markets within ± 2% of the par value would be acceptable (Horie 1964, 105). Similarly, a strict reading of Article XIV, section 3 of the Articles of Agreement would indicate that only the 22 original members of the IMF had the right to delay free convertibility, but fund management always let later joiners invoke the delay rule (Aufricht 1969, 8, note 10).

IMF authority over exchange rates was clearest with the "Article VIII countries" that had formally declared they would maintain a single exchange rate and allow free conversion of their currency into any other currency. In 1950 there were only 10 such countries, the USA and nine others in the Western Hemisphere, with an 11th (Venezuela) following the rule in practice. In 1958, the UK and the six members of the European Economic Community returned to convertibility. Among others, the shift to full convertibility by declaring acceptance of article VIII came slowly; in early 1968 only 31 of the IMF's approximately 111 members had made such a declaration (Aufricht 1969, 8, note 10). In 2011 20 of the IMF's 187 members were still holding out against declaring (IMF Annual Report 2011, Appendix Table II.8). This wide variation in early practice also allowed Eastern European countries to remain members into the early 1950s and manage the international trade of their planned economies through multiple exchange rates and/or allocating quotas of foreign currency to individual state enterprises even as IMF staff advised that their economies would benefit from replacing multiple exchange rates with a single rate and ending or simplifying their foreign exchange allocation systems (Gold 1974, 141-43).

Though John Maynard Keynes had hoped that burdens of adjusting would be shared between surplus and deficit countries, in practice most of the burden fell on the deficit countries. Hence when the USA began running larger persistent current account deficits in the 1960s conditions were conducive to stalemate. The Johnson administration, trying to finance the Vietnam War and the Great Society domestic program simultaneously without resorting to significant tax increases, was unwilling to change the value of the dollar, and the succeeding Nixon Administration announced similar unwillingness in May 1971. Western European governments were equally unwilling to revalue their currencies upward. The situation intensified in the summer of 1971, as the US current account deficit increased enough to push the estimates of full year deficit to $20 billion. IMF management and the West German government supported proposals to ease the situation by widening the exchange rate band, but the British and Japanese governments rejected this idea. In the ensuing stalemate, the West German, Dutch, and Belgian governments forced the situation by formally declaring that they would allow their currencies to float against the dollar. The US government, which up to that point had resisted any formal change in the dollar's value, definitively broke the stalemate by suspending all sales of US gold reserves, thus letting the US dollar float.

This effectively destroyed the par value system without specifying what would replace it. The Nixon Administration initially chose to use the G10 industrial countries as the negotiating forum even though the IMF Executive Board had been involved in the earliest discussions. While the G10 countries were comfortable with this, developing country members of the IMF were very unhappy about being shut out and pressed IMF Managing Director Schweitzer to secure them a place (Southard 1979, 42). However, because most of them were not maintaining convertible currencies at the time, the G10 governments could treat the situation as misalignment among their own currencies rather than as a global problem. Though it appeared that a par value system might be reinstituted under the Smithsonian Agreement, those efforts collapsed when the Nixon administration shelved par values in favor of continuing to float the dollar in February 1973. Other governments followed.

Developing country governments realized that they were powerless to stop the shift to floating rates, and focused on coping with the new situation. Those limiting convertibility continued to do so; others resorted to pegging their currency to some outside benchmark: 81 pegged to a single major currency while another 19 used the SDR or some other "basket" of major currencies (*IMF Annual Report 1975*, p. 24, Table 9). However the added expense of importing oil and the losses of export earnings cause by declining prices of most commodities meant that about a third of them had shifted to floating rates by the mid-1980s (Ferguson 1988, 160). Governments opting to float their currencies anticipated that floating would dampen the impact of currency fluctuations on their own domestic economies, and also reduce their need for IMF loans because they would not be defending exchange rates.

Yet floating was limited in various ways. The IMF Executive Board's December 1971 decision on "Central Rates and Wider Margins: A Temporary Regime" (*IMF Annual Report 1972*, 85), urged members to set a value for their currency in terms of gold, SDRs, or another currency but also allowed them to tolerate exchange rate fluctuations wider than ± 1% . In June 1974 the Executive Board retreated further in its Guidelines for the Management of Floating Exchange Rates (*IMF Annual Report 1974*, 112-116). These sought to distinguish between helpful and disruptive market intervention by encouraging intervention to moderate "sharp and disruptive" week-to-week or month-to-month exchange rate fluctuations and to dampen – but not intensify – medium-term exchange rate movements. They also asked member governments to set a target zone for floating if they intend to undertake regular market interventions and consult with the IMF before undertaking intensive market interventions.

The guidelines reflected the fact that Nixon and Ford administration preferences for "clean floats" (floating unaccompanied by market interventions) were never popular with the rest of the G10. They also helped address a problem facing the 9 members of the European Economic Community as they prepared to extend their economic integration into monetary affairs. While willing to float their currencies against the US dollar, the EC9 also wanted to keep the exchange rates between their own currencies in fairly close alignment over time through a target zone and market interventions, measures the Guidelines allowed.

The 1970s were a time of evolution in governments' beliefs about regulating international payments systems. While there was consensus that trying to maintain exchange rates within ± 1% of a declared par value had become too onerous, members could not agree on two important points: how to set exchange rates in any new system and how to define the reserve assets a government should hold to enhance confidence that it can maintain its current exchange rate in the face of speculator activity. On the first, many economists and some governments supported a return to fixed rates because they believed that floating rates create additional economic instability. Most advocates of fixed rates also wanted to link them to more symmetrical obligations requiring surplus as well as deficit countries to realign their currencies. The second debate focused on whether the proposed new reserve asset, Special Drawing Rights (SDRs), should be issued strictly in proportion to IMF quota or in a way creating a North to South resource transfer by giving additional allocations to developing country members. The allocation would not affect exchange rates, but to the extent that advocates also sought to make SDRs rather than leading industrial country currencies the prime international reserve asset, their proposals would affect seigniorage – the monetary and other economic advantages that accrue to a country having a currency in high demand internationally.

The exchange rate debate intensified as the US dollar appreciated 50% between 1982 and 1985, creating serious US current account deficits and counterpart surpluses particularly in Germany and Japan. The G24 developing countries urged the IMF to adopt rules setting "target zones" for floating rates. The G10 industrial countries rejected having the IMF set target zones, but did agree that governments should intervene in currency markets to limit the size of fluctuations in exchange rates. When the G10 was unable to agree on a joint market management scheme, the governments of the five largest industrial economies went ahead with their own coordination arrangements. Developing country governments, IMF management, and even the other members of the G10 were not happy about this small-group decision-making, but could not prevent it (Ferguson 1988, 161-62).

The exchange-rate debate acquired new form in the 1990s after many developing country governments came to believe that their development prospects would be enhanced by linking to the international economy. They now regarded pegging their currency to a widely-used industrial country currency as a way to provide assurances to markets that they would not engage in inflationary monetary policies or other forms of currency manipulation. Yet some of the most market-oriented neoclassical economists argued that pegging would work only in the short to medium term because pegging is a form of price control, and price controls create rigidities and inefficiencies that increase over time and end up hurting an economy (e.g., McQuillan 1999, 5). This view was taken up in the IMF, particularly by First Deputy Managing Director Stanley Fisher (served 9/1994-8/2001). He regarded floating exchange rates as the best way for emerging market countries to minimize financial crises. His opinions were widely respected by others on the IMF staff, which continued to favor floating rates well after his departure (e.g. IMF Survey 9/2008).

Lending

Initially there was only one form of IMF lending for all members, short-term money to help resolve a balance of payments shortfall without throwing the domestic economy into recession. Since 1963, the IMF has developed other types of transaction that share the basic goal of helping countries with balance of payments problems but reflect awareness that balance of payments deficits can arise from any of a number of distinct types of financial or economic problems bets addressed with distinct forms of lending. This has led to constant changes in loan procedures expressed through creation, revision, and replacement of IMF loan types, which it calls Facilities.

<< TABLE 5.3 HERE >>

Though transactions between the IMF and member governments needing money are typically called “loans,” and the governments needing the money involved typically called “borrowers,” the transactions are structured differently. Transactions on the Regular Account, which covers Purchases (money received immediately) and financing under Standby Arrangements (commitments to provide money valid for a defined period of time), are basically multilateralized extended-time currency swaps: a country in need of foreign currency secures it by “drawing” on the IMF in exchange for the equivalent amount of its own currency. It reverses the transaction by “repurchasing” its own currency from the fund with that other currency at the specified due date, meanwhile paying interest to the Fund for use of the money.

The short term, finance-centered, and emergency nature of IMF drawings mean they are negotiated very differently than World Bank loans. The IMF process involves two main documents: a Letter of Intent from the borrowing member outlining its currency needs and the policies it will adopt to redress its balance of payments situation, and an IMF document approving the Purchase or Standby Arrangement. A member government’s loan request goes first to the relevant regional department for assessment. After circulation to other departments and approval by the Managing Director, the assessment becomes the basis for an IMF mission to the country to negotiate the Letter of Intent. This is also circulated among staff departments and the Managing Director then decides whether the initial Letter of Intent is sufficient, or needs revision after more discussions with the member government. Once satisfied, the Managing Director submits the Letter of Intent and a draft approval document to the Executive Board (current routine as summarized in Chwieroth 2013, 1-25).

While the intergovernmental Executive Board has the final say over whether a particular drawing will be allowed, the Managing Director exercises significant agenda control because of the practice adopted in the 1960s that the Executive Board considers only those proposed drawings put forward by the Managing Director (Southard 1979, 10). Though the Executive Board can require further renegotiation of the loan terms, it refrains from doing so during a crisis to avoid making the situation worse, and seldom does on other occasions (Stone 2011, 60). While individual Executive Directors sometimes have significant influence over the loan terms ([chap 8, p.]), IMF staff provide the first draft of the loan terms.

Approval of individual loans requires a simple majority of the votes cast, though the Board typically avoids votes in favor of consensus (Vreeland 2007, 17) and Managing Directors look for indications of support from Directors with a supermajority of the votes before proposing a loan (Torres 2006, 445-446). Even before jet aircraft and the Internet sped up the pace of discussions, the average IMF decision was made in weeks rather than years. This required IMF staff to maintain current knowledge of member countries' overall payments situations, knowledge developed through annual and other policy consultations and the data members are obligated to provide to the Fund on an ongoing basis (Articles of Agreement, Article IV, section 3(b)). In the 1990s, even allowing the time needed to send a staff mission to the borrowing member's capital to discuss details and the two weeks which typically elapsed between the Managing Director's circulation of loan documents and Executive Board vote, the IMF could arrange a loan within 4 to 8 weeks. Spurred by the increased volume of international financial flows after the Cold War, the IMF established an Emergency Financing Mechanism permitting even faster decisions, within 24 to 48 hours of agreement between the borrower and IMF staff on loan terms, in 1995 (see IMF Fact Sheet 3/2016). It was first used during the Asian crisis of 1997-98, and again during the 2008 global financial crisis and the following Eurozone crisis.

Quotas and the rules defining eligibility to use a particular Facility are set by the Board of Governors. Individual members' access to funds is determined by a combination of its individual quota and the multipliers of quota set as limits on borrowing during any one year, any three years, and on amount of drawings outstanding at any time. Any general increase of IMF quotas increases the amount of foreign currency that a member government can access, but the size of the increase also depends on the access rules. The initial access rules specified that each member could borrow no more than 25% of its quota in any 12-month period and could not have loans totaling more than 125% outstanding at any time. These requirements could be waived, and the first one often was in favor of an informal understandings limiting any single drawing to 100% of quota (Dam 1982, 303). Greater use of Standby Arrangements inspired increases in the access limits; in 1963 the access limits were set at 100% of quota a year and 300% of quota outstanding at any time. The effective limits were also increased by the 1966 decision that borrowing from the Compensatory Financing Facility would not count against the borrower's quota-based limit (Dam 1982, 28), a 1981 decision covering the Extended Fund Facility (IMF Annual Report 1981, p. 87), and a 1998 decision covering the Supplemental Reserve Facility (IMF Annual Report 1998, p. 84).

The December 1980 quota increase was accompanied by a scheme of differential access depending on a member government's policies. The general limits for governments making "strong adjustment efforts" became 150% of quota in any 12 month period, 450% in any 36-month period, and 600% outstanding at any time (IMF Annual Report 1981, 87). An explicit scheme of more generous access limits for countries making "strong efforts" remained in effect through the 1980s (Executive Board Decision 7841 (84/165) noted in IMF Annual Report 1985, p. 111). As their names suggested, the Extended Fund Facility (1974-) and the Enlarged Access Policy (1981-1993) allowed exceeding those limits in times of higher need.

The actual impact of borrowing limits varies. The 47.5% total quota increase agreed in 1983 was linked with enough tightening of access limits that the poorer members assigned the minimum 19% quota increase actually saw their access reduced (Kenan 1986, 16-19; more detail in IMF 2000). In contrast, the 2010 quota increases came after a 2009 decision to increase the general 3-year lending limit from 300% to 600% of quota (IMF Annual Report 2009, Box 3.3, p. 26), more than doubling the funds a member could access.

The Articles of Agreement provisions about lending assumed that members would be drawing a wide variety of currencies to settle their particular balance of payments deficits. The possibility that some currencies might be drawn more than others appeared only in the provision (Fund Agreement, Article VI, section 3) allowing the Executive Board to declare a particular currency “scarce” because of low IMF holdings or high demand for it in international markets. If invoked, the IMF could either refuse to allow members to draw that currency or require the member issuing that currency to supply the IMF with more of it either by selling it to the IMF for gold or by lending it to the IMF.

Financial reality was very different. The interwar pattern that individuals, firms, and governments made most of their international current account payments in a few currencies quickly revived (Aufricht 1969, 21; Ferguson 1988, 101 and 113, note 92). In the immediate postwar period, the US dollar was the premier international currency, though the British pound, French franc, and Swiss franc were also widely used. Later the Japanese yen, West German mark, and Euro also became heavily used. Even in the late 1990s only about 20 members’ currencies were borrowed each year. Thus Riesenhuber (2001, 9) correctly observed that many of the IMF's currency holdings do not provide resources for the global economy. Getting enough of the desired currencies has always been a challenge even though IMF quotas, unlike World Bank shareholdings, are fully paid in rather than being divided into paid-in and on-call portions.

The IMF has had two main ways of coping with resource constraints: raising quotas and entering into lending arrangements with national central banks. The Executive Board did consider the possibility of borrowing on private markets to secure more working capital in 1979-80. However realization that doing so would force the IMF to charge market rates for drawings, which would then be less attractive to members, led to dropping the idea (Dam 1982, 299). Thus it continued to rely on borrowing arrangements with member governments when it needed more of particular currencies.

IMF Management was aware that the Fund’s resources might be inadequate, a point affirmed in a 1952 agreement that member countries could supplement IMF resources by borrowing currencies from each other. This became obvious in 1956, when post-Suez Crisis currency turbulence was severe enough that the British government needed loans and stand-by arrangements equaling 100% of its quota while the French, Egyptian, and Israeli governments also needed loans. Though members responded by increasing all quotas by 50% in 1959, IMF resources again appeared inadequate within a decade in relation to potential need as the volume of international payments rose. Rather than seek a new quota increase, which would be hard on the smaller and poorer members and would not be focused on the currencies in highest demand, IMF management sought agreement with the G10 on standing commitments to lend to the IMF when needed. The result was the General Agreements to Borrow (GAB) under which each G10 central bank established an amount it was willing to lend to the IMF if at least 2/3s of the governments providing 3/5th of the GAB money agreed to its use on a loan-by-loan basis (Aufricht 1969, 59). Initially the GAB was used only for IMF loans to G10 countries. After the G10 central banks had also created direct swap arrangements among themselves, the GAB was amended to cover IMF loans to other members. A similar approval routine was included when the New Arrangements to Borrow (NAB) were created with a wider set of countries in 1997. Only under the impetus of global financial crisis was procedure streamlined in 2010 by substituting blanket authorization to use NAB money over the following six months approved by NAB participants providing 85% of the money and accepted by the IMF Executive Board (IMF Factsheet 5/1212).

IMF loans are designed as bridging assistance while the member country carries out needed economic adjustments. Thus most facilities have had loan maturities in the 3 to 5 year range. Even the Extended Fund Facility loans initially matured in 3 years; since then the maturity was extended to 7 and then to 10 years, as noted in Table 5.3.

There was relatively little use of IMF drawings in the 1940s, partly because most countries maintained some form of current account controls and partly because the US and other governments realized that the problem of financing postwar reconstruction and getting international trade back on track was going to require more money, and in particular more US dollars, then the Fund possessed. In 1947, the Fund adopted a policy of looking askance at drawings that appeared likely to be used for reconstruction rather than for redressing short-term balance of payments problems, though was allowing members to draw as much as 5% of their quota a month (up to the general 125% limit) without question. The Executive Board also decided at US behest in April 1948 that countries participating in the US's European Recovery Program (Marshall Plan) should avoid drawing US dollars from the Fund (Southard 1979, 16;

Aufricht 1969, 25 and note 79). While limiting European members' options, the decision assured that there would be IMF-held dollars available for others needing them.

The Europeans chafed at these limitations, some even arguing that having been required to pay 25% of their quota in gold while being blocked from access to Fund resources left them worse off financially than non-member states. The US Treasury, convinced that otherwise there would be a stampede for IMF loans, opposed lifting the limits. The debate ended up being resolved by changed circumstances. In early 1952 as the Marshall Plan was winding down, the IMF Executive Board – including the US member – decided despite continuing US Treasury concern, to remove the limits and no stampede followed (Southard 1979, 18).

As international payments activity revived, Fund management and member governments alike realized that they needed to settle a number of procedural questions relating to the timing, size, repayment, and conditions for loans. Most of the key questions were settled during meetings of the Executive Board in February, August, and October 1952 (Aufricht 1969, 21-30; Horie 1964, 139). On timing, Fund members agreed that drawings should be reversed (loans repaid) within 3 to 5 years of receiving funds, and also agreed that members could delay making an authorized drawing for 6, and later 12, months rather than take it immediately. This decision established the practice of Stand-by Arrangements in which a loan agreement would be signed and the IMF announce its readiness to lend (Aufricht 1969, 33-34). Stand-By Arrangements provided some expansion of IMF resources because the information that one was in effect often helped abate a currency crisis by indicating to speculators that a country would have resources to intervene in the market to maintain its value. On size of drawings, the Board agreed that members can draw "virtually automatically" (a phrasing used to get around stricter provisions in the Articles of Agreement) an amount up to 25% of its quota, borrow the rest of its quota under conditions, and access additional funds up to 200% of its quota by purchasing other members' currencies directly from them rather than from the IMF.

The rule that IMF funds must be used in ways consistent with the purposes of the IMF Articles of Agreement (Article V, section 3,b,i) provided a platform for insisting that borrowers take steps to reduce their balance of payments deficit in return for a loan. This reflected the fact that even though its loans are repayable in the short-to-medium term, the IMF does face some time inconsistency with borrowers (Collier 2000, 306). Inducing financial or currency crises is not a consciously-chosen strategy for securing loans, and governments are generally quite reluctant to ask the IMF for loans or stand-by arrangements until problems are obvious, time inconsistency arises because borrowers do have incentives to use the money for purposes other than attending to the financial or payments crisis at hand. Thus the existence of conditions is not surprising, but their number and content have been the subject of intense debates (discussed in chapters 7 and 8).

Executive Board consideration of loan conditions began as an effort to develop some middle way between lending and declaring a country ineligible to borrow any IMF funds laid down in the Articles of Agreement (Riesenhuber 2001, 15). The initial rounds of Board discussion, undertaken in the late 1940s and early 1950s, occurred in the shadow of guidelines the US Treasury used in formulating instructions for the US Executive Director to apply in evaluating loan applications (Stone 2011, 75). The Board was also influenced by the strongly held view among IMF management and staff that governments ran serious risks of having balance-of-payments deficits if they allowed the rate of money supply expansion to exceed that of economic growth. For countries already in deficit, IMF management and the US guidelines converged on three policy steps: reducing government spending, increasing taxes, and lowering domestic credit creation. Thus there was some convergence in US Treasury and IMF thinking.

Executive Board policy discussions and approvals of individual loans acquired a clearer quantitative basis in the late 1950s with IMF adoption of the model relating domestic macroeconomic conditions and current accounts balances to likely exchange rate fluctuations developed by IMF staff economist Jacques Polak while he was advising the Mexican central bank on how to stave off pressures for devaluation of the peso in 1955. Polak acknowledged at the time that his model was not cutting-edge econometrics, but even as macroeconomic analysis became more mathematical in the 1960s he maintained that it was still more useful than other models because it relied on two of the few sets of reliable economic data readily accessible at the time – banking system liabilities and assets – and was easy to apply with early 1960s computing technology (Kahler 1990, 36-37; Woods 2006, 40).

When it came to making individual loans, the general statements about loan procedures and conditions developed by the Board were supplemented by standard practices. Most of the initial practices were developed in lending to Western Hemisphere governments. Their typical balance of payments problems were large enough to require loans from the US government as well as the IMF because needs exceeded their overall borrowing limit (Stone 2011, 75), so they typically consulted with the US Treasury before applying for an IMF loan. Many other members also adopted that practice, but it never become universal. France was a notable holdout, preferring to go directly to the IMF’s Managing Director (always a European); as time passed an increasing number of other borrowers also went directly to the Fund (Southard 1979, 27). That did not keep governments facing balance of payments problems from consulting their closest allies or patrons and IMF management simultaneously, a habit particularly strong among the G10 industrial countries.

IMF management adopted a set of practices in 1956-57 for handling multi-year Standby Arrangements that reformulated the statements of policy change in Letters of Intent as performance conditions, divided drawings under Stand-By Arrangements into several disbursements, and required satisfaction of at least some performance conditions before receiving subsequent disbursements (Gold 1970, zz). However most instances of unfulfilled conditions led to their modification rather than refusal to provide the next disbursement.

Because 25% of a country's quota was paid in by supplying gold or a freely convertible currency, members had long been free to borrow sums up to 25% of quota with few conditions. As international payments increased and countries needed more resources for handling balance of payments problems, IMF management began attaching fewer conditions to borrowing within the amount of the "first tranche," (the band of 26%-to-50% of quota just beyond the gold tranche), effectively doubling the resources member governments could access quickly. Management also adopted generous interpretations of provisions in the Fund Articles of Agreement that appeared to limit borrowing by countries maintaining multiple or floating exchange rates, and allowed Indonesia and Peru to borrow in the early 1960s while maintaining floating exchange rates (Horie 1964, 120-121).

Letters of Intent became longer in the 1950s and 1960s as the number of conditions increased. In one example (Babb and Buira 2005, yy), Peru's 1954 Letter of Intent was 2 pages long, and its 1962 Letter 6 pages long. Negotiating one at a time made it hard for borrowers to push back, though this changed to some extend after continuing British currency woes inspired the first serious membership-wide discussion of the policy steps governments should be expected to take when drawing on the IMF. British economic performance remained weak enough in the early 1960s to inspire persistent currency speculator attack based on doubts the country would be able to maintain the official rate of £1 = US$2.80. The British government was able to stave off speculation in 1964-66 with loans from the IMF and the G10. British trade figures improved enough in early 1967 that most of the loans were repaid. However lower exports in mid-1967 revived speculation and this time both the G10 and the IMF insisted that the British devalue to a rate of £1 = US$2.40. Devaluation was painful, but IMF Executive Directors from developing countries were had been complaining that the British government had not been required to reduce government spending or pay down public debt, conditions typically attached to loans or standby arrangements with other countries. They used the example in efforts to secure an explicit review of conditions with the goals of reducing their number and standardizing them across industrial and developing borrowers (Southard 1979, 29-31).

When the Executive Board began that review in early 1968, many of the European members seemed to be leaning toward the deficit country position favoring a loosening loan conditions, Yet by the time the review ended in September they had moved closer to the US view that loans should continue to be conditioned on policy. The review ended in agreement that included formalizing the longstanding practice of automatic and unconditional borrowing from the "gold" (later "reserve") tranche of up to 25% of quota (IMF Annual Report 1970, p. 138), and a rule that conditions and phasing of disbursements would not apply to Stand-By Arrangements totaling no more than 50% of the borrower's quota, or to that level of borrowing within a larger Stand-By Arrangement, (Executive Board Decision 2063 (68-132) of 20 September 1968 in IMF Annual Report 1969, Appendix I, pp. 183-84). While European members secured a provision in the First Amendment banning any additional forms of unconditional lending (Gold 1979, 9-11), they did support providing medium-term assistance to developing countries without attaching very many conditions (Clegg 2013, 82). This allowed the special-purpose Oil, Buffer Stock, and Compensatory Financing Facilities to provide loans with no policy conditions.

After 1974 borrowers acquired a way to avoid the IMF: taking advantage of "petrodollar recycling." As OPEC's increased oil revenues flowed through the private international financial network, a larger number of developing country governments were able to get private loans rather than come to the IMF (Kenan 1986, 22). Avoidance became sufficiently widespread that countries asking for IMF loans faced fewer conditions because the IMF had the same incentives to maintain income by lending money that existed in the World Bank. As late as mid-1979, 81% of IMF loans outstanding had been made from the Oil, Buffer Stock, and Compensatory Financing Facilities or from members' lower quota tranches. Thus as the IMF Executive Board completed the follow-up review of conditionality that had been promised in 1968, there were few changes in policy. The Board provided management with some benchmarks by reaffirming the 1968 calls for modest and uniform conditions, and confirmed past decisions that conditions should not apply in the reserve and first tranches.

Things changed dramatically when private lending to developing countries slowed down after the second oil price increase in late 1979. By mid-1981 75% of outstanding IMF loans were from credit tranches or the Supplemental and Extended Fund Facilities that did carry conditions (Pennant-Rea 1981, 16). The growth in loans and in the complexity of countries' economic situations triggered another procedural change, adding a mid-term review of loans that permitted re-setting the conditions (Polak 1997, 487). This provided some slack, but did not reduce contention over conditions because the upturn in borrowing coincided with the Reagan

Administration's push to inject more supply-side economics into the mix of conditions (Kahler 1990, 43), and the major shareholders' perspectives continued to be influenced by the extent to which their own commercial banks were at risk if a particular country defaulted (Copelovitch 2010, 66-67).

Use of IMF lending dropped in the 1990s (Graph 5.9 on p -), but the number of conditions did not decline in parallel. Even leaving instances when one country was required to accept 20 or more conditions out of the analysis (shown as the alternate mean and standard deviation), the average number of conditions rose between 1980 and 2000.

<< GRAPH 5.10 HERE >>

The rise of "emerging market countries" with large domestic markets and high growth rates altered the conditionality debates in the 1990s. Their greater influence was obvious in adoption of new Conditionality Guidelines in 2002 (IMF Executive Board 2002; also see Taylor 2007, 130-31), which emphasized enhancing borrower government initiative in defining policy measures to be undertaken, fitting policy recommendations and conditions more closely to each borrower's particular circumstances, focusing a reduced number of conditions on major monetary, fiscal, and exchange rate measures, and stating conditions in terms easier to track with objective measures. Conditionality procedures continued to be revised as the decade proceeded, with the 2009 Staff Guidance signaling a major reduction in structural conditions (IMF 2009; also see ch 9).

The general policies establish parameters within which IMF management and staff establish the details of particular loans, meaning the details do very as the general policies change. Since 1979 loans have involved any or all of four types of condition: Performance

Criteria (now called Quantitative Performance Criteria), Indicative Targets, Structural Benchmarks, and Prior Actions.

Performance Criteria are the most numerous and also the most binding because they must be satisfied by a specified date for additional portions of a multiple-stage the loan to be disbursed unless they are explicitly waived. Performance Criteria can be "macroeconomic," in the form of quantitative targets for key payments-related trends like levels of currency reserves, government spending, or government borrowing from foreign creditors, or "structural," in the form of general goals like privatizing state-owned enterprises, removing price controls, or strengthening financial sector regulations.

Indicative Targets specify expectations regarding macroeconomic indicators when conditions are too uncertain to permit specifying clear Performance Criteria more than a few months ahead. Failure to meet an Indicative Target does not shut off additional disbursements of a loan if the borrower is making good efforts. Yet they may also be converted into Performance Criteria later if the IMF believes circumstances warrant. Structural Benchmarks identify particular policy steps that provide markers for assessing implementation of agreed programs (IMF 2012). Prior Actions, measures the borrower government must take to improve its country's financial situation or to revamp its own economic policies, are specified when the IMF regards them as necessary to loan program success (IMF 2005, IMF 2012). These are used only when some particular immediate action is seen as necessary to program success, but are also the most onerous because they must be accomplished before any loan money is disbursed.

Similar contentions to the "country ownership" arguments prominent in the World Bank also reached the IMF in the 1990s. Many outside commentators agreed with borrower complaints the IMF tended to rely on "one size fits all" policies. Even economists with ties to the IMF were urging IMF management to giving borrower governments more say in policy formulation. Some also suggested that "whole country" ownership, not just government ownership, was needed and urged the IMF to include "extensive use of participatory domestic processes" and transparent markers for assessing whether acceptance had a popular base (e.g., Broughton 2006, 4) The IMF did adopt some of this advice in new staff guidance issued in 2008 and 2009 (IMF 2010).

Borrowers sometimes made additional commitments through side letters and oral agreements accompanying their Letter of Intent. Though familiar to borrowers, IMF management and staff, and the IMF Executive Board, the existence of side letters was not publicly acknowledged and they were not mentioned in IMF reporting because they typically covered matters that either the Fund management or the borrower – most often the latter – regarded as conveying information too sensitive to be included in a public Letter of Intent.

The existence of side letters became known outside the IMF during the controversies regarding the quality of IMF advice to borrowers affected by the Asian financial crisis of 1997-98. In 1999 as strenuous criticism of IMF management and staff decisions continued, the Executive Board pressured management into acknowledging the existence of side letters, allowing Executive Directors to see them, and reducing their use. Initial hopes that these changes would be lead to a more general release of information were disappointed. Member governments facing financial challenges still wanted to keep some things out of public view, and believed that anything mentioned in a meeting of the IMF Executive Directors would become public knowledge very quickly (Stone 2011, 70). The net effect of continuing concern among both borrower governments and IMF staff to keep certain information away from speculators was greater reliance on oral agreements.

The periodic program reviews, typically every 4 to 12 months depending on the type of loan, mean that loan conditions are a topic of ongoing conversation between the IMF and the borrower. Each review is an opportunity to reassess the situation and determine how to handle any failures to meet formal Performance Criteria or undertakings expressed in side letters and oral agreements. Though future disbursements can be cancelled if Performance Criteria are not met, IMF management may grant a waiver releasing the borrower from one or more Performance Criteria, extend the deadline for satisfying them, or make a more general adjustment of conditions by cancelling the loan and replacing it with another. Over time, and under borrower pressure, IMF management has become more willing to distinguish between reasons for failure to meet criteria that are within and beyond the borrower government's control.

Overall the trajectory of IMF-borrower discussions of loan conditions resembles that of the parallel discussions in the World Bank. Member countries able to deal with their balance of payments problems with their own reserves or able to get loans elsewhere could be more recalcitrant than borrowers needing IMF assistance. Large and small Western industrial countries plus Japan secured a high degree of independence through their mutual lending arrangements until the 2008 global financial crisis. In 2001 Japan, South Korea, China, and the 10 ASEAN states developed mutual lending arrangements in the Chang Mai Initiative (a second-best after Japanese proposals for an Asian Monetary Fund were thwarted by US and IMF opposition). The Initiative began with commitments for bilateral currency swaps aggregating US$39.9 billion; in 2005 the arrangements were amended to allow for multilateral swaps and commitments of up to about US$70 billion (Buira 2005, 26). However Asian separation is also limited. Under the initial Chang Mai rules, members could secure loans equivalent to 10% of their credit line immediately, but borrowing beyond that required having an IMF-approved loan program in hand. The BRICS also developed a Contingent Reserve Arrangement among themselves. As part of their common currency arrangements, the Eurozone countries had created the equivalent of a regional monetary fund, but it proved insufficient during the 2010 Eurocrisis. The IMF was brought in partly to supply money, partly to provide support for the stiffening of loan conditions that the German government in particular regarded as essential, and partly because the BRICS declined to make direct loans to Eurozone countries (Beattie and Kazmin 2011).

Analysis who have tracked IMF-borrower relations over time have two other influences on IMF decisions about loan conditions. The IMF can be tougher with countries which account for a small portion of world trade since their currency adjustments will have fewer trade-driven effects on other economies (Vreeland 2003, 54) The IMF's own need for income also affect its decisions. It needs to lend to have income, but it must also pay attention to the mix of currencies it is using because of the "remuneration" owed to members whose currency is being used for loans. Members receive remuneration" on most of the 25% of their quota that they pay in with freely usable currencies (international reserves) and on any amount of their own currency over quota the IMF has needed to lend out to other members. This was initially a weak constraint because IMF management had discretion about how much to pay and when to pay it. Management choice of timing was eliminated by the 1969 decision that some amount of remuneration always be paid (First Amendment to the Articles of Agreement --), and ability to set the rate of remuneration limited by a 1978 decision requiring that be at least 80% of the prevailing SDR interest rate (Second Amendment to the Articles of Agreement, --; also see IMF 2000) while the rate of charge on money borrowed was defined as some percentage above the SDT interest rate. These tighter remuneration obligations strengthened the IMF management's incentive to lend and eroded its ability to impose conditions economic good times when few countries need loans. Thus as the number of loans declined in 1968-73 and again in the early 2000s the IMF was unable to press as hard, and it is not surprising that conditionality reviews ended with rules more accommodating of borrower perspectives (Vreeland 2003, 29-33). In 2006-07, with only 6 countries borrowing from the General Resources Account (the 24 least developed borrowing from the concessional facilities generated little interest income), IMF management anticipated running a serious deficit, as can be seen from Graph 5.11.

<< GRAPH 5.11 HERE >>

While the IMF cannot be too tough in generalized hard economic times because avoiding an extended global recession overrides other considerations, but has greater leverage when economic bad times confined to a region or a few countries. Yet even then, counter-pressures limiting IMF actions can arise from any or all of three sources. First, borrowers able to get money elsewhere obviously need not listen to the IMF. Second, developing countries, particularly the least developed, benefit from pressure exerted by advocacy groups insisting that the IMF take account of their particular needs. This has had effect at particular moments. The IMF long resisted forgiving its own loans to highly indebted low income countries, maintaining that relief would set a bad precedent. Yet the Jubilee 2000 campaign succeeded in pressuring reluctant Western governments and the World Bank into accepting the idea and the IMF ended up joining the effort (sources). Finally, demonstrations against IMF loans in borrower countries, which typically protest that IMF involvement will make matters worse for the poor, are a common occurrence and if severe enough help persuade both economic reformers within the target government and the IMF to be less demanding.

The global financial crisis of 2008 supports this notion that IMF toughness with borrowers can be graphed as an inverted-U shaped curve: lower in good times; higher in bad times affecting only some countries or regions that are unable to bring countervailing pressures to bear, and lower again when there is global distress. That does not necessarily mean a reduction in arguments among major countries. This can be seen in responses to the global and Eurozone Crises. They generated need for about $750 billion by 2011, exceeding the capacity of the IMF including its access to additional resources under the GAB and NAB (Truman 2015, 3). G20 summits produced agreement on committing additional funds, with the BRICS tying this to an increase in their IMF quotas and voting power (Katada, Roberts, and Armijo 2017, 415). [need to update, and incorporate Kahler]

Summary

[stuff for possible inclusion

the full evolution and impact of conditionality cannot be understood by treating either donor or borrower governments as identically-organized unitary actors. Among industrial countries, the orientations of the government agency dealing most directly with the World Bank affect how a particular government reacts. Where, as in the USA and Japan, the treasury department or ministry of finance exerts the main influence, the government supports a wider array of conditions; where, as in the UK and the Scandinavian countries, the foreign aid agency is the main link, the government is more sympathetic to arguments for reducing them (Taylor 2007, 143). In developing countries, interaction with the World Bank usually involves a combination of the finance ministry, through which the loan flows, and whatever ministry or agency is undertaking or supervising the project or program being financed. The channels of interaction became thicker and more varied wherever the World Bank had regional or country offices. By the end of 1953, the World Bank had liaison offices in Paris to deal with European countries; in Beirut to deal with Egypt, Iraq, Jordan, Lebanon, and Syria; and in the capitals of Nicaragua, Pakistan, Panama, and Turkey [not India??] (World Bank 1954, xx) and today the Bank has offices in xxx countries. Creation of a Bank Office in Indonesia in 1968n meant that staff interactions with President Suharto's technocrats became extensive, and their impact on headquarters greater because senior staff stationed in Jakarta could report directly to the World Bank president rather than through the Asia and Pacific regional desk (Kapur, Lewis and Webb 1997, 467-71). Similarly, Bank staff dealing with Côte d'Ivoire in the 1980s paid greater attention to their relations with the President as he increasingly centralized decisions in his own office even though this meant weakening relations with ministry personnel (Pégatiénan and Ouayogode 1997, 123).]

Procedural criteria provide stabilization of an authority dynamics by outlining how participants should behave in their respective roles as authority holders or addressees. They help actors holding authority-holder roles act with greater consistency. They help addressees by providing a baseline against which they can assess authority holder performance. When authority holders decide to make exceptions, whether in the direction of leniency or strictness, written procedural rules and widely-understood procedural practices also provide a baseline against which addressees can assess the exceptions and explain why they accept them as reasonable or criticize them as excessive.

While some aspects of procedures develop from the nature of the goal being pursued, others derive from the general type of activity being pursued. A large proportion of the World Bank's and IMF's procedural criteria derive from ideas about how to run financial institutions. The goal of development did affect some World Bank rules, particularly the notion that interest rates should be less than would prevail in private markets to help lower income countries overcome their economic disadvantages and that considerations beyond the purely financial merit inclusion in loan discussions and conditions. Development was less central to the IMF, but did come to affect its procedures through creation of special-purpose Facilities or distinct loan conditions for low income countries.

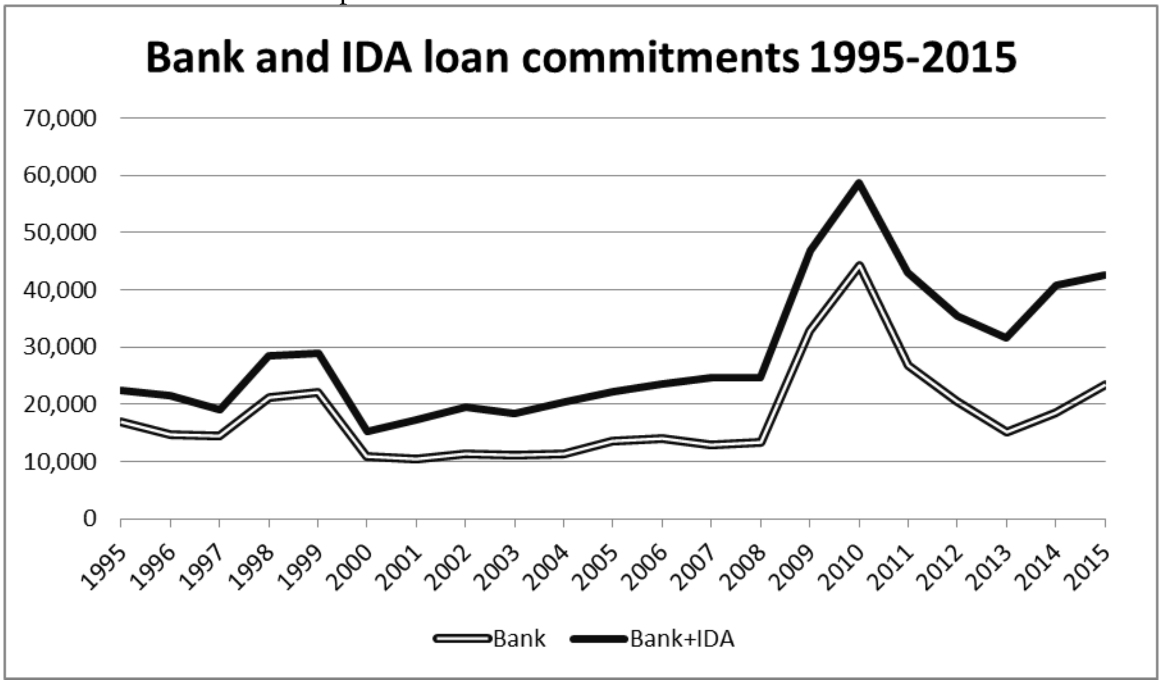
The impact of goals on procedures is more apparent with the World Bank and UNDP than with the IMF. Both the World Bank and UNDP owe their existence to an innovation in thinking about international economic relations that took full form only after World War II. Throughout human history there have been differences between wealthier and less wealthy societies, but a combination of uneven spread of the industrial revolution in the 20th century, better international communications leading to increased awareness of economic differences among countries among larger parts of national populations, and beliefs that economies can be managed through government policies provided the basis for conceptualizing a category of "underdeveloped" (later "less developed" and even later "developing") countries and "economic development" (or "development") as a distinct process and policy goal.

UNDP differs from the World Bank and the IMF in providing technical aid – ensuring cross-border transfers of substantive knowledge and operational know-how by sending skilled persons to a developing country where they help train local nationals – rather than loans. Thus its procedures were geared to a more employment agency-like matching of skilled people with need for their skills. Yet UNDP is equally capable of generating what recipient governments regard as overly complex routines. In the abstract, it might appear relatively easy for a large group of unhappy addressees to secure change since developing countries hold more than 2/3s of the votes in both the UN Economic and Social Council, to which UNDP reports directly, and in the UN General Assembly. However neither body has had enough time to address administrative efficiency on an ongoing basis, so UNDP is characterized by the same dynamic of long periods of drift interrupted by short periods of improvement characterizing the whole UN bureaucracy.

The nature of its programs means that UNDP does not figure in the main procedural controversy, the contentions regarding the number and content of policy conditions attached to loans. The World Bank and the IMF have been at their center because they have been significant sources of financial resources for developing states. The World Bank's more central involvement in development and larger resources for lending create internal momentum favoring lengthy procedures and accumulation of conditions. This momentum was reinforced in the 1970s and 1980s by the strong divergences between World Bank management and staff views on one side and developing country views on the other about the sorts of policies that would best promote development period. It has continued to be strengthened by NGO and transnational advocacy coalition pressures to include environmental and social safeguards. Typically borrowers complain but follow the procedures in place because they have no effective choice if they want the loan. IMF lending, though on a smaller scale, has been the subject of similar controversy that have been even more intense because of perceptions that the IMF is even more stubborn in its insistence on certain policies than the World Bank. Both the World Bank and the IMF must cope with strategic communication: borrowers often agree to conditions they do not intend to fulfill to get the loan. Bank and IMF management were aware of the problem, and developed responses as they experienced it. Yet these dynamics are influenced much less by the procedural criteria than by debates about area and efficacy criteria, and the degree of similarity or difference between World Bank or IMF views regarding development and borrower government preferences of national development policy. Thus these interactions are more adequately assessed as part of the debates about relevance and efficacy addressed in chapters 7 and 8.

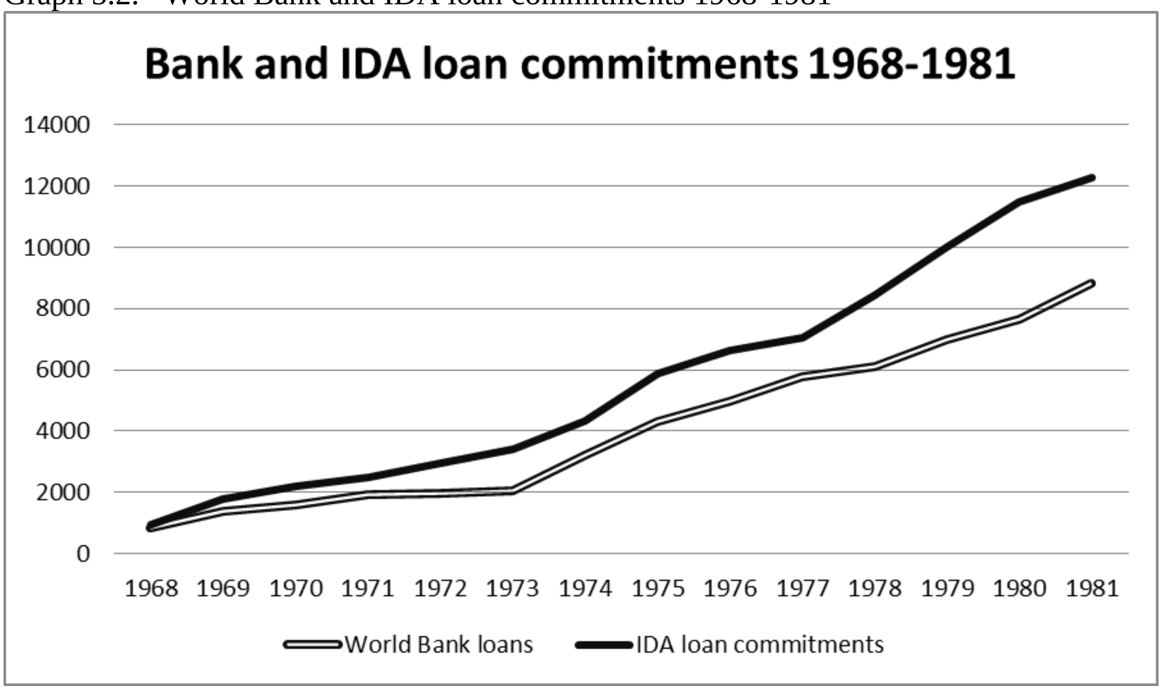
While the World Bank and UNDP have needed to engage in fairly constant procedural evolution, the IMF had to cope with the ultimate in addressee reaction to procedures: the US decision to overturn the par value system rather than accept the economic policy constraints required to maintain its exchange rates within a narrow band of the par value. The IMF was able to survive the experience because US policy goals were focused on rules for determining exchange rates, not on ending currency convertibility or de-linking from the international economy. In terms of the analysis here, US government behavior involved rejection of particular rules, not of the whole authority relationship. As the parameters of the new exchange rate regime emerged in the mid-1970s, The IMF Board and management responded with changes in IMF procedural rules fitting the new situation.

Graph 5.1. Bank and IDA total loan commitments 1947-2015



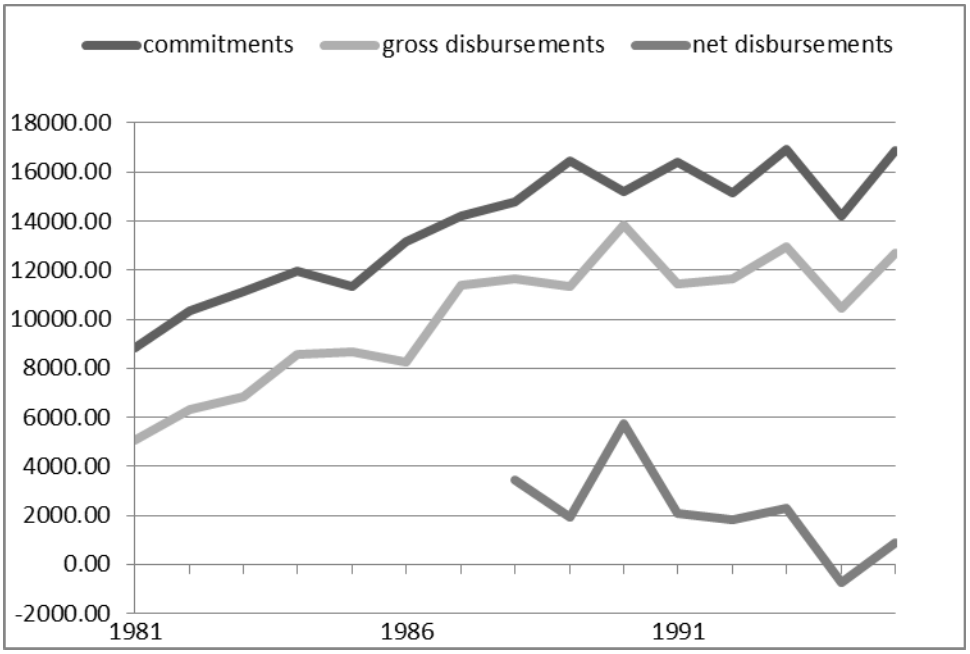
Source: World Bank *Annual Report*, Table summarizing operations

Graph 5.2. World Bank and IDA loan commitments 1968-1981



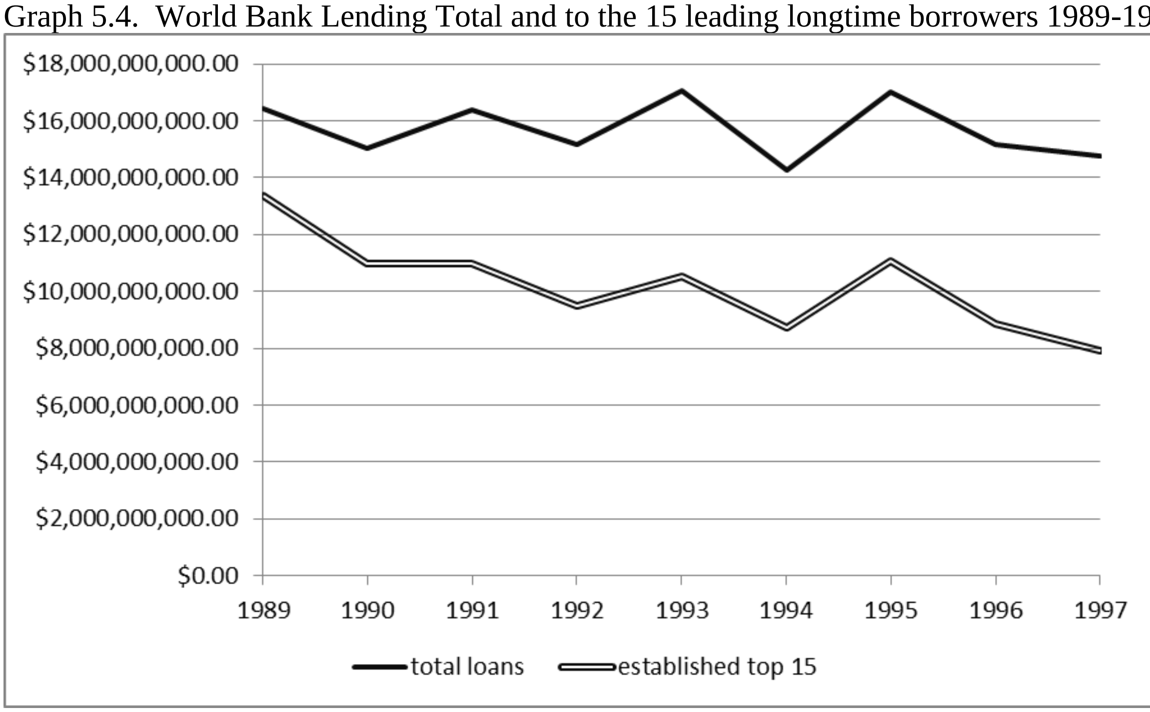
Source: World Bank loan data

Graph 5.3. World Bank annual loan commitments and disbursements 1981-1995



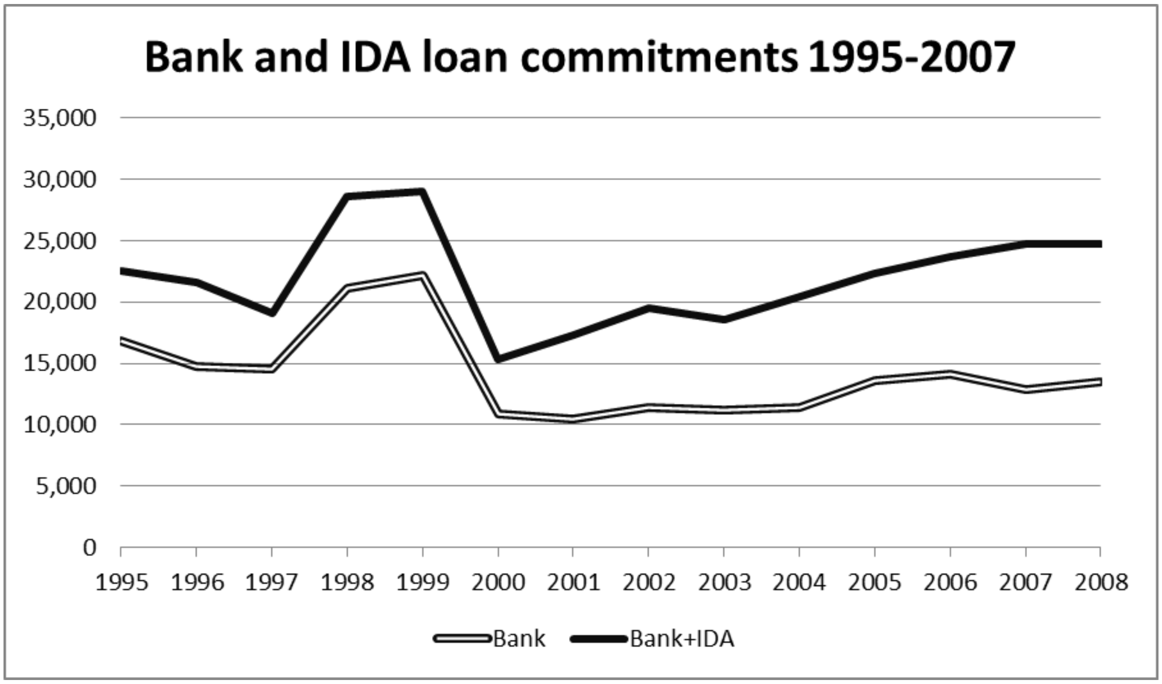
Source: World Bank *Annual Reports* 1981-95

Graph 5.4. World Bank Lending Total and to the 15 leading longtime borrowers 1989-1997



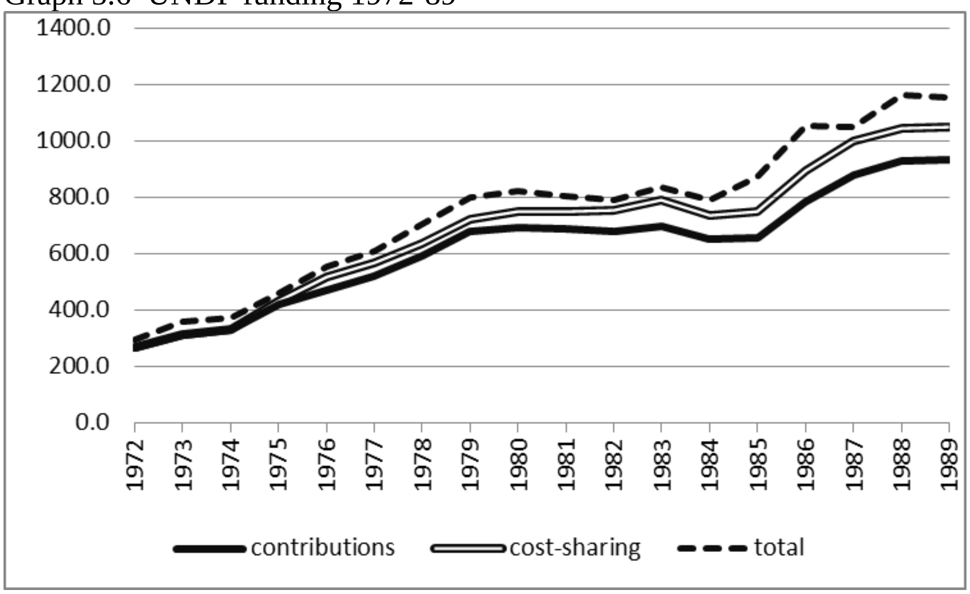
Source: Compiled from World Bank loan data]

Graph 5.5 Total World Bank and IDA loan commitments 1995-2007



Source: Compiled from World Bank loan data

Graph 5.6 UNDP funding 1972-89

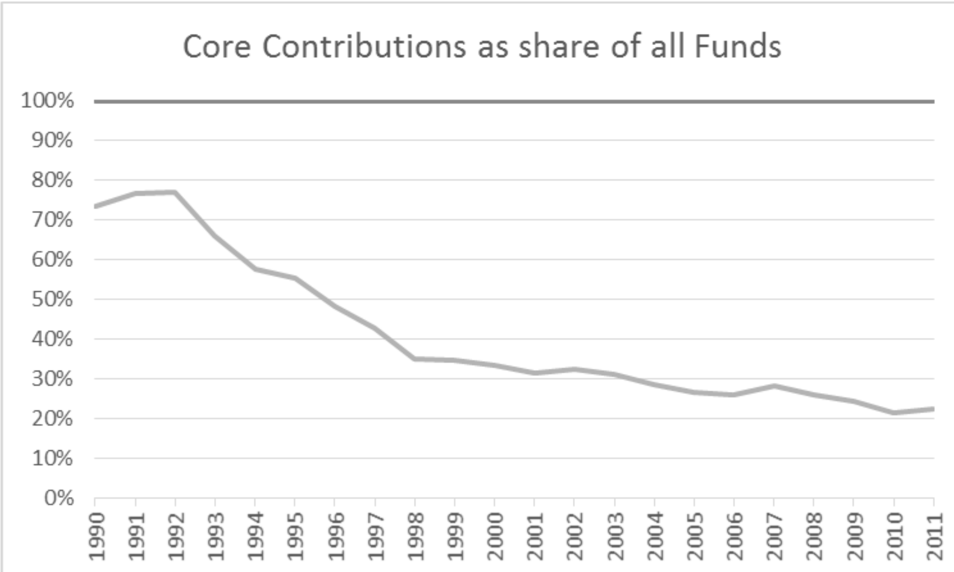


source: Annual Report of the Administrator 1972-1989

year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
WB	35	38	33	26	35	28	33	27	19	19	11	11	10
IDA	31	32	21	18	32	20	22	16	17	12	12	13	12

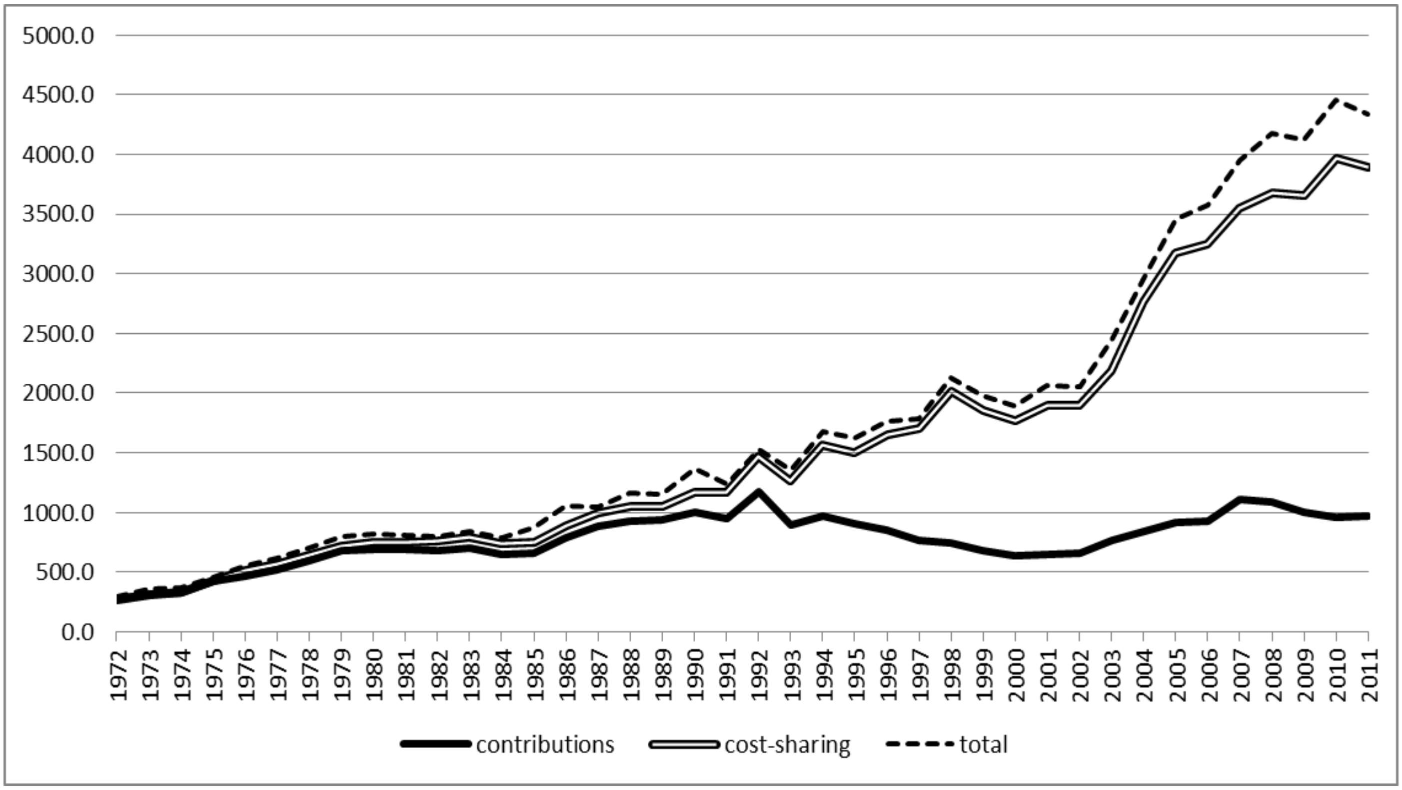
Source: World Bank 2007, p. 5

Graph 5.7. UNDP “core contributions” and other funds 1990-2011.



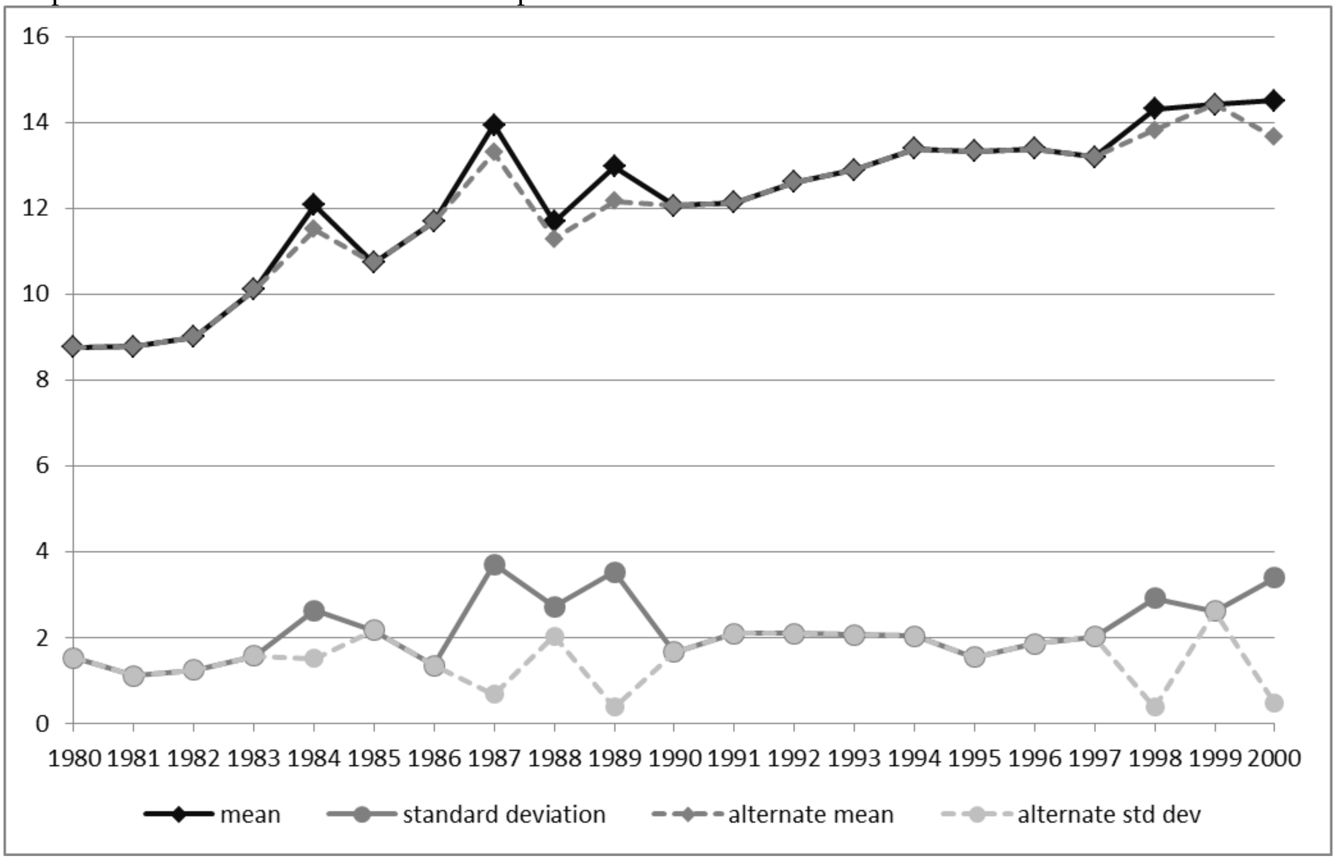
Sources: Annual Report of the Administrator 1993, Statistical Annex, Doc. DP/1993/10/Add.2 (12 May 1993), p. 9 (data for 1983-1992); Annual Report of the Administrator 2003, Statistical Annex, Doc. DP/2003/11/Add.2 (5 June 2003), p. 8 (data for 1993-2002); and Annual Report of the Administrator, Statistical Annex, Doc. DP/2012/7/Add.2 (24 May 2012), p. 8 (data for 2003-2011).

Graph 5.8 UNDP core contributions, cost-sharing, and other funds (US$ millions)



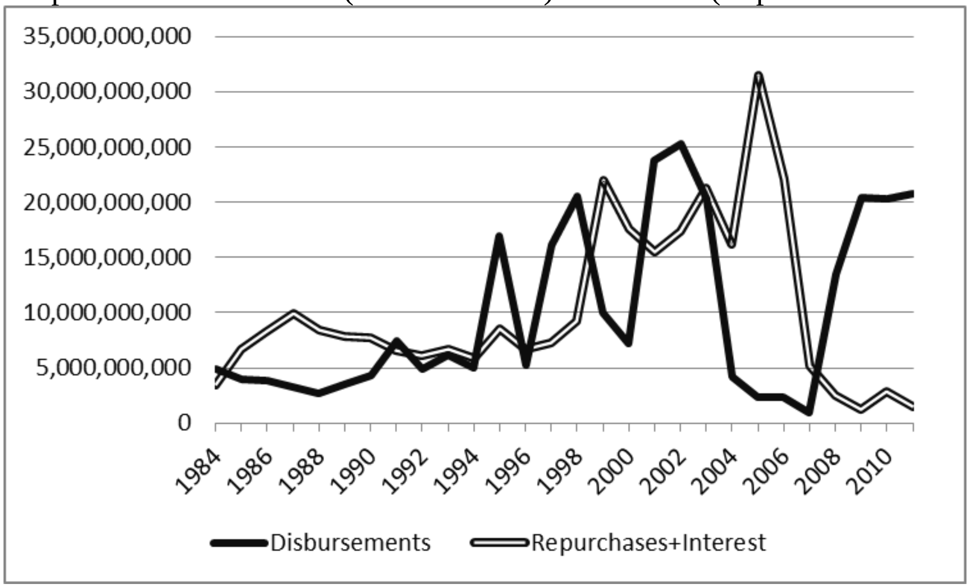
Sources: Annual Report of the Administrator 1981, Doc.DP/1982/6.Add.1 (5 May 1982), p. ii (data for 1972); Annual Report of the Administrator 1982, Doc DR/1983/6/Add.1 (9 May 1983), p ii (data for 1973-1982); 1983-92: Annual Report of the Administrator 1993, Statistical Annex, Doc. DP/1993/10/Add.2 (12 May 1993), p. 9 (data for 1983-1992); Annual Report of the Administrator 2003, Statistical Annex, Doc. DP/2003/11/Add.2 (5 June 2003), p. 8 (data for 1993-2002); and Annual Report of the Administrator, Statistical Annex, Doc. DP/2012/7/Add.2 (24 May 2012), p. 8 (data for 2003-2011).

Graph 5.10 Number of IMF conditions per loan 1980-2000



Source: Number of conditions from Nelson 2014 replication data files; calculations by author.

Graph 5.11 IMF Outflow (Disbursements) and Inflow (Repurchases + Interest), 1984-2011



AFTER CREATION: PART 6 – AREA CRITERIA

Area criteria define the substantive issues or problems on which the authority relationship is focused. The broad outlines of the area criteria derive from the goal being pursued, but the details are worked out in practice as authority holders and addressees refine their understanding of the goals, learn more about how to pursue them, or react to changing conditions, widely-shared ideas, or technologies providing new ways to proceed. For example, governments interested in promoting economic activity generally regard providing an effective transportation system as essential to that goal. However the physical facilities needed for effective transportation have changed considerably. 18th century governments were mainly concerned with roads and canals inland, and with ports and lighthouses along the seacoast. Late 19th century governments added railways, passenger stations, freight yards, and urban light rail systems to the mix. By 1950 superhighways, urban bus systems, bus stations, and airports were also added.

Wide agreement on area criteria help stabilize an authority relationship in two ways. First, agreed area criteria help authority-holders and addressees coordinate more effectively by suggesting the types of activity needed to attain the goals. Second, they establish limits on authority-holder control over addressees by delimiting the substantive topics on which instructions will be given. Thus they define the “area of acceptance” (Simon 1976, 131 and 133) within which the addressees are receptive to instructions.

The content of area criteria depend on the specificity of the goal, the state of knowledge about how to attain it, and technologies available for pursuing it. Though promoting development has been the basic goal of both the World Bank throughout its existence, widely shared beliefs about what sets of activities lead to development have changed considerably over the decades. The organization's intergovernmental supervisory bodies, managements, and staffs in their roles as authority-holders; the governments of member states in their role as addressees; and actors like NGO advocacy coalitions or academic specialists providing comments from outside the authority relationship have all engaged in continuous arguing about area criteria. The resulting shifts in widely-shared definitions of the area inspired adjustments in World Bank activity.

The area criteria defining IMF relations with member governments shifted significantly in the 1970s for two reasons. First, the basic conception of how to best organize cross-border money transactions was transformed in the mid-1970s as the initial Bretton Woods system of fixed par values was replaced with various forms of floating exchange rates. Second, a roughly contemporaneous shift in borrower clientele as governments of developing countries became the primary users of IMF financing led to serious debate about how far and in what ways the IMF and member governments should take account of differences in industrial and developing country economic situations in the course of IMF activity. They expanded again after 2008 as financial sector crises were distinguished from balance-of-payments or debt service problems and more attention paid to government regulation of private financial firms.

The World Bank: Fostering Development

The widespread attention given to development by academic economists, NGOs, and social movements means that the authority relationships between the World Bank and its member states exist "out in the open" where other entities can see the interactions and results of the relationship, and have opportunities to try influencing the area criteria that guide interaction within it.

Three primary areas of activity are explicitly mentioned in the World Bank Articles of Agreement and other formal rules: 1) acting as a financial intermediary between private investors and borrower governments, 2) operating through the IDA as a development agency transferring funds from industrial to developing states, and 3) providing knowledge and advice that leads governments, particularly those of developing countries, to adopt more effective paths to development. These three are accepted by all Bank members, even those invoking different definitions of "development," in their complaints about particular World Bank Executive Board, management, or staff decisions and actions.

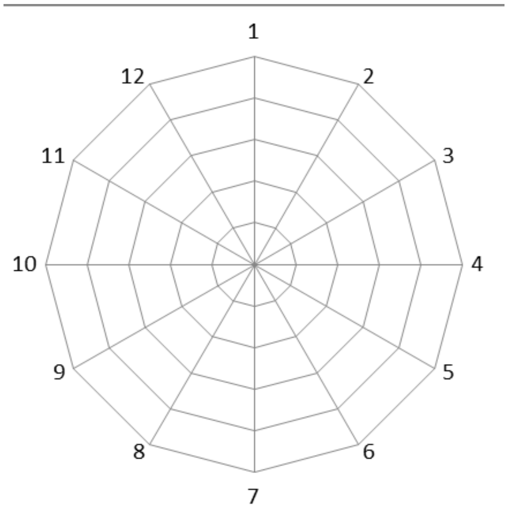
A fourth World Bank activity, advancing the form of international economy preferred by the largest shareholders, would have occurred in any event, but the exact features of that form emerged from the political realities produced by the sources of funds and the distribution of voting power among the Bank's Executive Directors and Board of Governors. It has never been explicitly acknowledged by Bank management, but is visible and has inspired considerable criticism by outside observers and member governments preferring different ways of organizing the international economy.

Development has proceeded sufficiently slowly to inspire several rounds of rethinking since 1945. The usual result has been identification of additional areas of activity and policy that need attention, particularly as broader sociological theory about social transformation began to supplement economy-focused thinking. Neither economists in general nor specialists in the subdiscipline of development economics form an epistemic community (Haas 1992) capable of shaping policy debates by providing a combination of well-proven and agreed scientific explanations of the phenomena that need to be managed and clear identification of the activities needed to produce the desired results. Lack of a consensual knowledge base for identifying area criteria has meant that debates about development have featured disjointed waves of new ideas that often appear to be a succession of “development fads” (e.g., Naim 2000, 505; Gallagher, Irwin and Koleski 2012, 1). Looking back on his own career, Jack I. Stone, a development economist who was UNDP’s Director of Research in 1970-77, observed that “You [had] to adjust your vocabulary every decade to the new buzzwords” (quoted in Weiss and others 2005, 408).

The contentions over area criteria can be traced by regarding them as efforts to define the relative amounts of attention that should be given to 12 topics that can be organized with four main areas. The first are *economic goals* of 1) GDP growth, 2) structural change as different sectors of the economy become more or less significant, and 3) economic policy independence. The second are *political goals* of 4) national self-determination, 5) enhanced administrative capacity, and 6) democratization. The third are *social goals* of 7) poverty reduction, 8) equal opportunity/nondiscrimination, and 9) human development. The fourth and most recent are *environmental goals* of 10) pollution reduction/avoidance, 11) ecologically sound resource management, and 12) sustainability (Degnbol-Martinussen and Engberg-Pedersen 2003, 36; Dore 1990, 355-356 provides a similar view of the first three).

Among the multilateral agencies dealing with development, the World Bank and UNDP are the most consistently active participants in debates about what activity will best promote development. Their management and staff express views in a variety of ways, including their organization's annual reports, their annual summaries of development progress and concerns (the World Bank's *World Development Report* and UNDP's *Human Development Report*) prepared for broader audiences since about 1990, their researchers' reports and papers, and their websites. Despite disclaimers that the contents do not necessarily reflect the organization's views, the *WDR*s and *HDR*s are generally regarded as broadly indicating organizational priorities. Though far shorter, the introductory portions of each organization's annual report are direct expressions of the "official" organizational view since they are prepared by the organization's managers to inform member governments and interested publics about the organization's activity.

Changes in the content of these introductions over time can be used to trace changing organizational senses of needed activity, as well as identifying some differences that illuminate the World Bank's positions better than looking at its reports alone. The shifts can be presented visually with star charts having 12 points corresponding to the Degnbol-Martinussen and Engberg-Pedersen topics (fuller discussion in Peterson 2018):



1 = GDP Growth
2 = structural change
3 = economic policy independence
4 = self-determination
5 = enhanced administrative capacity
6 = democratization
7 = poverty reduction
8 = equal opportunity
9 = human development
10 = pollution reduction
11 = ecologically sound resource mgt
12 = sustainability

Figure 3.1 Star Chart and axis labels

Another indication providing some insight into the shared priorities of borrower governments and World Bank management comes from the World Bank's sectoral classification of approved loans. While Bank management can encourage or discourage loans in particular sectors, borrower governments can also choose which loans to take, as will be discussed further in chapters 4 and 5. The mix of loans can thus be viewed as produced jointly.

Closing Financial Gaps

At the World Bank's founding in 1944, fostering development was closely identified with providing external funds for investment. Shortage of capital – particularly the funds in internationally-accepted currencies like the US dollar, British pound, or Swiss franc needed to import capital equipment, technological know-how, and industrial products not (yet) made within the country – was regarded as the primary obstacle to starting the development process. This was reflected in the general portions of early World Bank reports, which referred almost exclusively to problems of increasing investment.

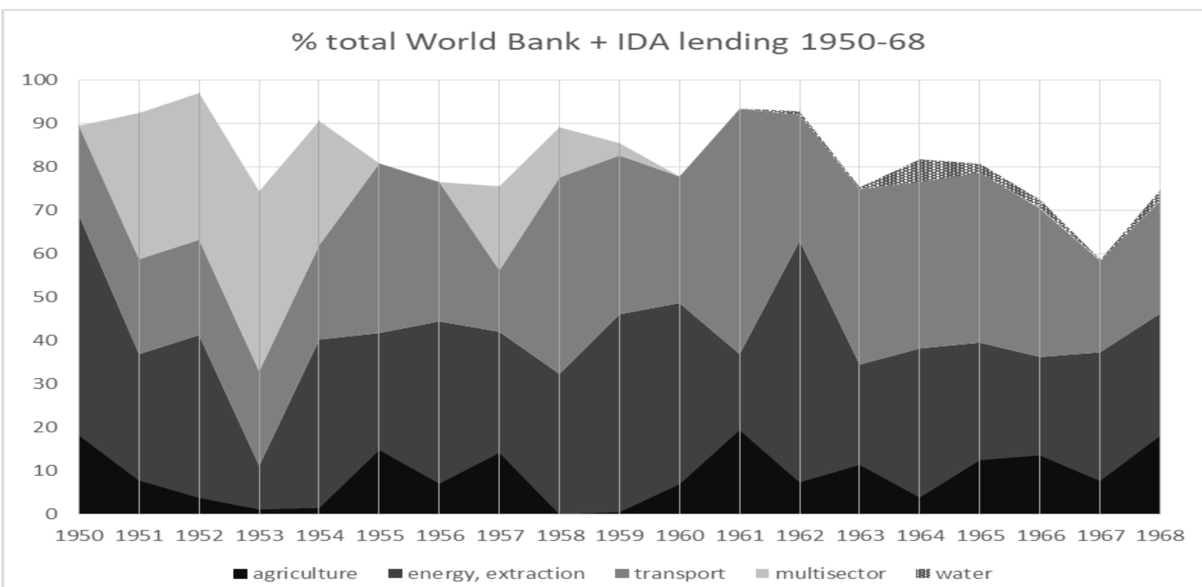
This emphasis on filling the gap in finance for capital investments was shared across the political spectrum. Advocates of central planning argued that their approach would ensure the most rational application of investment funds to development needs. Advocates of mixed and market economies differed on who – government agencies or private firms – should allocate the capital in what sector of the economy, but agreed that countries without significant domestic industry faced ongoing capital shortage.

This conception of capital shortage as the primary hindrance to development foregrounded the work of financial intermediaries. Thus the World Bank initially defined itself as a public sector financial institution meant to overcome the local capital deficit and other conditions making it difficult for developing countries to attract foreign financing. It would use its own capital, provided by the member countries, to leverage sales of World Bank bonds to private investors in wealthy countries, and then use that money to provide loans to countries lacking good enough credit reputations to borrow in their own names.

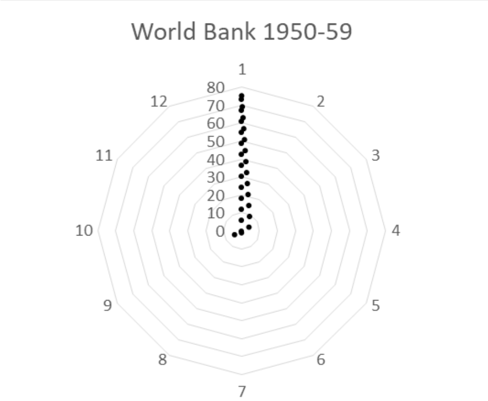
In the late 1940s and early 1950s, the World Bank did not yet have much market standing and most US private investors (the primary source of foreign investment funds at the time) remained reluctant to buy foreign government bond issues (noted by Hoffman 1973, 13). It provided capital to the borrower by lending a portion of the money needed for a project from its own funds and giving guarantees on investments to raise the rest from private investor. Management's efforts to build the Bank's financial standing led to securing the top AAA bond rating in 1959, which allowed it to borrow at the lowest interest rates prevailing in private capital markets and thereby expand its own operations. This was at a time when the borrowers had shifted from being a mix of governments engaged in postwar reconstruction and governments needing capital to jumpstart industrialization to an all-developing country group (Camps 1981, 298 and note 37).

The strength and nature of the World Bank's self-image as an intergovernmental financial intermediary were revealed in two management decisions taken during the early and mid-1950s. In 1952 Bank President Eugene Black abolished the Economics

Department, which had provided in-house research capacity, because he saw no need for it. In 1956 the Bank spun off its investment guarantee function to a separate entity, the International Finance Corporation, to provide guarantees on loans to private enterprises in developing countries. This brought Bank operations into line the views of senior management, – particularly vice president Robert Gorham – that a multilateral organization, like a single government, should provide development finance only for government projects (Oliver 1975, 239-40). A form of collaboration with private investors, in which they took the earlier-maturing portions of a government bond issue while the World Bank took the later-maturing portions, continued until about 1960 *(Einhorn 1979,).

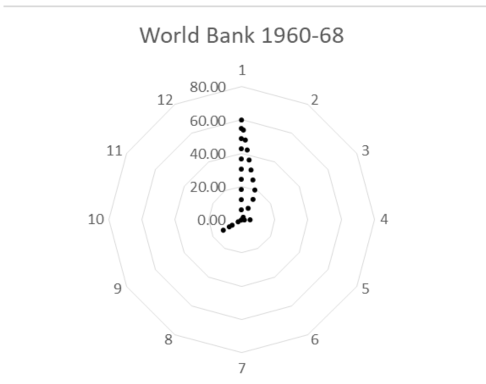


Its emphasis on overcoming international capital market hesitations regarding investment in developing countries meant that the World Bank concentrated its lending on projects with longer time horizons than private lenders were willing to finance, or for which private investors would charge higher interest rates than the borrowing country involved could afford. The majority of World Bank and IDA lending was concentrated on financing large physical infrastructure projects like highways, ports, railroads, dams, and electrical grids (Heilbroner 1956, 20; Kapur 2002, 56), where the direct economic rationale was obvious. This orientation was also evident in the overview sections of the World Bank Annual Reports, which focused almost completely on economic growth.



Yet even in the early 1950s, World Bank management acknowledged that financial gaps were not the only obstacle to development. A lengthy note in the 1953 Annual Report presenting the rationale for encouraging developing countries to establish national planning commissions to promote more coherent investment allocations across the national economy as a whole noted various institutional, political, and societal obstacles to development (World Bank 1953, 9-13).

UNDP focused on developing countries' gaps in local technical capacity. From the moment of its establishment in 1966 UNDP justified this focus by its vision of development as directed towards improving the lives of ordinary people through transfers of skills and resources. In practice, its activity complemented the prevailing emphasis on providing capital for projects. Most of its technical aid was focused on increasing local capacities to design and run projects while its assistance with pre-investment studies helped governments secure financing for those projects from the World Bank, IDA, or other sources.



By the mid-1960s, the volume of capital and capacity transfers to developing countries became the subject of explicit discussion. Developing country presence in the UN increased from the 62% of the original membership in 1945 to 67% in 1960, and to *xx% in 1970 as decolonization accelerated (calculated from Peterson 2005, Table 3.1, p. 45). Organized for economic issues into the Group of 77, developing country governments were keenly interested in using the United Nations as a vehicle for securing more technical aid and financial flows. Western governments accepted certain expansions of UN activity by merging earlier agencies into UNDP, but resisted G-77 desires to establish a large capital fund run through the UN (Lewis and Kapur 1973, 4-6). This was revealed in rejection of the G77's most ambitious proposals, such as the UN Second Development Decade goals of providing aid sufficient to ensure a 6% GDP growth in developing countries, or providing an annual transfer of 1% of their GDP to developing countries through official development aid with 70% of it channeled through multilateral institutions (UN General Assembly Resolution 2626 [XXV] of 1970).

Western governments were particularly leery of G77 proposals to funnel significant financial resources through programs run by the UN General Assembly because if developed countries all voted together, they could muster the 2/3s majority needed to adopt budget items at the UN. Thus G77 proposals to create a UN capital fund for countries too poor to borrow even from the existing multilateral development banks, inspired the G10 to seek an alternative in which they could control the financial commitments through periodic negotiated contributions. World Bank management was initially unenthusiastic; it worried that managing a financial intermediary financed through periodic replenishment of grant money would reduce its autonomy from governments (Kapur, Lewis, and Webb 1997, 1120) and might threaten the World Bank's AAA credit rating in international bond markets. Yet it also realized that a large UN capital fund would be a significant competitor. This led the World Bank to create another distinct entity, the International Development Association (IDA), in 1960. It had a separate founding treaty (the IDA Articles of Agreement), membership, and distribution of shares (which also meant a different allocation of votes), with the World Bank's management in charge of its operations. Meanwhile UNDP and other UN agencies acquired some modest additional funds to increase their provision of technical assistance (Browne 2013, 13).

Growth and Income Distribution

By the late 1950s even the most market-oriented economists were beginning to realize that fostering development required more than providing additional financial resources to capital-scarce countries. One reason for the change was realization that specific projects would promote development only if sufficiently skilled and educated managers and workers were available. Another, coming from academic economists, was the proposition that industrialization-related economic growth is correlated with increasing inequality of income and wealth, either temporarily (e.g., Kuznets 1955 and 1963) or for a lengthy period (e.g., Kaldor 1958). Socialist economists were sure that market-based economic growth caused this widening of inequality as industrialization led to the same worker-owner class struggle existing in the already-industrial economies. Others debated whether attaining growth required, facilitated, or had no consistent relation with, increased income inequality.

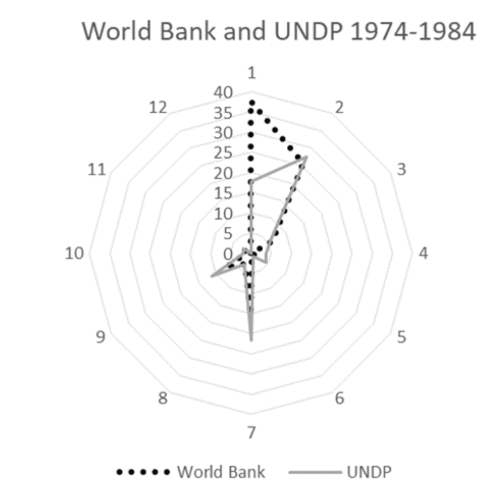
These discussions pointed up the need for additional research and the advantages to be gained from closer looks at actual development experience. The World Bank re-established in-house research in the mid-1960s and quickly developed a significant research capacity (Oliver 1975, 275). Several UN agencies contributed to economists' and policy experts' debates about the determinants of growth and inequality. The World Bank's first contribution to the growth debate was the *Redistribution with Growth* (Chenery and others, 1973) study led by Vice President for Development Hollis Chenery. It concluded that growth by itself does not affect poverty, and that effective poverty-reduction strategies can be formulated only by going beyond then-prevailing forms of economic analysis. Yet *Redistribution with Growth* did not present a consensus conclusion about the relation between rates of GDP growth and changes in the extent of poverty. A number of later studies suggested that there was no consistent relation between GDP growth or decline and increases or decreases of inequality (Ahluwalia 1976; Morawitz 1977; Fields 1980), creating more space for considering different mixes of growth-enhancing and poverty-reducing policies.

Even so, *Redistribution with Growth* was important in the evolution of official development discourse because it made visible a shift in Bank thinking that had been underway since the mid-1960s (Woods 2006, 44). Managing IDA contributed to this change by bringing Bank management and staff into more direct awareness of economic conditions in low income countries than had been gained from work on the usual World Bank project loans (Kapur 2006, 56). The shift was reinforced when Robert McNamara became president. The World Bank began financing more projects focused on aiding the rural poor (explained in *Rural Development* 1973), supporting extension of family planning services, and paying more attention to urban poverty. It also began trying out new modalities of program lending.

Together, IDA lending and McNamara's strong emphasis on poverty reduction raised the prominence of the development agency aspect of World Bank work. This change did not elicit shareholder opposition at the time, or even after immediately after the 1973 oil price led to recession in most of the industrial countries. The economic neoliberal ideas beginning to spread among Western academic economists had not yet diffused sufficiently to Western government policy-making circles to weaken the broad consensus on the usefulness of development assistance (Moulton 1978, 1020).

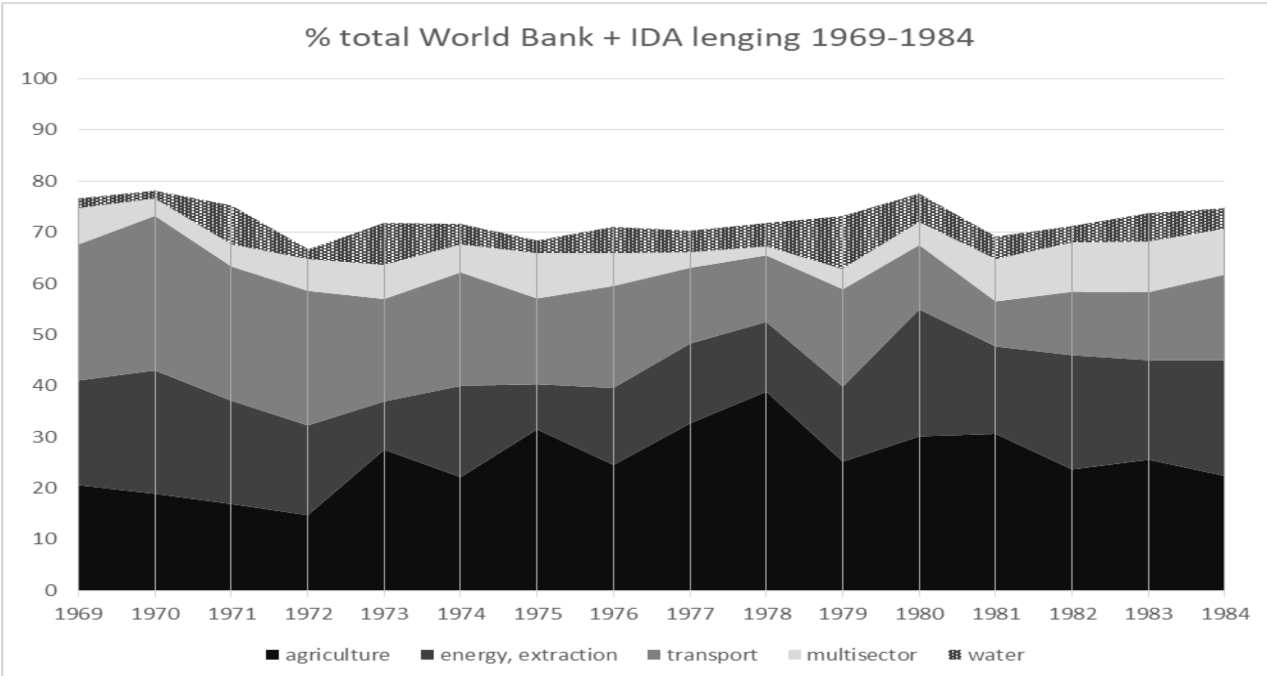
Meanwhile, UNDP's positions were perceived as more clearly guided by ideas that aid should be directed primarily towards promoting social and human development rather than economic growth *per se* (e.g., Ohman 1973, 27). They also seemed closer to G77 views that each state should choose its own path expressed in the Final Act of the first UN Conference on Trade and Development in 1964 (UNCTAD 1964), UN General Assembly Resolution 2626 (XXV) of 1970 defining the goals of the Second UN Development Decade, or UN General Assembly Resolution 2625 (XXV) on Principles of International Law concerning Friendly Relations and Cooperation among States in accordance with the Charter of the United Nations.

In this period World Bank and UNDP annual summaries began addressing poverty alleviation (radius 7) and human development-related topics (radius 9). UNDP gave them somewhat more prominence than did the World Bank while focusing less on economic growth.



However UNDP did not elaborate a distinct vision of development at this time. The most cogent UN agency challenge to economic growth-centered development ideas appeared in the International Labor Organization's 1976 report on *Employment, Growth, and Basic Needs: a One-World Problem* (St. Clair 2004, 183). The concept of meeting "basic needs" already being discussed among development economists (e.g. Haq 1971) provided a different way to think about development by focusing on the economic prospects of households and individuals rather than the national macroeconomic aggregate.

The distribution of World Bank and IDA lending among various economic sectors reflected these new concerns. The share of lending focused on agriculture and rural

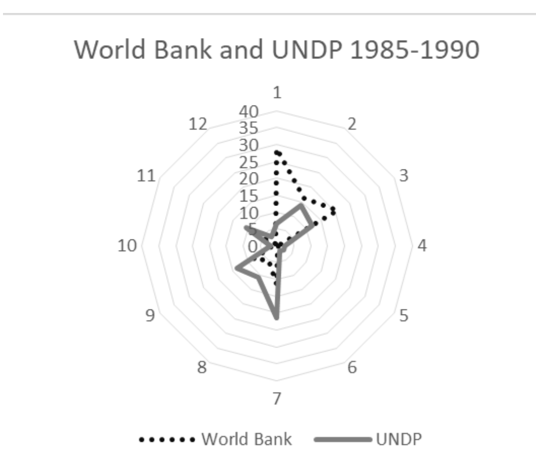


development increased, multisector lending resumed, and a modest beginning of lending for health (in this period mainly birth control) and social programs appeared.

The push within the G77 to maintain a unified coalition at the UN obscured the significant differences between the needs of African countries and others. Most African countries were much less urbanized, more heavily agricultural, and had far less industry than other developing countries. Even in early 1970s some analysts were arguing that satisfying the typical NIEO demands for encouraging local industry, easier access to industrial country markets for agricultural as well as industrial goods, technology transfer, and controlling multinational corporations would have little benefit for African economies (e.g., Ghai 1971; Gosovic 1972; Grieve and Shaw 1972; Arnold 1980). Some said explicitly that focusing on provision of basic needs would be more helpful to African countries than the overall NIEO program (e.g., Ghai 1971, 279; Arnold 1980, 304).

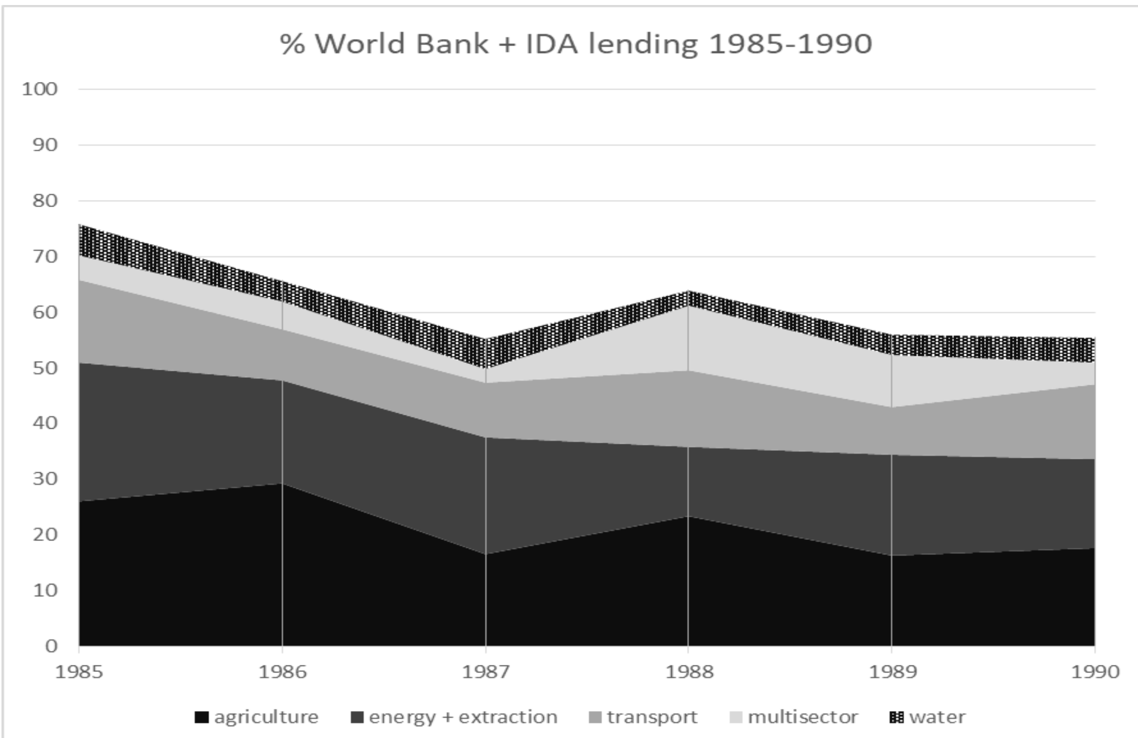
Developing policy advice for implementing a basic needs approach proved more complicated for lack of good ways to assess whether basic needs are or are not being met. The ILO report suggested focusing on individuals' and households' access to a defined set of necessities – including water, food, shelter, clothing, education, and healthcare. However, that would require household survey data that did not exist at the time (Hicks and Streeten 1978), though was developed later (Fields 2001, 98-99). UNDP did try to formulate "basic needs" in quantifiable economic terms in *UNDP: Why What How Where* (1977), but its effort was also hobbled by lack of needed data. Thus ILO report had little impact on development discussions even before they became dominated by problems of developing country public debt.

Yet notions of measuring progress in development by improvement in the conditions of ordinary people did not disappear. By the time UNICEF's emphatic critique of neoliberal-inspired development policies, *Adjustment with a Human Face* (Cornea, Stewart, and Jolly 1987) was published, the World Bank was undergoing another internal change. Investment banker A.W. Clausen, who had succeeded McNamara in 1981 and shared the Reagan administration's views on development, had been succeeded in turn by former US Congressman Barber Conable. Conable's



economic thinking was not neoliberal and he encouraged reviving concern with poverty alleviation. Though some senior managers thought that a separate emphasis on poverty was unnecessary, (Kanbur and Vines 2000, 98), many staff members were happy to see it reemerge. Even with this change, reflected in the increasing number of references to poverty problems appearing in World Bank annual reports (axis 7 on the star chart) in the second half of the decade, UNDP was clearly placing greater emphasis on both poverty alleviation and social concerns that the World Bank.

This change in emphasis was reflected in the sectoral distribution of World Bank and IDA loans. While physical infrastructure projects remained significant, loans were also supporting education, health and social programs, and urban development.



In mid 1980s, third world country public debt problems dominated debate about area criteria. After a long process of discussion and negotiations (Langoni 1987 gives a Latin American perspective;), ad hoc single country settlements were replaced by a common template, derived from the US government's Brady Plan, that outlined simultaneous actions to be taken by industrial state governments, international financial institutions, commercial banks, and debtor developing country governments. Governments traded old loans for new bonds carrying lower interest rates while bank concerns about their own balance sheets value were addressed by changes in regulations allowing them to list the bonds at market (current selling price) rather than face value (Petersmann 1988, 42-46).

The Brady Plan affected World Bank area criteria by temporarily increasing the weight of its financial intermediary role relative to its development agency role. Both World Bank management and borrowers agreed on the desirability of program lending that could be arranged more quickly than the 3-4 years generally needed to move from proposed project to disbursement of loan money, but each had concerns about how program lending would proceed. Borrowers were very leery of having additional conditions put on these loans, as discussed in chapter 4. The Group of 24 emphasized the need for simultaneous reduction of debts and increase in development assistance (e.g., G24, 1985, par 7-9 and 16-18; G24, 1987, par 13-14 and 45-52). World Bank management wanted to limit borrower ability to use World Bank or IDA money to bridge immediate balance of payments problems rather than finance longer-term development. Both sides' concerns were addressed by limiting program lending initially to 10% (Hoguet 1983, 319) and then to 25% (World Bank 1989, quoted in Narasimhan 1989, 30) of the loan amounts flowing to each borrower country.

However this and other efforts to separate Bank and IDA loans from balance-of-payments support were only partly successful; not only because money is fungible but also because Bank loans were denominated in major currencies, and provided governments facing balance-of-payments crunches with currencies needed to pay for imports. This kept them interested in World Bank and IDA loans even when borrowing from the Bank was not the cheapest way of getting those currencies (Hoguet 1983, 318). The increased emphasis on financial intermediation was also reflected in a temporary return to co-financing with private investors through linked "A" and "B" loans in 1975-85. About 58% of these arrangements helped governments not needing to reschedule their debt secure longer maturities or lower interest rates from private lenders. The rest were either part of a debt rescheduling agreement or helped avert a likely debt rescheduling (Purcel and Miller 1986, 120-22).

At the same time, The World Bank was coming under intensified criticism by outside actors. One stream involved controversies about the environmental and social effects of some mammoth infrastructure projects stemmed from vehement criticism by external actors including UN agencies, professional economists, NGOs, and social movements. Some major borrower governments were very unhappy about addition of loan conditions regarding environmental protection or reduction of social dislocations and began looking elsewhere for infrastructure finance. The other involved the general direction of World Bank activity, which came to be identified with economic neoliberalism. Marxist and other leftwing criticism of the World Bank as an agent of imposing brutal forms of capitalist economics on developing countries was not new; Theresa Hayter's *Aid as Imperialism* (1971) had reached a fairly large audience in the West. However such criticisms – and counters to them – were particularly sharp in the 1980s because everyone involved realized that the basic policy orientations of developing countries was at stake in these debates.

Human Capacities

Though extreme forms of leaving markets alone that fully merit the characterization "neoliberal" were followed for a time in the USA and the UK, they won little acceptance in Europe or Japan, developing countries, the communities of development economists, or activist groups. Even the development economists advocating less reliance on state-owned enterprises and planning agreed that even countries with market-oriented private enterprise economy needed to pay attention the social aspects of development. "Social aspects" initially denoted arguments that the level of education, skill, and energy of the workforce also matter for development. In the course of the 1980s the category expanded to include the effects of poverty itself and the negative impact of many major infrastructure projects and other elements of industrialization on traditionally marginalized social groups including ethnic minorities, indigenous peoples, and women received more attention. Demands for greater attention to the negative social impacts of development projects were clearly at the center of environmentalists' and others' campaigns against the World Bank's participation in financing major infrastructure projects displacing local populations (part 6, *p -).

The World Bank's first explicit reference to "social dimensions" was part of its reaction to the rising external criticism of structural adjustment lending. In 1987 it joined with UNDP and the African Development Bank in sponsoring a study on "social dimensions of adjustment." The results began affecting Bank and IDA lending the following year (World Bank 1996). Many on the left regarded this as an attempt to put an acceptable mask on largely unchanged structural adjustment policies, and some other UN agencies were unhappy that UNDP participated in the study (Browne 2013, 42).

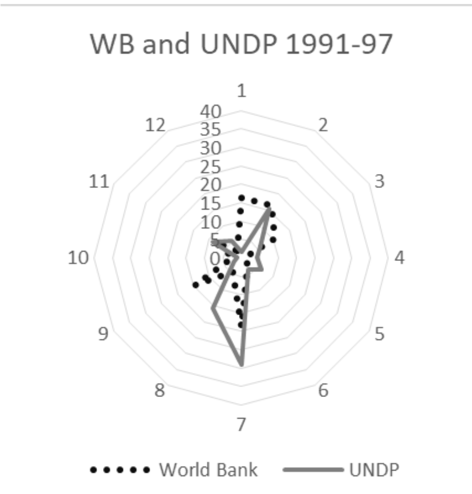
Within the Bank, a combination of three impulses – Western government acceptance of environmentalist demands that the World Bank not support environmentally-destructive large projects, Bank staff desire to continue lending, and borrower interest in continuing to get loans converged to support lending for social programs. Though borrower governments viewed these loans as "second best" to the projects they really wanted to pursue, they could count votes and realized that it would be easier to get rapid approval for these kinds of loans than for major infrastructure projects (Lyne, Nelson, and Tierney 2009, 420).

Starting in the late 1980s human rights lawyers, development economists and NGOs advocated redefining the "right to development," initially formulated as a state-centered concept by some developing country governments during the 1970s debates on the New International Economic Order, as a mandate to focus on each individual's basic needs (e.g., Stewert 1989). Neither this effort, nor the phrase "social dimensions" became the central organizing concept of development economics or policy. Yet concern with the social effects of particular projects and policies suffused discussions about income distribution, poverty reduction, and improving the lot of traditionally marginalized groups in the early 1990s. This was reflected in Bank president Wolfensohn's decisions to institutionalize World Bank attention by creating a Social Development Network and endorsing attention to social dimensions in the 1997 Strategic Compact (Vetterlein 2007, 527).

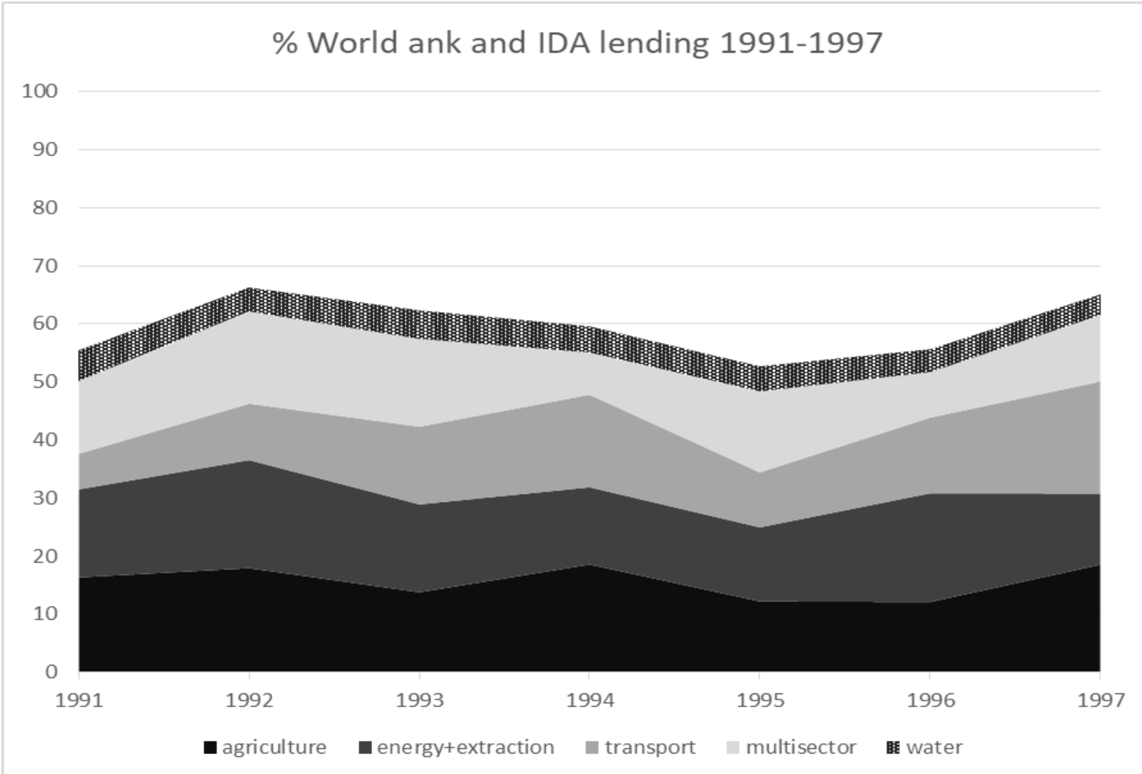
Attention to social dimensions was also compatible with the reformulation of development as "human development" that gathered strength in the 1990s. Explicit formulation of a human development approach first emerged from UNDP out of a seemingly unlikely collaboration between William Draper III, who was the Reagan administration's selection as Administrator, and UNDP staff. Draper was a California venture capitalist, but his father had been a banker, army officer, and diplomat at different points in his career. This background helped shape Draper's own commitments to poverty alleviation and giving ordinary people opportunities to develop their own lives and enterprises. On many operational points his views overlapped with the center-left bottom-up, basic needs, and local initiative emphases of UNDP staff (Murphy 2006, 242), though his interest in working with private enterprises inspired no enthusiasm and hence little response among UNDP staff at the time (Browne 2013, 43-44). Draper's most significant act was commissioning Mahbub ul Haq to write a development report for UNDP and gave him full control over the content (McNeill 2007, 6-7). As Draper expected, ul Haq used the opportunity to elaborate the "human capacities" focus that he, Paul Streeten, Amartya Sen, and others had been pursuing in their academic work (ul Haq 1971; Streeten 1981; Sen 1985; ul Haq and Kirdir 1986). Staff interest in "bottom-up" development and experience with small-scale programs run primarily by locally recruited staff prepared UNDP as an organization to be highly receptive to the idea that enhancing human capacities, rather than GDP growth, should be the primary goal of development.

The World Bank's re-adoption of poverty reduction as an explicit goal in its 1990 *World Development Report* did not use the phrase "human development" but did reflect a realignment of organizational attention strongly supported by staff members hired during the McNamara era who had remained concerned about poverty. They were "internal receptors" (Vetterlein 2007, 524) for the critiques of structural adjustment lending coming from UNICEF, academics, environmentalists, and NGOs, and ready for organizational change. Their efforts were strengthened after James Wolfensohn became Bank President in 1995 (Kanbur and Vines 2000, 99-100; Vetterlein 2007, 520). Explanations for this revival vary. Some attributed it in part to new economic analyses treating poverty itself as a drag on economic growth. More skeptical observers saw it as either the World Bank management's search for relevance as global economic activity increased after the slowdowns of the 1980s, or as an effort to deflect discussion of development into paths that avoided discussion of past policy failures (e.g., Sindzingre 2003, 176; Seyedsayamdost 2015, esp. 518-519).

While UNDP and the World Bank both paid greater attention to social issues in their annual summaries during the 1990s, they did so in distinct ways. UNDP emphasized poverty reduction a bit more and the importance of equal opportunity for members of marginalized groups much more; the World Bank gave greater emphasis to increasing individuals' and households' capacities to pursue their own economic activity.



Again, trends in lending reflected the changes in approach to development. The shares of World Bank and IDA going to projects held at around 60% while shares going to education, health and social programs increased.



The *Human Development Report* (UNDP 1990a) also changed debates about measuring development by proposing a quantifiable alternative to the aggregate and per capita gross national income measures that had been used since 1945. Its Human Development Index (HDI) combined the familiar GNP and GNP per capita with measures of life expectancy and literary to produce a composite index of well-being. Though the initial HDI was expressed as a single number for a country as a whole, it could be, and in later reports was, disaggregated into separate indices for different social sectors (education, health care, nutrition, gender equity) and for each income quintile (UNDP 2012 explains the analysis). Both the countrywide HDI and the disaggregations by income quintiles provided quantifiable ways of comparing conditions for ordinary citizens in different countries. The HDI challenged neoclassical economists on their own quantitative turf with more solid data than earlier advocates of "social pricing" (e.g. Squire and van der Tak 1975) had been able to muster in the late 1970s (data shortcomings discussed in Belassa 1977), and highlighted how governments of countries at similar levels of per capita GNP spent their money.

Though hopes that the end of the Cold War would free up significant sums of money for development aid were not realized, the HDI became a powerful advocacy tool for NGOs and political parties in the "like-minded" industrial countries critical of neoliberal-inspired development thinking. Concern with enhancing human capacities was also reinforced from another direction, with work by younger economists whose endogenous growth theory (e.g., Scott 1989; Roemer 1990) identified technological advances and increases in labor skill as sources of economic growth distinct from and complementary to increased investment.

The Physical and Political Contexts of Development

The end of the Cold War competition between centrally planned and other models of macroeconomic organization opened opportunities for considering more explicitly the broader physical and political contexts within which economic activity proceeds.

High level international concern with natural ecosystems was first expressed at the UN Conference on the Human Environment (Stockholm Conference) in 1972, but not brought into clear alignment with concerns about development until the late 1980 as preparations for the 1992 UN Conference on Environment and Development (Rio Conference) began. By then World Bank and IDA finance was supporting various environmental projects. However what outside observers regarded as insufficient World Bank concern with the environmental impact of some major infrastructure projects made it the target of intense NGO campaigns. Environmental NGO campaigners quickly discerned that combining ecological arguments with concern with the negative impact of those large infrastructure projects on local populations broadened their coalition by bringing in human rights advocates and others more concerned with social issues. The ensuing transnational advocacy campaigns soon developed a strategy of pressuring the Bank into making policy statements on environmental and resettlement issues, and then pressuring it apply those policies consistently to the projects it financed.

Both the extent and the limits of that coalition's influence over defining the World Bank's area criteria were demonstrated in the controversies over two particularly controversial projects, the Sardar Sarovar Dams in India and the Paleonoroeste project in Brazil. NGO campaigners hoped that the prospect of losing World Bank loans would induce the Indian and Brazilian government respectively to modify the projects, but neither made the significant changes sought. Both were aware of alternate sources of loans because neither the regional development banks nor most aid-providing governments imposed environmental conditions comparable to World Bank policies (Wade 2004, 93) while private investors typically looked only at the economics of the project when making their own investment decisions.

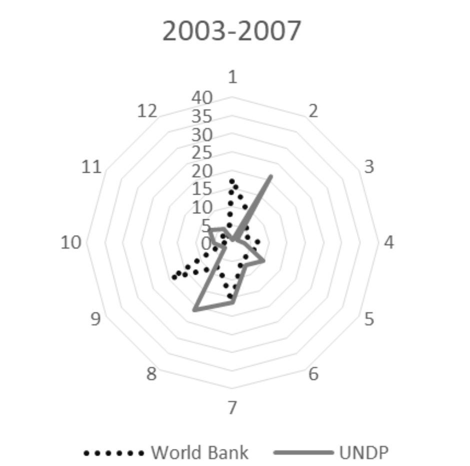
The campaigners did have a powerful source of leverage for a time in the fact that the periodic replenishments of IDA funds require legislative approval in the leading donor countries. In 1989 they persuaded some legislatures, particularly the US Congress, to condition funding the 9th IDA replenishment on tightening and more consistently implementing Bank policies aimed at reducing social dislocations and environmental impacts of large infrastructure projects. The US Congress also held back 25% of the US share of the Bank's 1989 general capital increase until the Secretary of the Treasury reported satisfactory progress on environmental and other lending policies (Bowles and

Kormos 1995: 793). This pressure was intensified during authorization of the 10th IDA replenishment in 1992 when the US Congress made transfer of the third year's pledge contingent on a review Bank progress after 2 years rather than waiting the full 3 years before the next replenishment for a review (Udall 1998: 402-403). This placed the Bank's management in an uncomfortable position with some of the larger borrowers, which were not shy about stating their unhappiness with these developments (e.g., G24 1991, par. 93; G24 1995, par. 19). The slowdown also inspired staff unhappiness *(Lyne, Nelson and Tierney 2009, --).

Tensions also showed up in some loan negotiations. When informal discussions with individual Bank Executive Directors revealed insufficient support to get Board approval, the Chinese government decided to forego World Bank loans for its Three Gorges Dam Project *(McDonald-Wilmsen and Webber 2010, zz). In September 1997 a proposal that the Bank Inspection Panel be authorized to look into complaints about social and environmental impacts of the Itaparca project in Brazil was rejected when a coalition led by Executive Directors from Brazil and India cast 52.90% of the votes against authorization (Fox 2002, 157-58). Executive Board divisions were also reflected in the decision to "receive" rather than "endorse" the Report form the Bank-sponsored World Commission on Dams in 2003 (McDonald-Wilmsen and Webber 2010, 144).

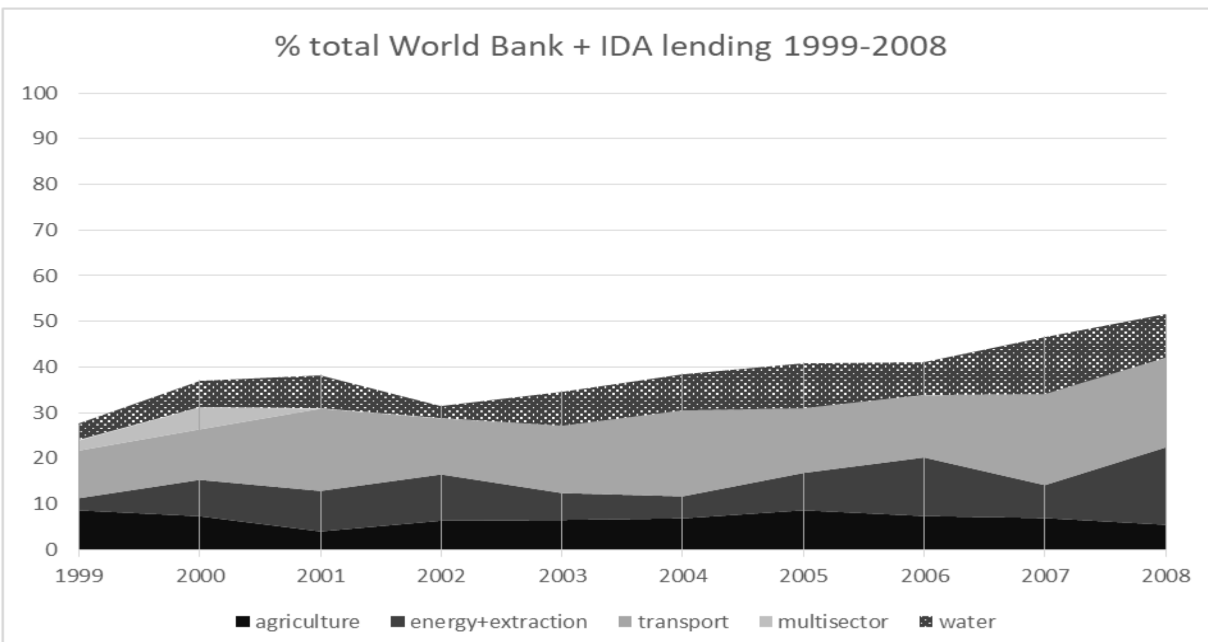
Though UNDP adopted the phrase "sustainable human development," a formulation derived from the UN-commissioned *Our Common Future* (Bruntland Report 1987), in the 1990s, efforts to incorporate ecological considerations into development came to be considered under the phrase "sustainable development" traceable to the Rio Conference. Under either name, incorporating ecological concerns posed a significant challenge to all streams of economic thinking by focusing on longer time horizons and the physical limits to human activity defined by the ecological carrying capacity of Earth and the renewable or nonrenewable character of various natural resources. However gaps in understanding of natural dynamics made it difficult, despite the efforts of a new hybrid discipline of ecological economics (e.g., Daly 1977; Martinez-Alier 1990), to determine what pursuing sustainability would mean for organizing economic activity in general or development in particular. Thus it is not surprising that environmental concerns continued to be overshadowed by social concerns (star chart, p. 270)

World Bank organizational attention to environmental concerns was enhanced under Wolfensohn by supplementing the Bank's Environmental Department, which was often bypassed by the staff members directly involved in lending, with a cross-departmental Environmentally and Socially Sustainable Development Network (Siebenhüner 2008, 99-100). In 2002 the Executive Board adopted a new environmental strategy including revised policies and an annual review process (Siebenhüner 2008, 100). Yet results remained modest. Many environmentalists were very disappointed that



the Bank's 2003 Water Strategy included financing of large dam projects rather than shifting support to the smaller-scale local alternatives for water management that they were advocating *(McDonald-Wilmsen and Webber 2010, zz). Actual Bank monitoring of projects' environmental impacts remained quite uneven (Gutner 2005). The weight of organizational effort shifted again under Wolfensohn's successor Paul Wolfowitz. He reorganized top management to create a Senior Vice President for Infrastructure and appoint Praful Patel of India to the post (Mallaby 2004, 367). He also folded the Environment Department into the larger Infrastructure Department, eroding the influence of in-house environmental experts (Siebenhüner 2008, 109).

Though disappointing to environmentalists, Wolfowitz's decisions were aligned with the clearly expressed desires of the bank's larger middle income borrowers, all of which were extremely interested in infrastructure projects. The financial results accommodating borrower and staff opinion is evident in the increased portion of lending devoted to energy and transportation projects from around 10% in 1999 to about 30% in 2008.



The relative weakness of attention to environmental concerns also reflected the lack of consensus on the meaning of "sustainable development" and on the relative efficacy of action paths toward it. Though the general principle that governments should be promoting "sustainable development" was affirmed for a third time at the Rio+20 Conference in 2012, its meaning remains highly contested (Hadden and Seybert 2016). This has inhibited goal definition, as can be seen in the sprawl of the UN Sustainable Development Goals (UN General Assembly Resolution 70/1), and implementation, which remains halting and fragmented (Dodds, Strauss, and Strong 2012; UNEP 2012).

Discussions of another element of wider context, the political conditions conducive to development, were reinforced by the end of the Cold War. One immediate result was reinforcement of the trend towards greater political democratization already underway in many parts of the world. Democratization reinforced the notion that "good governance" should be defined more broadly than was common in neoclassical economists' emphasis on institutions and policies that support market activity. The new notions of "good governance" advanced several related ideas: democracy, rule of law (consistency in application of laws and regulations), transparency (greater dissemination of information about government activities, revenues, and spending), accountability (of lower level bureaucrats to their superiors and of high level officials to the political leadership) and elimination of corruption. While the Bank was less ambitious about urging democratization on borrowers than some of the bilateral aid agencies (Ndegwa 1997, 193), the themes of applying laws and regulations consistently, transparency, and accountability became more prominent in Bank activity.

Many member governments were leery of "good governance" talk, seeing it as another form of highly intrusive conditionality. Governments depending on domestic patron-client networks for maintaining popular support regarded the talk as a threat. Thus it was not until March 2007 that World Bank's Executive Directors and Board of

Governors endorsed a formal governance and anticorruption strategy (World Bank 2007). Implementation stalled temporarily as Bank president Wolfowitz was forced to resign the following June (Weaver and Park 2007), but began picking up when the British, Danish, and Dutch governments established a $100 million Governance Partnership Facility to speed implementation (Clegg 2013, 122).

Governance concerns were reflected in a significant change in the pattern of World Bank and IDA lending. While project lending for transportation, agricultural improvement, and energy production remained at the 40-50% of total lending prevailing in the late 1990s, loans for the new area of public administration and court system reform rose to about 20% of the total after 2001.

The 2008 global financial crisis gave external critics of good governance criteria (e.g. Woods 2005, 168) new resources for challenging the whole idea. Failures of good financial sector governance in the major industrial states were part of a more general souring on Western models of development. Yet the UN General Assembly's Stiglitz Commission, convened to recommend ways of moving forward after the 2008 financial crisis, combined support for "national ownership" of development plans and rejection of lender-defined policy conditions, with recommendations that developing country governments adopt measures to increase transparency of and accountability for use of aid funds and promote greater legislative and citizen overview of administrative activity (2009, ch. 4, par. 62). Actual developments were mixed, with some countries moving form elections to other governance reforms and others shifting into various types of "guided" or "hybrid" regimes having some democratic elements but leaving authoritarian rulers in place *(e.g., Diamond and Plattner 2000; Schedler, Plattner, and Diamond 2---; Croissant; Drake 2006).

Though efforts redefine the "right to development" initially discussed as a right of states as an individual right did not advance very far, the idea of defining a "human rights approach to development" (e.g. Hamm 2001; Nelson and Dorsey 2003) gained some following among development economists and NGOs. UN agencies, particularly UNICEF, supported the idea, and issued a "Common Understanding on the Human Rights Based Approach to Development Cooperation" in 2003 (UN Interagency Workshop 2003, 17-19). It advanced three main points: 1) development efforts should further the realization of rights defined in the Universal Declaration of Human Rights and other international human rights treaties, 2) human rights standards derived from the Universal Declaration and those treaties should guide all phases of development-related activity, and 3) development cooperation should enhance the abilities of "duty bearers" (governments and any other actors with obligations to ensure enjoyment of human rights) to meet their obligations and of "rights holders" (individuals and groups) to claim their rights. Yet the idea raises many definitional questions, value trade-offs, and practical concerns that are far from being resolved (e.g., Uvin 2004; Alston 2005, 808-12).

Though the World Bank and the IMF have paid attention to such concerns as gender equity, discrimination, and stabilizing property rights of the poor, many human rights advocates regard both as marginalizing human rights concerns in their operations (e.g., Ghazi 2006; Sarfaty 2009). Few member governments have expressed interest a generalized "human rights approach;" both the large shareholders and the borrowers have preferred to focus on the particular goals outlined in the UN General Assembly's statements of Millennium Development Goals or the Sustainable Development Goals.

Aid in the 21st Century

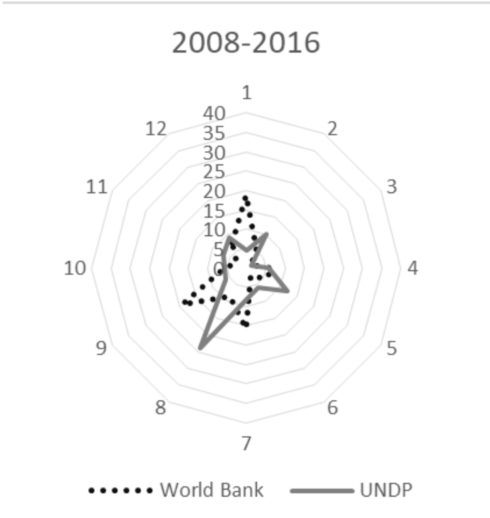
At the start of the 21st century almost all aspects of a country's political, economic, and social situation seemed relevant to its development prospects. The relatively rapid recovery of most countries affected by the 1997-98 Asian Crisis and continued economic growth around the world in the early and mid-2000s encouraged a new and broader discussion of whether aid remained useful. Critics on both the far left and the far right had long been questioning aid for very different reasons, but several new conditions changed the contours of debate. The first was the place of aid in a world of increased cross-border private investment in nearly all developing countries, not only the "emerging market countries" enjoying annual growth rates between 8 and 10%. Even after the disruptions of the 2008 global financial crisis, private funds were dwarfing World Bank-provided finance globally:

year	World Bank and IDA loans and credits	private investments
1990	$17.7 billion	$21.1 billion
2000	$18.5 billion	$144.5 billion
2011	$32 billion	$612 billion

This preponderance of private finance was visible even in Africa, where the $5.6 billion in World Bank and IDA money provided in 2012 was much smaller than the $46 billion in private investments or loans (Herbst and Mills 2013).

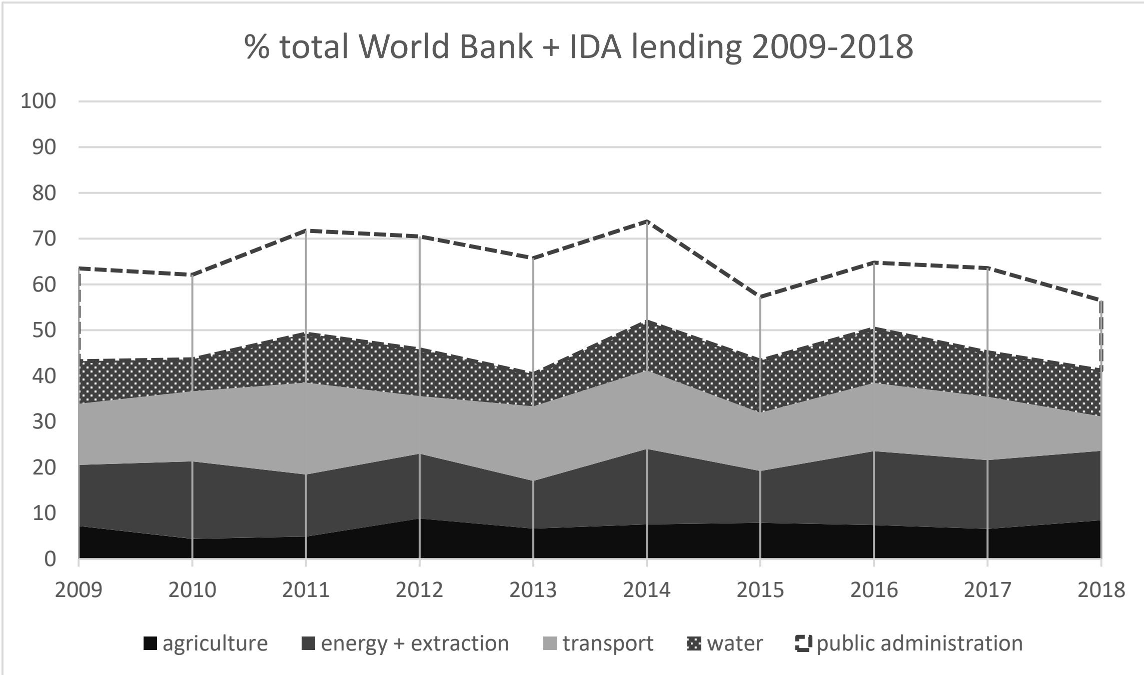
That change did not end World Bank or IDA lending, or continued emphasis on factors other than economic growth important to development. Though environmental concerns continued to receive less attention, the full range of social concerns did, even if the World Bank and UNDP emphasized different sets of social concerns.

Finance for development was still regarded as appropriate for countries that were so poor or heavily indebted that they could not attract private lenders. Yet this was



accompanied by increased attention to how countries could get beyond reliance on aid, particularly in the discussions of which countries might be ready for "graduation" from IDA lending during negotiations for the 16th (2012-14) and 17th (2015-17) IDA Replenishments (IDA 2012, 2013). The Committee of 24 Developing Countries accepted the basic idea that eligibility should be reviewed periodically though expressed concern about some of the practical financial aspects of a sudden transition out of IDA eligibility (G24 2018, par. 18). The Bank paid attention, delaying some graduations in light of post-2008 economic changes and arranging a period of "Transitional Support" for India (Kirk and Yadav, 2015).

While the World Bank as financial intermediary faced increasing competition, the World Bank as development agency was subject to conflicting stresses. Its focus on the poorest countries shielded it from some of the competition. Yet, like other aid agencies, it was being urged to expand aid programs in many directions: to countering the spread of HIV/AIDS, to enhancing gender equality, to addressing environmental concerns.



The economic consequences of severe internal conflicts, starting with the wars in former Yugoslavia, allowed the World Bank to respond to the decline in middle income country borrowing by reviving the "reconstruction" part of its original name. Bank loans to Bosnia-Herzegovina went beyond financing the rebuilding of physical infrastructure to supporting processes of post-conflict reconciliation. In May 2013 Bank president Jim Kim expanded the reconstruction focus by announcing readiness to providing $1 billion in aid for countries in the Great Lakes region of Africa if their governments held to the peace agreement they signed in February (World Bank Pledges 2013).

All of these changes meant that World Bank and IDA lending for education and social programs expanded, while loans supporting reform and improvement in public administration and court systems continued to comprise 15% to 20% of total lending.

The World Bank had long supplemented its direct lending with acting as fund managers for multi-donor and single-donor Trust Funds set up by member states either to address a particular problem or help particular countries after severe natural disasters or internal conflicts. These funds began to proliferate in the 1990s (Reinsberg, Michaelowa, and Knack 2017) and were providing money equivalent to 9% of World Bank and IDA lending in Fiscal Year 2017 (World Bank Annual Report 2017, 2). World Bank Trust funds were primarily American, Japanese, or European created funds.

However, the definition of areas worth attention had expanded well beyond the World Bank's financial capacities or expertise. This encouraged perceptions of "Mission creep" among academic observers. Some suggested that the Bank should deal with both the unwieldy definition of area and the increasing competition from other sources of development finance by focusing on a more narrowly-defined mission. This might be lending only to countries unable to attract private finance; it might be using its financial resources to become a counter-cyclical lender stepping up when economic recession at home causes other donors to reduce aid, or by lending to counties that receive little aid from bilateral aid agencies (Woods 2018, 296-7).

The IMF: Exchange Rates, and Balance of Payments Problems

The Bretton Woods Conference established the International Monetary Fund as a policy coordinating body and financial institution (IMF Articles of Agreement, Article 1). The IMF defines its policy role as "responsibility for overseeing the international monetary system and the economic, financial, and exchange policies of its members with a view to promoting a stable system of exchange rates" (IMF *Annual Report* 1995, p. 38). The IMF as financial institution provides member governments with short-term financial resources to help resolve balance of payments deficits so they can maintain the postwar commitment to what John Ruggie (1982) later called "embedded liberalism" –

maintaining open international trade and payments systems while pursuing national macroeconomic management and provide social safety net programs to dampen the effects of economic fluctuations. Like the World Bank, the IMF also functions as a buttress of the international system preferred by the leading members through the policy advice provided during annual consultations and policy conditions attached to loans. Borrower governments have pushed back against this role, particularly when it involved attaching conditions to loans, and external critics have decried this role, most pointedly in debates about the relevance and efficacy of IMF policy suggestions.

The policy coordinating role defined for the IMF at Bretton Woods was considerably less ambitious than Keynes's proposal to create a world central bank managing a global reserve asset. The IMF was given the right to reject members' proposals to change the par value of their currency by more than 10%, but in other areas its comments were advice governments could accept or not as they chose. To help the IMF serve as policy coordinator, member governments also agreed to provide it with timely and accurate balance of payments and other financial data. In the late 1940s and early 1950s weak national data gathering and analysis capacity made this difficult for many member governments, leading the IMF into a "technical aid" role of providing training and assistance in collecting and compiling the data.

Changing IMF and member government conceptions of what type of financial institution it is or should be have been central to discussions of IMF area criteria. Financial institutions can operate as a bank, a credit union, an insurance company, or an investment trust. A bank facilitates investments and transactions by providing money to entities having less than they need at the moment with money the bank has acquired as bond proceeds or deposits from entities having more than they need at the moment, charging the borrowers interest to cover costs and payments to bondholders or depositors. In a credit union, all members pay in money and those members needing extra money temporarily borrow from the credit union, again paying interest to cover costs and compensate other members for use of what is their money. An insurance company is a risk-pooling institution to which all members pay defined sums periodically and the aggregated funds are used to cover the losses suffered at any time by a few. An investment trust holds assets bought with a pool of members' funds, manages the resulting investment portfolio, and pays members their share of net dividends on the investments.

The insurance company and investment trust possibilities were implicitly rejected at the Bretton Woods Conference. Deciding that IMF credits would be "loans" to be repaid rather than "claims" to be paid out when qualifying damage occurred, eliminated the insurance company model. The gold and currencies held by the IMF would not be used to invest elsewhere, so it was not an investment trust. Thus the question has been whether the IMF is more like a bank or more like a credit union. A long line of observers (e.g., Kenan 1986, 5-7) have regarded the credit union analogy as closer to how the IMF operates, and IMF rhetoric often emphasizes the revolving character of IMF financing. In actual practice, IMF operations have been more bank-like, particularly when it was lending only to developing countries, because the assumption that there would be no enduring division between borrower and non-borrower (deficit and surplus) members underlying the credit union conception broke down in the 1970s.

Exchange Rates and Policy Coordination

In 1944 the American and British negotiators leading Allied efforts to define the postwar order sought to rebuild an international economy based on interconnected national markets with separate national currencies. This meant that the problem of valuing one currency in terms of another would persist, and negotiators were aware of several ways to address it. At one end of the spectrum of possibilities, governments could adopt a fixed exchange rate system in which they define a particular value for their currency against gold or other currencies and defend the exchange rate implied by that value through buying and selling in currency markets. This would have replicated the gold standard system prevailing in the later 19th century. At the other end of the spectrum of possibilities, governments could let private currency trading determine exchange rates without any government involvement. Most countries had adopted “floating rates” in 1919-21, but that experience was forgotten later (Eichengreen 1992, 100). Two other possibilities were more familiar: a par value accompanied by currency controls requiring private actors to acquire foreign currency from the government, and a multiple exchange rate system applying different exchange rates to current accounts and capital accounts or to transactions by banks, business firms, or individuals.

Despite the difficulties of maintaining fixed exchange rates experienced in the interwar period, negotiators at Bretton Woods were convinced that floating rates would impose greater economic and political costs than resuming some form of fixed exchange rate system. However they were acutely aware that the gold standard also contained serious shortcomings. The system they designed had governments maintaining an open system based on freely convertible currencies based on formally declared fixed exchange rates, but allowing governments to change that declared rate when necessary. Certain limits and procedural safeguards were established to prevent the competing devaluations that were then viewed as having worsened the Great Depression, and “large changes” greater than 10% of par value placed under multilateral supervision by requiring that the IMF approve (IMF Articles of Agreement, Article IV, Sec. 5(c)(i).

Yet it was also obvious that a fully open international payments system would not be viable immediately after the end of World War II. The IMF Articles of Agreement accommodated this reality in several ways. First, original members were given an option to delay their return to full convertibility though this was hedged by an obligation to move to the par value system “as expeditiously as possible” (IMF Articles of Agreement, Article IV, section 3). Second, economists and policymakers agreed the free conversion rule should not be applied to capital account transfers. The experiences of the 1930s had persuaded all that allowing uncontrolled capital flows in a world of open international trade was not compatible with two other desired goals: full employment in the domestic economy and stable exchange rates (League of Nations 1944; Williams 1944, 45; Mundell 1960 provided the key mathematical models supporting this conclusion). Sudden outflows, likely in event of a financial panic, were viewed as particularly disruptive and therefore as a legitimate target for control. Third, countries not yet implementing free convertibility were allowed, subject to IMF approval, to adopt multiple exchange rate schemes specifying different exchange rates for different classes of transactions (IMF Articles of Agreement, Article VIII, section 3).

"Expeditiously as possible" ended up being almost 15 years later for most industrial countries. The United States, then enjoying massive surpluses in payments, maintained convertibility of the dollar from the start. Most Western European governments, sobered by Britain's experience with trying and then retreating from free convertibility in 1946-47, did not adopt current account convertibility until 1958. Japan did not follow until 1964. Soviet bloc governments either never joined or soon left the IMF, and did not maintain convertible currencies. Developing countries were slower than industrial ones to moving to free convertibility; most took advantage of the IMF's decision to treat the obligation to adopt free convertibility as optional for all members despite the explicit language of the IMF Articles of Agreement limiting it to "original members" (Broome 2010a). Over time, more did adopt free convertibility. Only 50 of the IMF's 140 members had agreed to maintain freely convertible currencies by 1980 (IMF *Annual Report, 1980*, 83, 122 and Table I.14); in 2019 only 17 of the IMF's 189 members were still holding back (*IMF Annual Report 2019*, Appendix Table II. 8).

Even governments delaying adoption of free convertibility were expected to follow a "code of fair practices" (Southard 1979, 2) on foreign exchange matters. The IMF could encourage compliance through its authority to disapprove of particular payments restrictions (IMF Articles of Agreement, Article X) and to monitor and comment on members' payments situations (IMF Articles of Agreement, Article IV). In general, IMF management accommodated members' preferences. This was consistent with the "free bite rule" that a member government may change the par value of is currency by 10% or less without prior IMF approval and its general willingness to allow members to establish whatever multiple exchange rate system they deemed useful. Many Latin American and some European countries used multiple exchange rate systems for an extended period. In the 1960s approximately one-fifth of the IMF's members maintained multiple rate practices, and France introduced revisions to its scheme in 1971 (Dam 1982, 131). The IMF exercised its right to disapprove of such systems only once, in 1948, when France altered its multiple rate scheme to combine fixed rates vis-à-vis most currencies with floats vis-a-vis the US dollar, Portuguese escudo, and Swiss franc. The IMF objected that this would create "broken cross rates" promoting currency speculation and trade diversion because currency traders could take advantage of changes in the floating rates via three-step transactions of buying francs with one currency and then selling francs for another (Gold 1971, 120).

Though the Articles of Agreement (Article IV, section 4) specified that the IMF should oppose floating exchange rates, IMF management often encouraged smaller countries to adopt them temporarily, either as they moved from multiple rates to a single exchange rate or as a way to determine a "realistic" upward ("revaluation") or downward ("devaluation") revision of their declared exchange rate. By 1962, standard IMF advice to developing countries hit by high inflation was to float the currency rather try to maintain their stated par value through exchange restrictions (Dam 1982, 129-30).

Part of the immediate postwar opposition to floating rates rested on a perception that floating and fixed rates were complete opposites. However, as became obvious in the early 1970s, that dichotomy was an oversimplification. Few governments adopted a "free float" that let currency markets determine the value of their currency for very long; the usual choice was a "managed float" in which exchange rates are kept within some predefined target band through central bank buying and selling in currency markets.

In the 1960s the increasing volume of international financial transactions plus changing alignments of underlying national economic realities had inspired a number of proposals for creating an international reserve unit as a way of stabilizing the system. This began as a discussion among the G10 industrial states, but the idea was quickly taken up by the G77 developing states because they saw the possibilities of using these proposals as a way to secure additional resources for development. IMF Managing Director Pierre Paul Schweitzer initiated formal consideration of a G10 proposal for such a reserve unit in 1964, and the strong North-South division became apparent immediately. The G10 wanted to limit the number issued and establish restrictive qualifications for receiving them whereas the G77 strongly supported Schweitzer's 1966 proposal to distribute large numbers of reserve units to all members of the IMF.

Although most developing countries had not made the Article VIII commitment to full convertibility in the 1960s, they did participate actively in IMF discussions and were already unhappy with the tendency of the leading industrial states to discuss international financial issues in the G10. Detailed negotiations began from a May 1965 G10 report clarifying alternate proposals, proceeded in joint discussions between the G10 and the rest of the membership in the IMF Board of Governors (the IMF’s all-membership forum), and culminated in Board of Governors sponsorship of the proposal for an SDR facility adopted by the member governments as the First Amendment to the Articles of Agreement (IMF 1968).

Discussion of the SDR proposal also revived discussion of turning the IMF into a true global central bank. Such proposals had been made from time to time, but member governments were typically unreceptive because they (and their peoples) all regarded power to determine the value of money as a central aspect of sovereignty. The cool reception may also have been reinforced by the general belief that maintaining the value of a currency requires it to have a "backer," a central issuing authority with the financial resources needed to intervene in money markets whenever necessary to maintain its value. Relatively few policymakers or economists were ready to adopt the alternate notion advanced by Fritz Machlup (1968, 66) that "Money needs takers, not backers; the takers accept it, not because of any backing, but only because they count on others accepting it from them."

In the prevailing backer view of money, the exchange rate is closely connected to domestic monetary policy, which has been a central element of domestic macroeconomic management since 1945. In the 1970s no government was ready to turn over monetary policy to an intergovernmental organization. Governments that link (“peg”) their own currency to another currency by defining a set value in terms of the other currency do effectively give up their own monetary policy, but can regain control at any time by ending the peg. Creation of the Euro in 1999 was not an exception; the common currency existed without agencies having authority to provide a common Eurozone fiscal and monetary policy (De Grauwe 2013). General reluctance to give up national autonomy meant that proposals to make SDRs into a globally usable financial medium and the IMF a world central bank never got serious attention, even among the developing country governments keenest on securing generous distribution of SDRs.

Instead, Special Drawing Rights were defined as a government-owned reserve asset that could be transferred to other governments or to certain international financial institutions rather than as an additional line of credit or as a currency (Machlup 1968, 8-9). They were distributed to all IMF members in proportion to their quotas and in a total number too small to have major impact on any country’s current account. Neither their creation nor later distributions of additional SDRs led to any major expansion of IMF activity.

The period during which the IMF functioned as designed in more than one hemisphere was relatively short, extending only from 1958, when Western European countries resumed free convertibility, to 1971. In 1971 the US government imposed a unilateral solution to the ongoing contention about how to realign exchange rates between the US dollar and currencies of the fully recovered European economies by breaking the $35 an ounce link between gold and the dollar.[2] Efforts to revive fixed exchange rates foundered on US opposition to imposing joint capital controls to help maintain them. US economic policy advisers were more confident than their European counterparts that floating exchange rates systems would allow currency markets to adjust on their own without promoting greater currency speculation (Helleiner 1994, 117). By this time, econometric modeling was also showing that capital accounts and current accounts were not as neatly separable as everyone had assumed in 1945 (Broughton 2004, 15). Opposition faded, and by 1975, floating rates were the de facto rule.

The 1978 Second Amendment to the IMF Articles of Agreement acknowledged the new situation by replacing the Article IV requirement to set a par value with a rule allowing each member country to select its own exchange arrangements and notify the IMF Executive Board of its choice. Member governments declaring adherence to Article VIII still had to maintain convertible currencies. They could now meet that obligation in any of three ways: a freely floating exchange rate, a managed float, or a peg linking the

[2] This takes the middle of three possible dates economic historians identify: 1968 when the G10 agreed to a two-tier official and private market for gold, 1971, and 1973 when negotiations about returning to fixed rates broke down and the major currency countries adopted floating as official policy.

value of their own currency to that of one or more other currencies (member choices are summarized each year in a Table included in the IMF *Annual Report*).

This shift of key currencies to managed floats effectively demolished two of the IMF's primary tasks: approving or rejecting a change of par value greater than 10%, and provision of finance to tide countries over short balance-of-payments deficits. Yet neither task was formally abandoned. While legalizing floating rates, the Second Amendment also included provisions for a return to something like the original par value system whenever members holding 85% of the votes agreed (Dam 1982, 263). Members also learned quickly that they could experience balance-of-payments problems even in a world of floating rates and might still need short term loans while they sorted things out.

In contrast, the IMF's policy "surveillance" functions expanded and their emphasis changed in important ways. First, the 1976 decision to extend surveillance to all members, not just those maintaining current accounts restrictions, was confirmed (Holder 1986, 32). This reinforced the IMF task of assessing whether a country's choice of currency value is supported by its economic fundamentals (Riesenhuber 2001, 27), which would extend its monitoring to a wider range of domestic economic policies (Brau 1986, 35). Members did try to safeguard their policy autonomy by adding a new part b to Article III, section 3 of the Articles of Agreement specifying that the IMF "shall respect the domestic social and political policies of members." It was also clear, despite use of the phrase "firm surveillance" in the 1978 Second Amendment, that the IMF had no real enforcement capacities. Only if a member government needed to borrow to support its chosen exchange rate would the IMF be able to back persuasion with incentives.

Floating rates do open the possibility of engaging in "dirty floats" – government use of currency market transactions keeping their currency undervalued to reap trade advantages. This increased the salience of the payments-trade connection, particularly during the turbulence caused by responses to the 1973 oil price increase. In May 1974 the G10 and the other 13 OECD member countries agreed that for the next 2 years they would not adopt trade quotas or current account restrictions unless the IMF agreed that their balance of payments situation justified such measures. Proposals to have all IMF members join in were defeated. Opposing governments were able to dress their desire to maintain wider freedom of action in area criteria-based arguments that any such rule would give the IMF more of a role in international trade issues than was appropriate (Gold 1978, 7). The opposing governments were also aided by the fact that IMF rules about exchange rates were stated negatively, as a list of things governments should not do, and the list did not include any of the ways governments might intentionally undervalue their currency in a floating exchange rate system (Brau 1986, 36).

The shift to floating exchange rates did not directly affect the IMF's other missions of promoting open current account payments systems, collecting and disseminating data on exchange rates and exchange transactions, and providing technical assistance or training programs to member states. Thus the approximately 900 members of the IMF staff (Aufricht 1969, 74) were kept busy even as the Smithsonian negotiations failed and many governments adopted managed floats or self-reversible currency pegs.

The net result was a reinforcement of a global financial system based on multiple reserve currencies. Keynes had hoped to remove this possibility with his proposal for a relatively large international bank issuing an international asset ("bancor") to be the sole reserve asset. Many proponents hoped that over time the SDR would evolve in the same direction, but major governments – including but not only the US government – did not support the idea. However other governments have chafed at the US government's ability to avoid financial discipline because the US dollar is the primary reserve currency. Since the 2008 global financial crisis the Chinese government, which dislikes the continued prominence of the US dollar (e.g. Zhou 2009), and others concerned about continuing payments imbalances (e.g., Davidson 2009) have expressed renewed interest in Keynes's original design.

The other significant contention over the IMF's area of activity involved the question of whether to continue supporting capital controls. The US and British governments tolerated growth of the "offshore" or "Euromarket" in US dollars during the 1960s, and formally terminated their own capital controls in 1974 (USA) and 1979 (UK). In both countries, the newer economic models showing that capital and current accounts cannot be kept fully separate (e.g., Dornbusch 1976) and weakening of the Keynesian consensus among economists and policy-makers on the modes and efficacy of macroeconomic management (Helleiner 1994, 128-30, 134) were encouraging a more hands-off approach to capital flows. Meanwhile new neoclassical arguments about the price-distorting effects of capital controls (Broughton 2004, 15) provided a clear impetus for change. Other industrial country governments preferred maintaining capital controls, but realized that increased trade and financial interconnection meant that capital controls would be effective only if maintained by all. Thus the bold Reagan and Thatcher advancing of neoliberal plans was met even by center-left European governments with conceding on capital controls because they felt they had little choice. Members of the

European Community faced an additional complication with proposals to move from customs union to a Single Internal Market featuring free movement of finance and labor as well as of goods. There were reasonable arguments for combining decontrol within the Community with capital controls vis-à-vis third states, but there was enough sentiment for eliminating them altogether to link the intra-EC and global discussions and move the EC towards lifting all capital controls (Stone 2011, 72).

Thus IMF debates about capital controls in the 1990s were dominated by proposals to explicitly ban them. The IMF took up the issue partly because the OECD appeared ready to take it up (Abdelal 2006) and because of more persuasive new arguments that capital controls never work for very long because determined business firms and individuals will find ways around them (noted in Uzam 2001, 417). IMF Managing Director Camdessus was a strong proponent of ending capital controls; as an interim measure he supported proposals to give the IMF authority to approve or disapprove members' imposition of capital controls beyond those already in place (Riesenhuber 2005, 389). Yet support for banning all capital controls eroded during the 1997-98 Asian financial crisis. A number of governments rediscovered the usefulness of capital controls in particular situations, and the early IMF advice about dealing with the Asian Crisis – which had included discouraging capital controls – was widely regarded as unhelpful. IMF management sentiment against capital controls was shared by the US Executive Director, whose advocacy gave some outside observers the impression that the US Treasury was the primary proponent of ending them (e.g., Bhagwati 1998, 12; Wade and Veneroso 1998, 35-38). Yet leaders of the Democratic Party majority in the US House of Representatives were skeptical of the idea and threatened in early 1998 to withhold appropriations for an IMF quota increase unless it was dropped (Abdelal 2007, 129-30). Support for a ban eroded further with the emergence of persuasive arguments that ending capital controls should be one of the last steps a country takes as it shifts towards from an inward to an outward economic orientation (Abdelal 2007, 128-30 and 147-48; Stone 2011, 72-74).

The end of the Cold War opened up another opportunity for expanding the IMF's monitoring and advice roles. The desire of Eastern European countries and Soviet successor states to discard central planning in favor of market economics triggered a set of simultaneous internal economic transitions on a huge scale. The earlier shifts from markets to central planning had occurred in three phases: in the USSR in the late 1920s, in Eastern and Central Europe and China, in the late 1940s and on other continents after 1955. In contrast, the move to markets was happening simultaneously in all parts of the world. IMF Managing Director Michel Camdessus and most of the senior staff of the IMF were eager to assist these countries; only one senior member, Jacques Polak, was unenthusiastic about this idea (Woods 2006, 108). Industrial state governments were so supportive that the Group of 24 developing countries wanted assurances that IMF financial assistance to Eastern Europe, Russia, and the other former Soviet republics would not reduce the assistance available to developing countries (G24 1990, par 25; G24 1991, par 27; G24 1992, par 6; Woods 2006, 108).

IMF Lending

The IMF Articles of Agreement treat lending as a secondary element of IMF activity, and IMF statements about its own activities list lending after supervision and promoting policy coordination (e.g., IMF *Annual Report* 1995, p. 38). Yet since the mid-

1980s public views of IMF activity have rested mainly on impressions of the lending activity. Only after 2001, when the IMF and member governments agreed to permit public release of more information about Article IV consultations *(source) and annual consultations began to include meetings with domestic stakeholder groups, did surveillance and policy advice through annual consultations receive any public attention.

The IMF's ability to provide foreign currency to members needing it has always been constrained by the amount of money it has on hand as a result of members paying their quotas. The occasional general increases of overall quota have not kept pace with increases in the value of world trade: the total of IMF quotas equaled about 20% of the world average of imports and exports in 1946, about 13.5% in 1959 and somewhere between 5.5% and 5.1% between 1976 and 1998 (IMF *Annual Report* 2000, p. 64). The crunch was particularly severe in the 1960s and 1970s when members deferred consideration of any large quota increase for fear that would trigger strenuous contentions over the distribution of votes (noted, e.g., by Pennant-Rea 1981, 15).

With quotas insufficient for keeping up, the IMF's lending activity became more complicated. When a member needed a particularly large loan, IMF management had to rely increasingly on coordinating lending from other members to supplement its own resources. A 1959 program for Mexico was typical: Mexico put up $360 million from its own reserves, the IMF provided $60 million, the US Export-Import Bank, $100 million, and the US Treasury $75 million (IMF *Annual Report* 1959, 21). The G10 formalized precommitments of lending alongside the IMF in the General Arrangements to Borrow (GAB) and GAB participants largely followed IMF staff suggestions regarding loan use (Dam 1982, 149). The first use of the GAB, to provide part of the approximately

US$1100 million in 11 currencies the UK expected to need for defending the £ in December 1964, was a typical example of coordinated lending. $405 million of the total came through the GAB, $80 million through an IMF arrangement with non-member Switzerland, another $250 million from IMF gold sales (gold was still a regularly-traded metal as well as a reserve asset then), and the remaining $345 million from the Fund's own currency holdings (IMF *Annual Report* 1965, p. 34).

Other G10 choices limited the IMF's lending role and policy coordination roles. During the extended currency misalignments of the 1960s, which reflected mirror-image insistence by the USA that the Europeans should revalue their currencies and by the Europeans that the USA should devalue the dollar, the heads of G10 central banks intensified direct coordination among themselves through the Bank for International Settlements (BIS). The BIS was first established in 1931 and (after members ignored a resolution of the Bretton Woods Conference urging its abolition) used in the late 1940s and 1950s for intra-Western European payments settlements. As currency speculation rose in the 1960s, the US and Japanese central banks joined, and the BIS became the place for working out direct the currency swap arrangements between member central banks that became the GAB (explained in more detail in Dam 1982, 149). It was also used to coordinate the Gold Pool, an 8-country arrangement for intervening in gold markets to support the $35 an ounce price between November 1961 and March 1968. After Gold Pool members were forced to sell more than $500 million worth of gold within 4 days in March 1968, the Pool was disbanded and succeeded by the "two-tier" gold market of private transactions at floating prices and official transactions kept at $35 an ounce. This scheme soon proved unworkable as well, and the dollar-gold connection was ended unilaterally by the US government in August 1971. For the IMF, the BIS amounted to a G10 alternate forum and thus another element of institutional challenge.

Though proponents of floating believed there would be no need for balance-of-payments financing in an all-floating world, governments soon realized that such financing would still be needed. Governments pegging their currency to another realized fairly quickly that maintaining a peg would be hard if inflation was noticeably higher in the pegging country (Polak 1997, 478). Other governments soon realized that sufficiently active currency speculation could force even a government using a managed float to draw on the IMF for other currencies. Thus ending the par value system did not itself entail an end to IMF lending. However floating did reduce the need for balance-of-payments finance among the G10 by putting industrial countries' currencies into better alignment than they had been in the 1960s. Their central bank swap arrangements then sufficed for any short term balance of payments financing they needed, particularly after they agreed in the late 1970s that any GAB participant could transfer a credit it had vis-a-vis another participant to a third participant (Dam 1982, 301).

Lack of G10 need for IMF financing simultaneously reduced its pool of potential borrowers and reinforced an expansion of area criteria to accept proposals to create medium-term IMF lending that were already under discussion. Until the early 1960s all member governments accepted that IMF financial activity should be confined to the short-term loans with maturities of 1½ to 3 years defined at Bretton Woods, leaving long-term development-related lending to the World Bank and the regional development banks. This stance was qualified modestly during the mid-1960s in response to perceived differences in the stability of expert earnings between manufactured goods and other exports. Though IMF management and staff never accepted the Prebisch thesis that the terms of trade move continuously against exporters of raw materials and commodities, they did accept the more mainstream view that raw materials and commodities prices are more volatile than manufactured goods prices.

The problems caused by this extra volatility were regarded as particularly severe for countries that derive most of their export earnings from one or two raw materials or commodities. IMF management and member governments alike agreed that such countries might need special assistance to tide them over what were likely to be medium-term rather than short-term balance of payments difficulties if there were sudden and steep drops in the prices of their exports. Thus there was no opposition to creating the Compensatory Financing Facility in 1963 or the Buffer Stock Facility in 1969. Though regarding them as helpful, the G77 did not view them as promoting development by dampening swings in commodity prices; it took up that broader concern in the UN Conference on Trade and Development, the UN General Assembly, and other intergovernmental forums *(e.g., G24 1975, par. 11 and 20; G24 1976, par. 15; Law 1975).

The 1973 oil price increase, which coincided with the breakdown of efforts to return to a par value system, accelerated the expansion of IM lending into the medium term. The economic stress experienced by developing oil-importing countries inspired creation of the Extended Fund Facility (EFF) in 1974 to provide credits with longer maturities than regular IMF loans – initially maturities of 5 years, then extended to 10 in 1979. The second arose in response to US Secretary of State Henry Kissinger's effort to counter what he saw as an OPEC bid for greater influence in the world through using oil surpluses to lend money to other countries. Kissinger proposed that the OECD establish a fund to help developing countries pay for oil imports. IMF Managing Director Johannes Witteveen understood immediately that such a fund would compete with the IMF, and proposed that the IMF set up such a lending facility. Though it seemed likely that the OECD fund would be adopted in 1973-74, negotiations were delayed long enough for the threat to dissipate. First, OECD governments realized that the financial problems caused by higher oil prices were being resolved in large part through private sector lending. Private banks, where OPEC countries and oil companies were placing large deposits, needed borrowers; recession in the West and Japan encouraged looking further afield. Second, opposition to the Kissinger proposal in the US Congress became strong enough to scuttle it in 1975 (Cohen 1998). The IMF also acquired the resources needed to start an Oil Facility as a loan from Saudi Arabia *(source).

Yet there was no immediate expansion of actual IMF medium-term lending. Use of the EFF rose relatively slowly in the 1970s (IMF loan data 2019). The inflation prevailing after 1973 meant that real interest rates were significantly lower than nominal rates, allowing many developing country governments to secure loans from private banks. The governments preferred these loans because they came without policy conditions and private banks were willing to lend to developing countries, particularly those that were enjoying significant economic growth. This willingness was best seen in loan terms: between 1975 and 1979 the difference between commercial interest rates and IMF rates shrank from 2% to less than 1%, while the average maturity on commercial loans extended from 5 years to 10 (Dam 1982, 296).

This narrower difference in loan terms meant that developing countries viewed sufficiently favorably by investors could not only finance projects, they could acquire additional foreign currency reserves by borrowing in foreign currency, depositing the loan proceeds in Eurocurrency accounts, and earning more foreign currency as interest. Thus a government could increase the apparent total of its reserves, one way to discourage currency speculators, by paying the spread between the interest on the loan and the interest paid on the deposits, a difference which was typically less than what they would have to pay the IMF for drawings (Dam 1982, 295). While some countries, industrial as well as developing, used the Oil Facility, a combination of increased energy efficiency and finding alternate sources for loans meant it was never used extensively (OMF loan data 2019).

Even in the mid-1970s it was apparent to close observers of financial markets that developing countries would need additional sources of outside finance if private banks' lending slowed down for any reason. The IMF prepared for this by creating the Supplementary Financing Facility (SFF) in 1979. With the SFF in place, developing countries would able to access up to 600% of their quota, doubling what they could access under the Extended Fund Faculty. The SFF rules also allowed developing country governments to transfer SFF credits among themselves (IMF Annual Report 1979, 78). However, SFF drawings were accompanied by more policy conditions so many governments avoided using it (ch 4, p. -).

Avoiding IMF loans became more difficult after 1980. Though the 1979 oil price increase itself was reversed within 3 years, prices of commodities other than oil dropped sharply soon after because of recession in the industrial countries. Their economies were hit by a combination of falling or stagnant GDP, higher unemployment, and higher inflation as the oil price increase was passed through to buyers. This noxious mix of bad effects, quickly labeled “stagflation,” inspired sufficient domestic unhappiness that Western governments decided that reducing inflation was their most pressing economic task. In the USA, which was still the pace-setter for global interest rates, Federal Reserve interest rate increases adopted between September 1979 and the end of 1980 pushed the real prime interest rate from -0.6% in 1977 to 12.8% in 1981 (Dornbusch and Fischer 1987). Banks had been writing deposit and loan contracts with variable interest rates for some time in part to protect themselves in face of the fact that much of the OPEC money in Eurodollar accounts was held as seven-day deposits in New York and London (Pennant-Rea 1981, 7). These variable rates were linked to the interest rates prevailing in Western countries so that private banks would not be squeezed if Western interest rates rose and they had to pay their short-term depositors more to keep deposits in the bank. Initially, private banks reacted to the second oil crisis mainly by writing new loans with variable interest rates and Third World governments took such loans. The result was a doubling of the amount of Third World government debt held by private banks in 1980-81 (Sachs, 1989, 9).

Developing country governments had two reasons to continue borrowing from commercial banks despite the variable rates. First, they faced significant obstacles to increasing their export earnings. Recession in the West reduced demand for commodities and raw materials, so even at the relatively stable commodity prices of 1973-79 developing countries were losing earnings. The post-1979 decreases in commodity prices made their situation worse. Table 6.1 suggests the seriousness of the problem for some countries.

<< Table 6.1 about here] >>

Though manufactured goods prices fell less, the minority of developing country manufactured goods that could compete on world markets (many could not; their production was organized to serve an even more highly protected home market) were largely shut out of most industrial state markets because their governments were also protecting domestic manufacturers at this point. Most developing countries were not members of GATT, so did not participate in the lowering of tariffs it sponsored; nor did the Generalized System of Preferences added to GATT in 1965 provide much opening of industrial state markets to developing country manufactured goods. Second, developing country governments were reluctant to take any measures likely to slow down industrialization or cause significant economic contraction at home. Caught in this bind, they continued to borrow despite significantly higher real interest rates.

In late 1982 about 60% of the approximately $600 billion dollars of non-oil exporting developing countries' external debt was owed to private banks (Rea 1983, 313). However many of them soon lost that source of credit. Private bank lending to developing country governments started falling off in 1981-82 and then "stopped, just simply stopped" in 1984 (Brau 1986, 38). This meant that any government relying on ability to roll over loans to maintain its debt service obligations faced serious problems.

The severity of debt problems varied considerably. India, Pakistan, and Turkey borrowed, but at rates that did not increase their debt to GDP ratio very much while oil-possessing Mexico and Nigeria borrowed heavily. Yet even for relatively modest borrowers debt service at the higher interest rates of the early 1980s became a significant burden. In mid-1981 the 12 largest developing country borrowers (in order of total borrowing: Brazil, Mexico, Argentina, South Korea, the Philippines, Chile, Thailand, Taiwan, Colombia, Turkey, Côte d'Ivoire, Bolivia, and India) together had annual interest bills of about $18.4 billion – or more than 14% of their combined export earnings (Lipson 1981, 603 and note 1). In 1986, the 16 most indebted developing countries were devoting an average of 50% of their export earnings to debt service, while interest payments alone equaled 13% of Chile's GDP and 12% of Côte d'Ivoire's (Husain 1986, 27).

This was not a sustainable situation. Most of the highly indebted governments had to restructure their debts in the next few years. Restructuring typically involved a combination of taking IMF loans with attendant conditions and getting debt rolled over into new loans from private banks. The governments were not particularly eager to request IMF loans, but the banks often made taking IMF loans and accepting related economic policy conditions a prerequisite for their own participation in debt restructuring.

The IMF was initially reluctant to get involved in debt restructuring. A 1965 policy statement indicated that the IMF regarded its resources as too small and its loans as too short in maturity to refinance debt; its lending would occur only when exchange rate adjustments were needed to assure the viability of a debt rescheduling (IMF *Annual Report* 1965, 29). However in the changed conditions of the early 1980s, IMF management and staff were willing increase medium-term lending as another way of keeping the organization relevant (Vaubel 1991; Dreher 2004) and as a reaction to the

World Bank's structural adjustment programs (Polak 1991, 14) even as some outside observers questioned the economic rationale for the move (e.g. Dam 1982, 305-07). However, borrower governments limited their borrowing, particularly after 1985 when the supposedly catalytic effect of IMF loans in eliciting new private money largely disappeared (Copelovitch 2010, 234). Many of the developing country governments eligible for longer-term IMF loans preferred taking a series of short-term loans (behavior noted in Bird, Hussein and Joyce 2004 and Przeworsk and Vreeland 2000) over drawing from the EFF. This non-use suggested to some IMF Executive Directors that it should be closed (Bird and Rowlands 2007, 290-91).

By the early 1990s the middle income developing countries had gotten beyond the worst of their debt problems and were again able to secure private loans. Though their immediate need for IMF loans declined, they wanted to make sure access would be available when needed. Thus they were concerned about the possible effects of the 1993 IMF decision to create a Systemic Transformation Facility to help Eastern European countries and former Soviet republics. Their worry that lending to those countries might crowd them out of access proved reasonable. In 2001, three years after the IMF had stopped lending to Russia because of disputes about its policies and actions, loans and standby arrangements with former Soviet countries still amounted to 20.24% of the outstanding loans in the IMF's general resources account (Woods 2006, 108).

The reduced levels of middle income country need for IMF funds in the 1990s meant that most IMF loans outside the Systemic Transformation Facility went to low income members using the Extended Fund Facility or the various interest rate-subsidized Facilities for developing counties (Mishkin 2006: 287, n. 18; IMF 2011a, 51; IMF

2011b). Not surprisingly, developing countries urged continuation and even expansion of these Facilities (G24 1993, par. 17-18; G24 1995, par. 9-10; G24 1996, par. 10). At the same time, some in the industrial countries had started viewing the IMF as a lender for developing countries only. In early 2010 French President Sarkozy reacted to suggestions that the IMF be involved in Europe's financial problems by saying, "Forget the IMF; the IMF is not for Europe. It's for Africa – It's for Burkina Faso!" (Papaconstantinou 2016). Even as the Eurozone's economic recovery continued to remain slow, most Eurpean leaders did nt want the IMF involved and only brought it in as a artner in the performance monitoring for Greece.

Meanwhile critics on left and right questioned the continued need for IMF lending. In the USA both conservatives in Congress (see Meltzer Commission 2001) and some officials in the Clinton Administration (see Council on Foreign Relations, 1999) thought after the Asian Crisis that the IMF should end its longer-term ending and focus on managing short-term crises or balance of payments problems. Even the IMF's own Independent Evaluation Office thought it should be more selective about extending medium-term loans (IEO 2002, 14-16). However the major European shareholders continued to support medium-term lending (Clegg 2013, 64).

Member government interest in short term loans remained unaffected. Despite neoclassical economists' criticisms of Keynesian economics, the prospect of a severe recession often leads governments to provide some form of economic stimulus to maintain domestic support. Stimulus typically involves increasing the money supply, and enough increase can lead to depreciation of the currency relative to foreign currencies. Currency depreciation has positive potential for a country's trade balances to the extent that resulting price changes reduce imports and expand exports. Yet it can simultaneously create problems for the government if its debt is denominated in foreign currency by making debt service more expensive. It can also create problems for the country's financial sector if local banks have significant debts denominated in foreign currency and all their assets denominated in local currency. In that situation, depreciation of the local currency increases bank debt-to-assets ratios, weakening their financial standing. This is not usually a significant problem for high income countries, where most bank debt is denominated in the local currency, but has become a major problem in developing countries where significant parts of domestic banks' debt is denominated in foreign currencies (Mishkin 2006, 177).

The Asian financial crisis of 1997-98 was followed by a significant but short-lived burst of IMF short-term lending. The financial instabilities of the early to mid-2000s, such as continued in Russia and revived in Argentina, looked like isolated problems. Middle income countries able to secure commercial financing again after 2002 paid off their existing IMF loans without taking on new ones. By mid-decade, the IMF was back where it was in the mid-1980s – low income countries were the majority of borrowers. In mid-2005, the $60 million owed to the PRGF and other facilities by 62 low income countries comprised 73% of all IMF loans outstanding at that time (Mishkin 2006, 190). By the mid-2000s, the value of loans outstanding IMF income had declined enough to create problems for the organization. While not adopting the most ambitious ideas about meeting borrower government policy preferences (see Goretti and Joshi 2010), IMF management and staff did give greater weight to political and economic conditions in the country when formulating loan agreements. The result, André Broome

(2010, 27-28) argued, was that the core of IMF advice remained discourage inflation, reduce government deficits, and maintain a fairly tight monetary policy, the specifics for individual countries were becoming more attuned to variations in their situations. A review of all lending facilities also led to closing down the Compensatory Financing Facility and the Buffer Stock Facility created in the 1970s to address financial problems stemming from variability in commodity export earnings because neither had been used for several years (Bird and Rowlands 2007, 282-84).

The global financial crisis of 2008 again altered the composition of lending as some of the smaller Western countries – Greece, Iceland, Ireland, Portugal and Spain – requested loans or Standby Arrangements for the first time since Portugal had sought a Standby Arrangement in 1983 (IMF Loan Data 2019). The major emerging countries recovered more quickly the industrial countries, while a significant number of developing countries – many helped by the huge Chinese demand for commodities – also resumed growth quickly even in the face of the 2007-08 increases in global food prices. The US economy remained sluggish into 2012 while the Eurozone suffered protracted crisis. Awareness of the shaky financial foundations of the Eurozone resulted in private lenders, who had been treating the 17 counties in the Eurozone 17 as a group, demanding higher interest rates for loans to those of the 17 experiencing high inflation/low productivity growth *(). Though most of the lending came from European sources, some of the weaker economy states did have standby arrangements with the IMF between 2009 and 2013 (IMF Loan Data).

Confirming Creditworthiness

The IMF cannot engage in explicit co-financing with private lenders (Dam 1982, 300-01) but does influence credit arrangements whenever private lenders make their own loans conditional on some level of IMF involvement, whether as standby arrangements, loans, or a special program for IMF monitoring and reporting on economic trends in a country. Private banks' interest in IMF monitoring grew out of earlier private investor experience. The Peruvian government's 1976 debt rescheduling agreement with private lenders included promises to make a number of policy changes and provision for the lead banks of the lending syndicate to monitor Peru's performance on behalf of all participants. However monitoring Peruvian economic performance and prodding the government to continue with its policy measures proved much more difficult than the banks anticipated, and they came away from the experience determined to avoid taking on the monitoring role in the future (Lipson 1981, 623).

The IMF's role as a certifier of creditworthiness first became obvious in August 1982 when the government of Mexico announced that it would not be able to continue repaying its debts. The banks affected were already nervous about their exposures to developing country debt but realized that if they stopped lending altogether developing country governments would be pushed into default. Default would require some of the banks to write off such large amounts of lending that their own financial viability would be threatened. Governments of the industrial countries where those banks were based realized that bank insolvency would trigger a credit crunch at home that could further worsen economic conditions. Borrower government default and bank insolvency were averted through a three-element program of bilateral loans from industrial state governments arranged through the Bank for International Settlements (Pennant-Rea 1983, 313), strong US government pressure on US-based banks – which held the largest portion of Mexican private debt – to continue lending, and simultaneous US pressure on the Mexican government to boost creditor confidence by accepting an IMF loan with attendant conditions requiring an austerity program. For a time domestic opponents of the arrangements who proposed that Mexico should solve the problem by nationalizing Mexican banks and imposing stiff current account payments controls seemed to have the upper hand, but in the end the Mexican government accepted the three-part arrangement. The Mexican agreement then became the model for other countries caught in debt difficulties: industrial country central banks would arrange immediate direct loans to their counterpart through the BIS while the IMF would be brought in as an implicit quid-pro-quo for private bankers continuing to lend (Helleiner 1994, 175-182). Most developing countries did not have bond ratings at the time, increasing the importance of the IMF as a "reputational intermediary" (Broome 2010b, 5) both assuring private banks that a particular borrower government intended to avoid default and providing governments with support in their efforts to secure a debt rescheduling they could manage (Kuczynski 1987, 81). Though a few developing country governments, such as that of oil-rich Venezuela (Nicoletopoulos 1984, 316), had enough financial resources to carry out their own financial stabilization program, even they found that private investors looked to the IMF's normal Article IV policy consultation process to confirm information about country financial conditions.

IMF management was reluctant to take on any role in assessing creditworthiness. It did not want the IMF to become a credit rating agency and also worried about the impact of assurances on the IMF's own reputation if things went wrong (Riesenhuber 2001, 34-35). This led it to limit its stepped-up monitoring ("enhanced surveillance") of economic conditions in severely indebted countries to those occasions when the member government requested it, forthcoming private loans would cover current account needs, the debt relief involved included a multiyear lending program, and the borrower government adopted a "quantified program with clear economic policy goals" (Brau 1986, 37; also see Venezuela 1986). IMF management also made clear that the IMF would not be able to prevent borrower defaults if their debt situations worsened (Clegg 2013, 140).

Individual country financial crises in the early 1990s kept member governments aware of the IMF's reputational intermediary role. Unusually heavy-handed maneuvering ("Mexican Rescue" 1995) left everyone in no doubt that the US government was the actual mastermind of the Mexican bailout in 1995. Yet the IMF was brought in as an essential partner and given an even larger role when Congressional opposition derailed the Clinton administration's initial plans to supply all of Mexico's financial needs from US government lending agencies. The sequence was a bit different in the Asian Crisis, but many private banks were aware of the need to continue rolling over their loans as the IMF programs proceeded *(Blustein 2001,)

The various financial crises of the mid-to-late 1990s also inspired a significant change in the IMF's practices regarding dissemination of financial information. Up to that point, the IMF agreed with member governments that the data it acquired regarding their countries' financial situations should be kept confidential. With the growing importance of private finance, the IMF came around to the view that greater reporting of data about countries' financial conditions and the state of their financial sectors would be helpful. It began encouraging members to allow publication of Letters of Intent, began providing regular reports on use of IMF resources, and expanded the Data Dissemination Initiative begun in 1996 to enhance member capacity to acquire and publish more systematic financial data (Clegg 2013, 141-142). Member governments approached the idea warily; they understood the need to maintain lender confidence but also wanted to the ability to deal with financial matters in their own way at their own pace (G24 1998, par. 15; G24 1999, par. 9).

This member wariness sank one proposed method of providing signals to private financiers. In 1999 the IMF established a Contingent Credit Line Facility that would expedite provision of IMF loans to countries previously identified as eligible because of their good financial sector policies. However no government applied and the facility was closed in 2003. As Mishkin (2006, 185) pointed out, governments held back for two distinct reputation-related reasons. Some feared that merely asking to be included on the list of approved countries would be seen as a sign of financial weakness. Others, looking further down the road, worried that losing preapproved status later would send a strongly negative signal about their financial stability and precipitate a stampede out by foreign investors.

The global prosperity of the early-to-mid 2000s also meant that many developing countries had less need for the IMF's reputational intermediary function. Increasing numbers of developing countries were regarded as attractive destination for private lending, and able to avoid IMF lending altogether. In 2002 Argentina worked out a debt settlement with most of its private creditors without involving the IMF (Stohr 2013). By

2008 some 108 middle and low income countries were issuing bonds in their own name and most of them had a credit rating from one of the “big three” rating agencies – Moody’s, Standard & Poor (S&P), or Fitch (Biglaser and Staats 2012, 517). The global financial crisis enhanced their situation because low growth rates in the West and Japan led investors to seek opportunity elsewhere. Turkey publicly announced in fall 2009 that it would manage its payments situation without IMF loans (Meltzer 2011, 442). By 2013 even low income countries were able to find investors willing to buy their bonds (Herbst and Mills 2013).

While many commercial banks and some member governments supported having the IMF act as reputational intermediary, governments were not willing to give it any other tasks in debt settlements. After the Asian Crisis there was some discussion of having the IMF function as the international equivalent of national bankruptcy courts by determining the terms and extent of reducing the principal owed and /or rescheduling of repayment. However the idea received little support from governments. The G7 did not suggest it when arranging debt relief for low income countries in the late 1990s and again in 2005. The G24 opposed it (G24 1999, par. 6). The UN General Assembly’s Stiglitz Commission reflected widespread opinion among policy experts in its statement that the IMF would not be an appropriate choice for this role because its position as a creditor would create a conflict of interest that would prevent it from providing properly balanced judgments (Stiglitz Commission 2009, ch 5, par 78).

The IMF’s role in the “Eurocrisis” was more limited. It provided some loan money to Greece and Iceland, but its primary involvement was as one of the “troika” of auditors, along with the European Commission and the European Central Bank, monitoring and reporting on the economic policies and situations of Ireland, Portugal, Spain, Greece and Cyprus (for terms see, e.g., Spain-IMF 2010). The limits of the IMF's policy influence became clear in 2015 when its warnings about the unsustainability of continued austerity in Greece (IMF, 7/2015) had little impact on Eurogroup decisions about loans to the country (Wroughton and others 2015.)

Policy Advice for Individual Governments

The IMF has always been involved in providing policy advice to individual member countries. The discussions with members specified in the Article IV "surveillance" function include opportunities for both the IMF staff mission to the country and the Executive Board to make policy suggestions. Once a member borrows beyond the limits of its reserve and second tranches, IMF loans come with policy conditions. The same is true of loans from the various medium-term loan facilities, though these conditions have tended to be more general than those attached to the shorter-term loans extended from the third through fifth quota tranches.

There has been ongoing controversy about how far into a country's economic policies this advice should extend. The IMF Articles of Agreement emphasize paying attention to those aspects of economic policy that affect exchange rates and availability of foreign currencies to private entities. However that focus can be defined in various ways, some broad enough to cover a wider range of macroeconomic policy advice. In the 1950s, broad definitions were justified by two analytical approaches – one focused on absorption that linked the balance of payments to aggregate domestic spending (Alexander 1952), and the other on domestic credit creation that the balance of payments to linked the level of credit creation inside a country (Polak 1957). Both approaches depended on economic model that included a wide range of macroeconomic factors (see Mussa and Savastano 1999). Though IMF attention remained focused primarily on monetary and fiscal policies likely to increase balance of payments problems, gathering the data needed for the models did mean that the IMF could and sometimes did comment on broader economic trends and financial system stability.

The potential for advice-giving was expanded in the 1978 Second Amendment to Article IV and related Executive Board decisions that extending “surveillance” functions and annual consultations to all members. Yet it remained true that the most demanding policy advice came attached to loans in the upper tranches of member loan eligibility. This meant that between 1977 and 2008 governments of developing countries were the primary recipients of IMF advice, which was sufficiently consistent across countries to inspire the outside criticism that the IMF was seeking to impose a “one size fits all” neoliberalism on borrowers.

In the late 1980s, in the wake of discussions about how developing countries would pay their debts, the IMF increased discussion about the impact of trade protectionism in annual consultations with both industrial and developing country governments (Petersmann 1988, 59). While the effort vis-à-vis developing countries could be seen as simply one element of the IMF’s general hostility to import substitution industrialization policies, the discussions with industrial countries included pointing out that their protectionist trade measures were inhibiting developing country prospects to increase expert earnings (views noted in IMF Annual Report 1987, pp. 36 and 39). By the end of the decade, both developing and industrial countries were rethinking trade policy, with a much larger number of developing countries participating in the GATT

Uruguay Round negotiations (1986-1993) that produced the World Trade Organization and a revised set of trade treaties.

Developing countries were worried about how much IMF lending would be directed to countries in transition, yet the largest immediate impact of Soviet collapse on IMF activity was a dramatic increase in the amount of staff time devoted to providing policy advice as governments lacking experience with running a market economy sought to do just that. Some of the Eastern European countries had experimented with limited forms of "market socialism" (Kornai 1986; Burkett 1989) and had engaged in trade with Western countries; those governments had some familiarity with market economy practices. The USSR had done much less experimentation. Russia and the other post-Soviet states were also dealing with the fragmentation of the formerly hyper-integrated Soviet economy. Soviet economic integration had been so close that IMF management and staff initially favored keeping Central Asia linked to the Russian economy through a common ruble zone (Broome 2010b 99-100). This advice was dropped after the Central Asian governments made clear that they wanted the greater economic policy autonomy that having their own national currencies would provide (Broome 2010b, 100) and IMF economists realized the extent to which trying to maintain a ruble zone was draining the Russian economy (Broome 2010b, 93).

The provision of advice to countries in transition reinforced the expansion of IMF activity into what André Broome (2010b, 45) called "diffusion of global normative standards for national economic governance." In particular, the IMF has promoted the idea that to reduce the potential for using monetary to win elections or otherwise retain support, monetary policy should be taken out of the hands of politicians and entrusted to independent central banks or monetary authorities operating under rules-based systems. Some outside observers took this theme further by proposing that the IMF encourage development of global standards for financial sector regulation by national governments (e.g., Uzam 2001, 434-435).

The 1997-1998 Asian Crisis strengthened existing demands from outside observers (Meller 1997, 206-08; Riesenhuber 2001, 398-400; IMF obsolete? 2007) that the IMF pay more consistent and energetic attention to tracking the economic performance of all states, not only those borrowing from it at the time, and providing more macroeconomic policy advice to its industrial members. The Group of 24 had been complaining for years about what it perceived as little attention to the policies of industrial states (e.g., G24 1987, par 10; G24 1989, par 53; see Finch 1989, 19) in particular trade policies limiting developing states' export prospects; in the wake of the Asian crisis they became even more insistent (G24 1996, par. 3; G24 1997, par. 4; G24 1999, par 12). IMF management acknowledged the reasonableness of these complaints by more systematically addressing industrial country policies (e.g., IMF Occasional Paper 2004) and including its analysis of the systemic effects of their policies to Article IV consultations with the governments of leading industrial countries. The G20 took the central role of advising major industrial counties in its Mutual Assessment Process tracking fulfilment of commitments for responding to the 2008 financial crisis, with the IMF asked to help by compiling and reporting information about members' economic trends and policies.

Perceptions that the Mexican Crisis had been complicated by the Mexican government's ability to hide data about their declining reserve situation (Stone 2011, 66) inspired discussion of new data dissemination rules. The Special Data Dissemination Standards (call "special" because accepting them was voluntary) adopted in 1996 specified how often governments should provide various forms of macroeconomic and financial sector data (IMF 1966). Their limits were revealed as the extent of data hiding by Asian countries and Russia before their respective financial crises in 1997 and 1998 became apparent (Stone 2011, 66-67). These new instances inspired demands that the IMF adopt rules requiring wider dissemination of information about financial conditions of all members, not only those borrowing from the IMF at the moment (Riesenhuber 2001, 398-400). The IMF did follow up with greater efforts to have industrial and emerging market countries improve their data through refining the SDDS and developing simpler General Data Dissemination Standards (GDDS) for countries with weaker statistical capacity and providing national authorities with technical assistance for organizing to meet them (IMF Fact Sheet 3/2019).

Summary

Debates about what areas of activity are most likely to promote development are closer to resolution now than they were in the 1980s but not at a point where there is a shared global view of what activities need to be undertaken. The common method of trying something and seeing what happens has not produced much closure in development debates. Some of the disagreements persist because of disagreements among economists, but others persist because of arguments about whether development is primarily an economic problem solvable with application of economic reasoning and policy tools, or as involving other considerations that also require application of political, social, and ecological reasoning and policy tools. The vast majority of participants in debates about development agree that increased per capita income is a sign of development, particularly in very poor countries. However there remains a deep divide between those who focus on growth and those who maintain that “true” or “real” development also involves reducing income inequality, ensuring everyone access to basic necessities, and providing greater opportunities for all individuals to develop and use their human capacities.

Successive additions to the list of requisites for development created a strong impetus for expansion of World Bank activity. At the same time, the expansion usually met with little resistance from the organization. This is not surprising; analysts of bureaucracies generally (e.g., Niskanen 1971) and of intergovernmental organizations in particular (e.g., Ness and Brechlin 1988) have long pointed out that “task expansion” is one of the prime strategies through which organizations maintain themselves and expand their own resources. Pincus and Winter (2002, 1) also concluded that the World Bank has used task expansion as part of a "conscious political containment strategy” handling challenges from member governments, pressure groups, and investors by taking their concerns on board.

Outside of objections to structural adjustment lending and addition of environmental and social impact conditions to infrastructure loans, borrower governments seldom objected to the task expansions. Since most borrower governments offered few statements about their attitudes, it is difficult to determine whether they agreed that taking on a new area was useful in itself or were going along on the basis of a tactical calculation that including more areas gave them more room for their own prioritizing by seeking some types of loans and not others. For the middle income borrowers most interested in infrastructure, the variety of loans allowed them get loans for other sorts of activity. The governments that were the Bank's largest shareholders and IDA's largest sources of replenishment funds, also failed to object to task expansion and often gave active support, most notably addition of environmental and human rights concerns in the 1990s. They regarded the Bank's activity as useful and its operations actually did not cost them very much because the Bank side of lending is self-supporting. Though the smaller IDA side does need periodic government replenishment, this money continued to flow, from some counties because it was a substitute for maintaining a large bilateral aid program and from others because of strong public opposition to cutting the poorest countries off from concessional finance.

The primary objections to expanding the range of activity came from outsiders. One was were expressed by economists concerned that in expanding its areas of activity the Bank was taking on more than it could do well (e.g. Srinivasan 1991). Another came from market enthusiasts arguing after 1990 that the expansions of private investment in developing countries meant the Bank no longer had much relevance. A third came from leftwing critics continuing to argue that the Bank is a tool for imposing a brutal capitalism on the world.

The global financial crisis had more effect on area criteria in the IMF than in the World Bank. The crisis highlighted the need to look beyond balance of payments problems and currency misalignments to the overall workings of what had become a highly interconnected global financial system since 1990. It also drew IMF staff attention back to addressing problems in advanced economies as some became borrowers for the first time in a quarter century. Concerns with development and with debt owed by low income countries persisted, and manifest most clearly in the *yyyy decision to return the maximum maturity of EFF loans to the 10 years first adopted in 1979. At the same time the IMF was moved toward a more comprehensive analysis of global economic conditions through demands that it may more attention to the policies of major governments and the G20 request that IMF staff help it with "mutual monitoring" of each others' policy responses to the crisis.

The global financial crisis had relatively little impact on World Bank area criteria. The one area of some difference stemming from the crisis itself was some focus on the share of national income going to those with the highest income, usually defined as the top 1%. The transition from Millennium Development Goals to Sustainable Development Goals included an increase in the relative prominence of environmental concerns, while severe internal conflicts in many countries inspired some revival of the World Bank's postwar reconstruction role.

Table

Table 6.1 Countries with at least half of export earnings from a single commodity, 1975
Commodities other than oil in **bold**

Country	Commodity	% export earnings
Libya	Oil	100
Saudi Arabia	Oil	100
Iraq	Oil	99
Iran	Oil	97
Venezuela	Oil	95
Kuwait	Oil	93
Nigeria	Oil	93
Gambia	**Peanuts**	**92**
Algeria	Oil	91
Zambia	**Copper**	**90**
Burundi	**Coffee**	**87**
Gabon	Oil	86
Mauritius	**Sugar**	**85**
Mauritania	**Iron ore**	**82**
Togo	**Phosphates**	**76**
Uganda	**Coffee**	**76**
Liberia	**Iron ore**	**75**
Indonesia	Oil	74
Syria	Oil	69
Jamaica	**Bauxite**	**68**
Chile	**Copper**	**67**
Zaire (DRC)	**Copper**	**66**
Chad	**Cotton**	**65**
Dominican Republic	**Sugar**	**65**
Rwanda	**Coffee**	**63**
Ecuador	Oil	57
Western Samoa	**Copra**	**57**
Congo	Oil	54
Ghana	**Cacao**	**54**
Sierra Leone	**Diamonds**	**54**
Bangladesh	**Jute**	**53**
Tunisia	Oil	51
Guyana	**Sugar**	**50**

Source: International Monetary Fund, *International Financial Statistics*, December 1976.

AFTER CREATION: PART 7. RELEVANCE CRITERIA

Relevance criteria are one of two outcome-centered criteria by which authority holders and addressees assess the success and usefulness of continued participation in an authority relationship. Relevance criteria express two related sets of expectations, some focused on goal attainment and others on authority holder behavior. Expectations about goal attainment summarize shared beliefs, formed by current knowledge and recent experience, about the probability that adopting each of the known action paths will lead to goal attainment. This allows authority-holders and addressees to identify the sorts of instructions that are more or less likely to point addressees towards goal attainment in the current situation. Expectations about authority holder activity provide addressees with a basis for distinguishing between instructions designed to elicit behavior serving the group as a whole and those designed to elicit behavior furthering the authority holder's own interests or its ability to maintain a reliable support coalition by favoring supporters over other addressees.

Goal attainment relevance criteria are prospective – they are formed before activity begins. Their substantive content thus derives from the causal beliefs about what actions will or will not contribute to desired outcomes that prevail among authority holders and addressees at any time. These will shift over time as experience yields more information about the actual efficacy of the courses of action attempted or new ideas suggesting need for new action paths. Yet unless a vast majority of participants regard one possible action path as significantly more efficacious than all others, there will be room for contention about the relative merits of different action paths.

The content of authority holder behavior relevance criteria do not vary as much over time; a combination of the area criteria, general notions of fairness, and agreed rules about how the authority relationship should unfold combine to provide a baseline for determining whether and to what extent authority holder self-aggrandizement or political favoritism exists. Though addressees are always concerned about authority holder activity, the criteria for evaluating it have greatest effect when the authority relation includes formal or informal processes for holding the authority holder accountable to the addressees.

Judgments regarding relevance rest on widely-shared causal beliefs about how to reach goals or on widely-shared perceptions of who benefits from what actions. Yet the judgments made by “the principals” who have delegated tasks and rights to instruct to the authority holder, and by “the people” who are affected by the authority-holder’s conduct (Grant and Keohane 2005) may differ because they have distinct interests and points of view. This can pose difficulties for IGOs. The formal structure of an IGO-led authority relationship casts the member state governments as both “principals” and “people.” The governments represented in the intergovernmental forums are the “principal” delegating tasks and entrusting resources to the supervisory body and the staff. However each individual member government also forms part of a “people” because it has its own experiences of what happens when accepting or ignoring instructions and can register its individual judgments of authority holder behavior either or both in direct dealings with the IGO staff or by raising issues in the intergovernmental supervisory body. Yet the rise of nonstate actors has created situations in which actors outside the IGO and its member states also define themselves as part of the “people” because they believe their own interests or those of others they claim to represent are affected by IGO activity. Member governments can call an IGO authority holder to account directly, using within-IGO procedures. Non-state actors must secure create and then maintain modes of access for themselves. IGO managements and staffs vary in their receptivity to non-state actors while some governments clearly regard connections between IGOs and non-state actors as short-circuiting IGO accountability to themselves and try to limit those connections (e.g., Igoe and Kelsall 2005; Heiss and Kelley 2017; Fu 2017).

Relevance of Action Paths

The elements of World Bank and IMF activity focused on promoting development all have been affected by the same broad debate about the relative merits of alternative action paths to development. Perceptions of what best fosters goal attainment in development have evolved continually, with the pace of change increasing in the late 1990 and early 2000s. The areas of IMF activity promoting stability of international payments in a multiple currency world inspire a distinct discussion of what measures are most conducive to stable functioning of international payments systems. Perceptions regarding goal attainment in international payments underwent a period of rapid change after the US government abandoned the par value system in August 1971.

Relevance Debates in Development

Three basic visions of how to best promote development competed between 1945 and roughly 1965: 1) a market-centered mainly private enterprise vision strongest in the USA and West Germany, 2) a mixed economy version combining indicative planning with a combination of private and state-owned enterprise strongest in the UK and France, and 3) a Soviet vision of centrally-planned and entirely state enterprise. Each offered different answers to three key questions for development. Both the market-focused and mixed economy Western visions rested on assumptions that a significant amount of economic activity should be allowed to proceed without direct government command about production or distribution, economic growth would yield some amount of benefit to all, and would be greatest if national economies were linked together through trade and investment. The Eastern vision assumed that central planning, reliance on state enterprises, and carefully limited linkages between economies would be most conducive to growth while also assuring eradication of poverty and inequality through attainment of socialism. The World Bank and the IMF were clearly aligned with the Western visions, and their advice at the time compatible with either the market or the mixed economy versions.

A fourth vision of promoting development through import substituting industrialization (ISI) was developed in the UN Economic Commission for Latin America under the leadership of Raul Prebisch and spread among the G77 in the 1960s (Frieden 2006, 309-312 and 317-320). The path it suggested combined limiting trade connections to other economies with establishing extensive state enterprise in manufacturing and other key sectors producing desired goods. The differences between ISI and Western models were real but not sources of serious contention in the 1960s because of two assumptions among Western governments and economists. The Keynesian consensus on the government's macroeconomic policy role and the widely-shared assumption that governments of developing countries would need to take on a significant coordinating role until industrialization was well underway meant that Western economists and governments could accommodate many of the points raised by

ISI advocates. Thus governments and others in the moderate left, center, and moderate right portions of the political spectrum did not question the basics of Bank activity very much, while IMF activity was largely ignored because loans to third world member governments were still considered within a framework of exchange rate stability rather than development.

In the 1950s and 1960s rates of growth in different countries and regions were not as great as they would become later, making it difficult to prove the superiority of any particular action path. The modest differences in growth rates also disguised the extent to which political elites in many states were using development policies to maintain themselves in place. For such elites, limiting the extent of economic activity by private companies or groups through creation of state-owned enterprises for mining, oil and gas extraction, electric and water systems was not only a matter of pursuing an ISI, mixed economy, or central planning vision. It was also a way to prevent the emergence of a business-based rival elite and/or to create public sector jobs that could be distributed to reinforce the patron-client networks on which they relied for political support. Network-building was also reflected in many governments' preferences for using targeted benefits – such as local public works projects or access to subsidized fertilizer purchases – rather than generalized benefits – such as increasing the prices farmers earned for their crops – to attract and reward supporters (Killick 1976 and Bates 1981 note these patterns in Africa).

In this period all borrowers found the Bank's procedures complex and demanding. The detailed notes on individual loan discussions in early World Bank *Annual Reports* reveal that getting from outlining the initial idea for a project to securing Board approval of a loan to finance it took at least three years. As one developing country diplomat put it, borrowing countries "stand like prisoners in the dock," questioned intensely about a proposed project and its feasibility (Heilbroner 1956, 20). Other borrower government complaints about lending patterns reflected differences in middle income and low income country needs. Middle income borrowers thought the Bank emphasized low income country needs too much, while many low income ones wanted more financing for urban housing projects and agriculture than the Bank was providing (Morris 1963, 63).

Persistence of much higher fuel costs after the quadrupling of crude oil prices in 1973 had broad economic effects inspiring more intense debate about the relevance of different sorts of policies. OPEC's apparent success at wresting money and a degree of economic decision-making power from the Western industrial states inspired grand visions of creating a state-centric New International Economic Order with a new set of global economic institutions. Governments rather than markets would set the directions of the national economy, commodity cartels or other agreements would redress the terms of trade, and major decisions about the shape of economic interconnections between countries would be made in intergovernmental forums where the G77 of developing states had a majority of the votes.

The extent of difference between developing country and industrial country positions on how to best promote development became obvious during the Sixth (1974) and Seventh (1975) Special Sessions of the UN General Assembly, which were convened to consider the G77's New International Economic Order (NIEO) proposals. The World Bank and the IMF, which by now had become involved in development-related activity, both continued to rely mainly on their already-established approaches to fostering development. The most noticeable change in their approaches was the increased World Bank concern with poverty reduction as an important element of development. Both, but particularly the IMF, had concluded from their economic models that many of the features of import substituting industrialization being pursued in Latin America, Africa, and parts of Asia were now hobbling rather than enhancing development prospects. Debate among outside observers took on new vigor as Marxists (e.g., Baran 1975), world systems theorists (e.g., Wallerstein 1974, 1979) dependency theorists (e.g., Amin 1976), economic structuralists (e.g., Prebisch 1950), and others on the left rejected both Western visions and believed that central planning or state-led import substituting industrialization would yield more economic growth and greater benefit for the poor.

The most severe leftist critics of Western models typically located the main determinants of developing country economic difficulties in the structure of the international economy. In their view, developing countries were still confined to the roles as suppliers of raw materials and commodities to and buyers of manufactured goods from the Western industrial states that they had been pushed into during the 19th century. They concluded that development would occur only if developing countries insulated their economies from the outside and excluded from their policy-making process anyone whose political or economic interests aligned them with the West. These views were adopted by the more thoroughly socialist governments in the Third World *(e.g., Nkrumah 1971;) and were expressed in the Charter of Economic Rights and Duties of States adopted as UN General Assembly Resolution 3281(XXIX) in December 1974.

Critics in the moderate left and the center rejected the claim that countries could only develop if they insulated themselves from the international economy. While accepting that some aspects of the international economy did favor some economies over others, they also pointed out that certain elements of a government's own policy were at least as important to attaining development (e.g., Balassa, Bueno, Kuczynski, and Simonsen, 1986; Fajnzylber 1986; Johnson 1987, 127-28). Meanwhile critics on the far and moderate right maintained that the government policies most associated with central planning and ISI were far less efficient than allowing private enterprise and open cross-border transactions *(sources).

Like the UN General Assembly, where the G77 had a supermajority, UN aid agencies remained more aligned with G77 visions. UNDP reports and decisions emphasized the themes of self-reliance popular with the G77 at the time (UNDP Governing Council Decision 75/34, affirmed in UN General Assembly Resolution 3405 (XXX) of 28 November 1975). Yet what UNDP and other UN agencies meant by "self-reliance" and "South-South cooperation" was never the vision of collective de-linking from the rest of the international economy advocated by critics on the far left. Samir Amin, the dependency theorist who had coined the term "de-linking" in the early 1970s, later sought to clarify what he meant (Amin 1985) and expressed unhappiness about the popularity of the more extreme versions (quoted in Weiss and others 2005, 407-08).

The late 1970s and early 1980s were also marked by open contentions between the World Bank and a significant portion of its borrowers. Both Latin American and African governments reaffirmed their belief in state-led central planning or ISI and continued to use the array of price controls, allocation of foreign exchange and credit according to government-set priorities, and heavy reliance on state-owned enterprises on which those paths to development were based. ISI as practiced in Latin America and parts of Asia had produced a significant amount of industrialization by 1970 (Fieldhouse 1986 152-53; Frieden 1991; Johnson 1983; Vaidyanathan 1983; helpful statistical compilation in Mitchell 1998a and b). Yet the most open and sustained contention arose in Africa where little industrialization had occurred. In 1980, African governments reaffirmed their commitment to a wide range of planning and import substituting industrialization measures, including use of government marketing boards in agriculture in their Lagos Plan for Action (UN Economic Commission for Africa 1980). A request from some African governments that World Bank staff assess regional prospects (Pennant-Rea 1982, 38) led to *Accelerated Development for Sub-Saharan Africa – An Agenda for Action* (World Bank 1981), commonly known as the Berg Report after its chief co-author. It offered two main conclusions. First, that African governments need new economic policies reducing the role of state agencies and enterprises in the economy and opening up to increased international trade to make progress toward development and, that second, that even with changed policies African countries would need a lot more financial assistance in the medium term than they had been receiving. The first conclusion attracted much more attention than the second. Though African finance ministers called the report "useful," the planning ministers who had contributed to the much more state-led tone of the Lagos Plan of Action objected vehemently. Both the OAU and the UN Economic Commission for Africa issued stinging critiques, with the OAU condemning its recommendations as being "in fundamental contradiction with the political, economic, and social aspirations of Africa" (Declaration of Tripoli 1982; also see Ndegwa 1997, 190). It was also roundly criticized by representatives of OPEC countries, UNDP, UNICEF, and the European Economic Community at the 1982 OECD

Development Assistance Committee High Level Meeting for failure to pay enough attention to the external causes of sub-Saharan Africa's economic woes (noted in Woods 2006, 144).

Yet the Berg Report was read carefully and considered in African capitals; in Tanzania the outspokenly socialist President Nyerere required his whole cabinet to read and express their reactions to it (Loxley 1983, 197). Meanwhile some in the community of aid experts sought ways out of what they saw as a looming impasse between the Lagos and Berg approaches. A Uganda Study team organized by the Canadian International Development Research Centre and a 3-member "wise men's group" organized by World Bank President McNamara both suggested programs envisioning less direct state steering than the Lagos Plan, but more attention to the need for some forms of and programs to mitigate the distributional effects of adjustment than the Berg Report (Woods 2006, 145).

Western government hostility to the NIEO and statements like the Lagos Plan was intensified by the changes in economic thinking then gaining more influence with policy makers. The oil price increases of the 1970s confounded economic analysis by having both inflationary and deflationary effects. The price increases intensified the inflation that had originated in overly expansionary fiscal and monetary policy in the USA in the late 1960s, while also causing recession because demand for oil remained high enough despite the 1973 quadrupling of price to reduce economic activity in nearly all sectors of national economies. This combination, quickly labeled "stagflation" was something not foreseen in Keynesian theory, and that realization reduced confidence in the overall Keynesian approach (Olson 1982, 192; Keegan 1984, 88-89). This opened opportunities for a new generation of neoclassical economists, whom Kahler (1990) called the "neoorthodox," to acquire policy influence. Rather than follow the older tendency to treat macroeconomics and microeconomics as distinct elements of economic activity at different levels of aggregation, they connected the two by looking for the microfoundations of macro patterns (Lucas 1972 is often identified as the beginning; also see Lucas and Sargent 1979). They were very skeptical of government-run economic activity and far more confident of the self-regulating nature of markets than Keynesians, Fabians, or proponents of mixed economies. In the realm of economic policy, the most influential result was rejection of Keynesian macroeconomic management to steer an economy toward noninflationary full employment in favor of a broadly monetarist approach emphasizing the operation of markets over Keynesian macroeconomic management. This approach rested on two basic assumptions, that inflation is caused by an over-large money supply and that every economy has a "natural rate of unemployment" that cannot be reduced through Keynesian macroeconomic managing (most influentially Friedman 1968; Phelps 1967). As "stagflation" persisted, advocates of this approach reached greater audiences with their increasingly trenchant critiques of both Keynesian macroeconomic management and mixed economy policies.

The new influences became highly visible in the policies of the Thatcher government in the UK after 1979 and the Reagan administration in the USA after 1981. Both adopted highly market-oriented policies making a sharp break from previous domestic economic policies – the postwar mixed economy in the UK and the acceptance of Keynesian policies of macroeconomic management and market regulation in the USA. The West German government under Helmut Kohl moved to a lesser extent in a similar direction. Other Western European governments persisted with mixed economy visions;

the policies of European Community (EC) member governments were affected by negotiations regarding the practical implications of their commitment to creating a single internal market and a common currency by 1992 (summary in Pinder and Usherwood 2007, chapter 4), which was moving them in a more market-reliant direction. The French government got a stinging lesson in 1983 when it attempted to pursue expansionist monetary and fiscal policies while other EC countries were moving in the opposite direction, and had to retreat very quickly (Helleiner 1994, 140-144).

As problems associated with high debt burdens intensified in the mid-1980s, both of the two main questions in overall development policy – whether and how to link a national economy with outside economies, and how far and by what modes the government should engage directly in economic activity – came up for another round of debate. The question of how to link with outside economies revived the longstanding disagreement about the sources of developing countries' difficulties. Analysts from the Marxist, world-systems theory, and structuralist left continued to attribute developing country problems primarily to external causes – the way the structure of economic ties to the industrial countries limited developing countries' prospects. Analysts from the center and the right attributed developing countries' problems primarily to internal causes – to governments' own policy choices and the inefficient state-owned sector they had created.

Debates about the economic roles governments should take on were equally heated. While followers of Milton Friedman were confident that opening up trade and investment, letting markets set domestic process and exchange rates between currencies, and turning most production and distribution activity over to private enterprise would reduce elite rent-seeking and spark generally-beneficial economic growth, others maintained disagreed. This disagreement was often summarized as contrasting "Chicago school" views that a rising GDP benefits all and "Sussex school" views that view that a rising GPD will not benefit the poorest unless explicit poverty-reduction policy measures are also adopted.

The World Bank was never likely to adopt the leftist critique, but the likelihood of its adopting something like the monetarist formulations increased in 1981 with replacement of McNamara by A.W. Clausen, an investment banker chosen by the Reagan administration under the tacit agreement in place since 1944 that an American heads the World Bank and a European the IMF (Kahler 2001, 18). Clausen fully shared the Thatcher-Reagan belief in market economics, light government regulation, and open trade. He strongly supported the shift towards "structural adjustment lending" that had begun in 1980, and included policy conditions requiring governments to reduce both their external debt and their domestic fiscal deficits through a combination of budget reductions, opening up to external trade, and privatization of most state-owned enterprises.

The Structural Adjustment and Sectoral Adjustment loans of the mid to late 1980s came with macro-level and meso-level policy conditions that increased the visibility of the Bank's policy advocate role and opened it to vehement criticism by outside actors including UN agencies, professional economists, NGOs, and social movements rejecting neoclassical policy prescriptions. Increasingly in the 1980s the World Bank was perceived by outside observers as joining the IMF in endorsing highly laisser-faire policies coming to be labeled "neoliberalism." The G77 leadership continued to criticize both World Bank and IMF imposition of policy conditions. The IMF was also criticized for not expanding developing country access to IMF financial resources and for failing use its Article IV surveillance mechanisms to comment on industrial state practices in finance and trade that limit developing country prospects (G24 1986, pars. 10, 17, 25-31; G24 1988, par. 15-21; G24 1989, par. 22-34).

The US Federal Reserve's monetarist theory-based decision to end inflation by raising interest rates significantly, ramified through international finance very quickly as other major central banks followed and private banks in turn acted on the new reality. The higher interest rates charged by private banks in 1981-82 created debt servicing problems for a large number of developing countries; earlier optimism that those countries were weathering the economic strains of higher oil process relatively well (e.g. discussion of trends in World Bank *Annual Report* 1977, pp. 15-16) dissipated. These Third World debt woes then posed problems for the commercial banks because the amounts were large enough that default would push them into bankruptcy. Initially the IMF was more prominent in the arrangements that kept enough money flowing to keep countries from defaulting, but by 1985 the World Bank was also involved.

As the full dimensions of developing countries' problems became more widely understood, advocates of adopting explicit measures to alleviate poverty and protect the poorest parts of the population from further decline in their economic conditions were able to reenter the debate more effectively. US Treasury Secretary James Baker's reference to "adjustment with growth" in October 1985 suggested that the US government was moderating its policy line, and provided an opening to question the policy prescriptions guiding the design of structural adjustment (Kahler 1990, 47-48). Within the World Bank, internal advocates of devoting more attention to alleviating the conditions of the very poor gained more traction when former US Congressman Barber Conable replaced Clausen as president in July 1986 (Kanbur and Vines 2000, 98). Other economists stepped up their critiques of neoliberal ideas while UNICEF and other UN agencies sought to define what an alternative "adjustment with a human face" would mean. Currents of change also stirred in the IMF, where the Research Department renewed links to academic economists and began studying the impact of IMF loan programs on poverty (Kahler 1990, 52).

Though a cursory reading of the public debate in the mid-1980s might suggest otherwise, some development economists (see Little, Scitovsky, and Scott 1970; Balassa and others 1971; Corden 1974) had been expressing doubts about the viability of ISI-style policies for some time. In the mid-1980s developing country government officials began to join the doubters (Fajnzylber 1986; G24 1987; debates in UN General Assembly 1986). Several policies commonly pursued by developing countries – overvaluing the national currency, tolerating low efficiency in state enterprises for the sake of other policy goals, pricing policies favoring urban over rural areas, and permitting extensive rent-seeking by elites through various public sector practices (Cardoso and Helwege 1992, 84-99 summarize Latin American experience) – were subjected to increasingly detailed domestic criticism.

These doubts were reinforced by growing realization that the conditions for promoting industrial enterprises had changed. Until the mid-1970s developing country governments with strong administrative capability, such as those of India and the larger Latin American countries, were confident that they could identify the best available technologies and acquire them as needed through commercial licensing arrangements or as a condition of allowing a foreign company to establish a subsidiary in the country. As manufacturing was transformed by applications of successive generations of computers, robots, and information technology, more and more Third World state-owned enterprises were unable to keep up (Bhagavan 1990). Their owner governments were also aware that the overall pace of technological change was accelerating (Junne 2001, 198-199). As G77 efforts to include provisions for obligatory transfer of technology to developing counties in the NIEO program foundered, developing governments realized that they would have to work with, rather than avoid, foreign corporations in industries where technology was changing rapidly.

Questioning ISI became sharper as its longer-term consequences were analyzed more carefully (noted in Thakur 1993; Ndegwa 1997; Junne 2001, 198). The typical industrial enterprise created under ISI policies had relatively small production runs focused on the home market. In most counties, this resulted in higher prices because the enterprises could not capture the full economies of scale. Most of them also needed continual supply of imported materials since the industries chosen were selected on the basis of what the country was importing rather than what could be produced wholly or mainly using local materials (already noted in Diaz Alejandro 1965). As balances of payments weakened in the 1970s, partly to pay for oil and partly because of lower commodity export prices, financing this more expensive local production became more difficult. By the mid-1980s, governments of countries with relatively large middle classes were also feeling domestic pressures to change policy from consumers desiring lower consumer goods prices and from local entrepreneurs interested in developing export enterprises of their own (Junne 2001, 198).

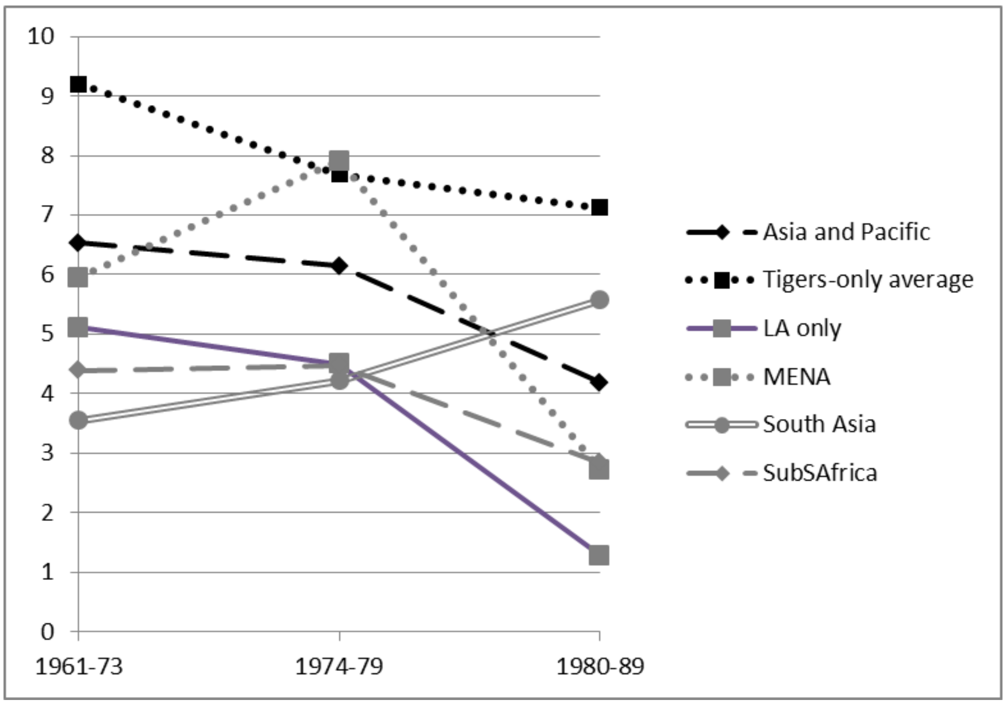
New developments in economic theory were also supporting doubts that the walling-off of local markets needed for most versions of ISI was good for an economy in the long run. Newer studies confirmed the longstanding neoclassical argument that interest rate subsidies hobble those parts of the economy that do not receive them. Similarly, new studies also cast doubt on the tariff component of ISI by distinguishing between two phases. The new studies did not weaken the argument that a short period of tariff protection to insulate local firms from foreign competition as they “learn by doing” (the rationale for infant-industry protection going back to Alexander Hamilton and Friedrich List) is likely to benefit the rest of the economy. However, they pointed out that prolonged tariff protection allows local firms to appear viable despite inefficient operations, poor quality control, and unresponsiveness to changing customer preferences *(e.g., Taylor 1989; Thakur ?), that served domestic customers poorly and limited ability to compete in foreign markets.

The late 1980s were marked by some convergence between the moderate left and center. The results of Chilean (1971-73) and Peruvian (1975) experiments with structuralist-inspired policies (Kahler 1990, 40 and note 20) had persuaded a good number of economists from developing countries that their country’s economic problems did have internal as well as external roots. In their composite view, external developments bounded developing country prospects, but how a country actually fared depended on the mix of short-, medium-, and long-term policy responses its government adopted. Drawing on both general neoclassical theory and public choice theorists’ warnings about the inefficiencies likely to be produced by largescale state-run economic activity, they concluded that reducing direct state involvement in production and distribution in favor of allowing private enterprise to expand and markets to function would improve economic conditions.

This shift did not mean that the policy ideas emanating from what was sometimes called "neoorthodox" analysis went unchallenged. A significant number of observers (e.g. Callaghy 1989; Deyo 1987; Wade 1989 and 1990), pointed out that East Asian governments were not following policies based on this analysis. Inspired by Japan's post-1945 success, which had been the subject of some attention in the West (e.g. Vogel 1979; Johnson 1982), they pursued what Johnson (1995) called a "developmental state" vision of export-led growth. Rather than leaving private firms to their own devices, the government uses tax relief, subsidies, and other industrial policy measures (e.g., Hughes 1988; White 1988), to secure higher GDP by pushing them towards production for export while imposing limits on the extent of income inequality (e.g., Bates 1989; Gereffi and Wyman 1990). In the early phases, many of these policies were accompanied by severe repression of workers (e.g., Galenson 1979; Deyo 1989), but as economic growth proceeded workers and farmers came to share in the country's growing prosperity. Concurrently, the apparent failure of neoliberal-inspired policy experiments in Chile, Argentina, and Uruguay in the early 1980s created openings for continued critique of relying on light regulation of private enterprise. Yet here, too, some differences were narrowing because the policy prescriptions offered by what were coming to be called "heterodox" economists on some issues – including how to curb inflation or stabilize exchange rates – differed only in degree from neoorthodox suggestions (Kahler 1990, 48-52).

By the end of the 1980s two global developments – continuation and greater visibility of the gap between economic growth in East Asia and other regions, as shown in Graph 4.1, and slow growth or even shrinkage in Soviet-style centrally-planned economies – added further impetus to the debates. The Chinese Communist Party had perceived the weaknesses of Soviet-style central planning and was accelerating its own shift towards allowing competition among

Graph 7.1 Average GDP growth by region, 1961-1989



Source: World Bank. World Development Indicators. GDP growth.

firms and market-set pricing in the late 1980s so that it could maintain its monopoly of political control (Brandt and Rawski 2008). Latin American governments also began adopting new policies inspired by economic rethinking (e.g., suggestions in Balassa, Bueno, Kuczynski, and Simonsen, 1986). Some structuralists were developing what they called a "neostructuralist analysis" that gave more attention to domestic sources of economic inefficiency (e.g., UN Economic Commission for Latin America and the

Caribbean 1992; Sunkel 1993; also discussed in Gwinne and Kay 2000). The UN Economic Commission for Africa, which continued to provide African governments with a forum for discussing common economic challenges, produced a new statement on economic policy (UN Economic Commission for Africa 1989) reflecting a very different orientation than had prevailed in the Lagos Plan. While emphasizing the importance of not going too far in reliance on international trade for economic growth or in reduction of state enterprises, it did accept the basic neoclassical contention that African economies needed some restructuring. The re-thinking even extended into Scandinavia, long considered the world's leading social democratic region, where the Swedish Social Democratic Party was doubting the efficacy of the "Nordic model" of economic policy in 1988 *(Mouritzen 1995,). The best indication of how far the balance had shifted came from information that Soviet advisers were giving developing countries advice little different from that provided by the World Bank (e.g., 1985 Soviet memo for the Ethiopian government quoted in Hanze 1988).

Had arguments remained focused on how to best promote economic growth in developing countries, there might have been more room for considering the East Asian approach. However the implosion of centrally planned economies emboldened the growing community of avowedly neoliberal economists around the world. Though few phrased it as vividly as Margaret Thatcher's often-quoted "there is no alternative" (see Margaret Thatcher Foundation 2016) they did claim that no other policy choices would be as good for any country, whatever its income level, as a combination of market economy, lightly-regulated private enterprise, and openness to international trade and investment. The first round of the "varieties of capitalism" literature focused almost exclusively on Western economies, distinguishing among Anglo-American “shareholder capitalism,” German “ordoliberalism” or “social market economy,” (Röpke 1982; Müller-Armack 1989; Ptak 2009), and European “corporatist” models of government-employer-labor union cooperation (e.g., Katzenstein 1985; Esping-Andersen 1990; Hancock, Logue and Schiller 1991; Hart 1992). Only later did attention broaden to include varieties of capitalism that had developed in other parts of the world (e.g., Corney, Gedajlovic, and Yang 2009; Nolke and Vliegenhart 2009; Schneider 2009).

Thoughts that import substituting industrialization and export-led growth could be regarded as complementary strategies to be used at different times in a country’s economic development (see Gereffi 1990, 22; Bradford 1990, 32-36) also attracted little attention. World Bank and IMF staff also downplayed the developmental state (Wade 1996). When Japan moved from sustained growth to persisting stagnation after domestic real estate and financial bubbles burst in the early 1990s (e.g., Krugman 1994; Pempel 1998), existing questions about export-led growth (e.g., Ram 1987; Klein 1990) were expressed more widely, particularly by advocates of following the rival strategy of domestic demand-led growth (DDLG) (e.g., Medina-Smith 2000; Felipe and Lim 2005).

The transformed policy climate of the immediate post-Cold War period was most vividly expressed in the notion of a “Washington Consensus” (Williamson 1990) on how to best promote development. Though many mid-level aspects domestic economic policy remained open to debate, several longstanding contentions seemed to have been settled. Developing countries, it was widely agreed, would be better off if they linked up with the international economy, encouraged private enterprise, improved protection of private property rights, reduced reliance on state-owned enterprises, and removed tax credits, subsidies, and other measures that distort prices and interest rates. Even UNDP, which had often endorsed self-reliance policies in the past, was suggesting that "poor countries can leapfrog several decades of development if they combine their low wages with basic education, technical education, and export-led growth, taking advantage of the rapidly opening global markets" (UNDP 1998, 10).

The question of whether and to what extent reducing poverty required adopting targeted government policies in addition to fostering GDP growth continued to arise in discussions between the World Bank and its borrowers as Development Policy Loans replaced Structural and Sectoral Adjustment Loans in the early 1990s. Intellectual efforts to find grounding for explicit poverty-reduction policies drew on several sources. Some advocates of giving markets "a human face" drew on the new field of behavioral economics, which uses insights from psychology and cognitive science about pervasive features of human reasoning to modify the neoclassical conception of *homo economicus.* Others drew inspiration from the "economics of information" addressing how transactions are affected when each participant has different information. Others drew on insights from the New Institutionalist Economics not only to reinforce calls for "good governance" but also to develop better policies for mitigating negative social effects of market exchange. All of these streams of economic analysis offered significant challenge to the neoliberal claims that markets are always the most efficient ways to organize production and distribution and that enough growth would redress distributional problems on its own.

Outcomes of debates over the relative efficacy of rival approaches to development was also affected by the tendency of Marxist, dependency, and world-systems theories to offer general propositions about the contours of a better world without midlevel analytical propositions sufficiently clear to guide formulation of economic policy. Though Karl Marx had relied heavily on Adam Smith's and David Ricardo's formulation of classical economics when developing his economic theories (Samuleson 1967) many of his followers regarded propositions about capitalist market economies as irrelevant to running socialist ones (noted, e.g., in Robinson 1971). Dependency theory identified a number of large steps countries should take – de-link from the West, overthrow elites insufficiently attuned to local aspirations, prevent intrusion of consumer culture influences – but provided little guidance about actually running an economy (noted in e.g., Mahler 1981, 468-469; Ahiakpor 1985; Colburn and Rahmato 1992, 159; acknowledged by Palma 1981 and Gunder Frank 1981, 127). Sender *(2002, --) noted that debates about immediate macroeconomic or fiscal policy steps occurred within the broad outlines of neoclassical economic analysis, a supposition supported in accounts of Argentine and Brazilian currency reform plans (e.g. Hirschman 1986; Flynn 1986; Önis 2006). Just as the Human Development Index was the first of new data-based analyses challenging the aggregate national income approach to measuring development, the newer policy ideas emanating from behavioral and institutionalist economics included denser sets of midlevel theoretical propositions than offered by analysts on the radical left.

Neoclassical economic theorizing was also moving in directions that could support non-neoliberal policy conclusions. Neoclassical economists had long relied primarily on Robert Solow's (1957) two-factor production function, focusing on the balance between aggregate capital and aggregate labor, for modeling processes of economic growth. A competing “endogenous growth theory” including technological advances and increases in labor skill/productivity as independent contributors to growth began to appear (e.g., Scott 1989; Roemer 1990; later formulations in Anghion and others 1999; Saint-Paul 2008). A summary of endogenous growth theory noted that ability to secure newer technology through trade had accelerated the pace at which early industrialization doubled per capita incomes, reducing the time needed from 60 years in the UK (1780-1840) to some ten years in South Korea (1966-1977) and China (1977-1987) (*The Economist* 7/1991). Endogenous growth theory suggested two lessons with clear policy implications: economies need to keep up with the technological frontier and continually invest in enhancing worker skills. The first provided another reason to link up with the world economy, while the second opened up another area for debate about the respective roles of government and private sector in providing the needed skills training.

The Asian Crisis of 1997-98 became the occasion for another round of debate about what combination of general economic policies and programs addressing human needs should guide development. As most prominently evidenced by Joseph’s Stiglitz’s appointment as Chief Economist, the World Bank was never particularly neoliberal in outlook. He emerged as a public critic of what he perceived as the stringent neoliberalism prevailing in the IMF, using the controversies over IMF advice to Asian countries to formulate an alternative "agenda for development for the 21st century" (see Stiglitz 1998). Though the effort appeared to be closed down, at least temporarily, when negative US government reaction to Stiglitz’s vocal criticisms of the IMF’s role in the Asian Crisis led World Bank President Wolfensohn to dismiss Stiglitz in February 2000, Stiglitz was only the most prominent internal advocate of avoiding the excesses of neoliberalism.

The Asian Crisis had less effect on macroeconomic debates than might have been expected for three reasons. First, there were multiple competing explanations of why the crisis occurred (Goldstein 1998), only some of which related directly to the relative merits of neoliberal and other approaches to national economic policy. Second, critics of neoliberal policies were unable to converge on a model of economic and social organization based on protectionism and trade discrimination (e.g. Unger 1999 whose "progressive alternative" involved slowing down rather than reversing economic opening). Third, the stringent neoliberalism articulated by Thatcher and Reagan had faded by 1990 even in the UK and the USA.

The "Washington Consensus" of the early 1990s was not strictly neoliberal. As John Williamson later recalled,

> "My opinion [in 1989] was that views had pretty much coalesced on the sort of policies that had long been advocated by the OECD. I specifically did not believe that most of the "neoliberal" innovations of the Reagan administration in the United States or the Thatcher government in Britain had survived …. (Williamson 2004, 2).

In July 1991 *The Economist*'s writers summarized the Washington Consensus as redefining the government's role to reduce efforts to control prices, increase use of monetary and fiscal policy tools to dampen recessions and inflation, and to increase investment in infrastructure, health, and education (Economist 7/91). By the mid-1990s thinking had moved further enough from the neoliberalism associated with Reagan and

Thatcher that some analysts were discussing the shape of a "post-Washington Consensus." Yet equating of "Washington Consensus," with "neoliberal" remained current among the World Bank's and IMF's critics on the left, giving the phrase a longer life in public debates about development than in policy circles.

The 2008 global financial crisis inspired another round of sharp criticisms of dismantling state-owned enterprises and reducing government regulation of economic activity extending from individual commentators and social movements to UN bodies (see UN General Assembly 2009; Stiglitz Commission 2009). Beyond calls for re-regulating the financial sector, much of the critique also recommended returning to the Keynesian emphasis on using government macroeconomic measures, not just fiscal policy, to temper business cycles. The origins of the global crisis in collapse of overheated mortgage markets also inspired greater interest in understanding the origins and dynamics of the "manias" or "bubbles" that lead to artificially high prices in some sector of an economy (e.g., Minsky 1982; Froot and Obstfeld 1991). Policy analysts hoped to develop tools allowing governments to identify manias and to "burst bubbles" before they spiral out of control, gave way to panic selling, and the sell-off led to recession.

Though China experienced reduced growth as its main customers went into recession, the contrast between emerging economies experiencing moderate decreases in growth momentum and industrial ones experiencing, particularly after the separate Eurocrisis intensified after 2010, also sparked some revived interest in state guidance of private enterprise activity. That has not taken the form of central planning, which remains discredited. Particularly for the larger developing countries interest has focused more on moving from export-led to domestic demand-led growth (earlier discussions in Beslin 1999; Felipe and Lim 2005) as trade opportunities with advanced economy countries shrank (see UNCTAD 2013). Regulation of the financial sector became a more salient issue, one addressed in the G20 and the Bank for International Settlements.

Environmental, Social, and Human Rights Policy Conditions

The World Bank, and to a lesser extent the IMF, have also attached policy conditions relating to environmental, social, and human rights issues to their loans. Even when clearly relevant to the particular policy areas or projects being financed, the relevance of these loan conditions to development has not always been obvious to governments and economists. In most instances decisions to include these policy conditions were the ultimate result of campaigns by transnational advocacy coalitions to get the Bank and the IMF to pay more attention to these concerns. Some saw human rights and environmental protection as worthy goals in themselves; others defined development in a way that suggested the need for good environmental, social, or human rights policies for long-term success. Many of these campaigns were supported by individuals and organizations highly critical of the Bank's and IMF's economic policy conditions.

Borrower governments did not perceive these transnational campaigners as allies in their efforts to push back against World Bank and IMF use of policy conditions (e.g. G24 1982, par. 8; G24 1986, par. 28; G24 1987, par. 34). In all, borrower governments regarded environmental and social policy conditions the same way they regarded economic policy ones, as instructions to avoid or accept depending on how they fit with their own goals. For governments choosing to push back against them, the fact these concerns were being pushed by a combination of Western-based NGOs and Western country legislatures allowed portraying the conditions as products of outside interference to domestic audiences and in G77 discussions. Even when those concerns were also expressed by significant domestic constituencies, borrower governments wanted to maintain control over projects and policies.

Maintaining control occasionally required withdrawing loan applications or foregoing the undisbursed portion of already-approved loans. That desire also prompted increased search for financing free of these conditions, and some governments were able to secure it from multilateral banks or bilateral aid agencies (Wade 2004 notes the rarity of environmental conditions) or, when markets were favorable, private investors. Infrastructure plans figured heavily in creation of the New Development Bank ("BRICS Bank") in 2014 and the Chinese-led Asian Infrastructure Investment Bank in 2015.

Social policy conditions have had more traction than environmental or human rights ones because many social services programs could be presented as central to "basic needs," "human capacities" or "human development" conceptions of what is required to attain development. As noted in chapter 3, the impulse to pay more attention to the conditions and needs of the poor has increased fairly consistently since the mid-1960s. Coalitions of national-level policy-makers, increasing numbers of academic economists, members of the growing community of development specialists in multilateral and national aid agencies, and advocacy movements al sought to influence World Bank and IMF policies. These pressures became more effective in the 1990s for two reasons. Democratization in many parts of the world allowed groups within developing countries more scope for activity at home and within the transnational coalitions, adding a new set of internal pressures to the external ones being felt by governments of developing countries. Shifts in economic thinking produced by behavioral and new institutionalist economics also gained traction and provided a wider range of reasons for paying attention to the condition of the poor that were persuasive to all but the most "market fundamentalist" sorts of neoclassical economists. This traction showed up even in the IMF during the late 1980s when Managing Director Camdessus added per capita social spending (mainly on education and health) to the economic indicators tracked in monitoring economic conditions in countries borrowing from the concessional facilities (Clegg 2013, 88-89).

Another side debate about actions worth including in development efforts arose in the 1990s as the definition of getting institutions right expanded to include concern for ensuring participation – local civil society inclusion in policy and project formulation – as long urged by advocates of people-centered development. Both the World Bank and the IMF were shifting in that direction by the mid-1990s Woods 2000b, 826. The rules for preparing Poverty Reduction Strategy Papers adopted by the Bank and IMF in 1999 required consultation with local groups, and adoption of the Millennium Development Goals reinforced this trend. Soon notions of participation were expanded to the process of formulating particular projects to be financed by World Bank or IDA money (Clegg 2013, 121-122). Some borrowers accepted these policy conditions, but others did not. In some cases, reluctance was sincere, reflecting honest doubt about the merits of wide civil society participation; in others it was strategic, based on government desire to protect its own policy discretion. Critics on the left were unimpressed, regarding the whole PSRP exercise as ignoring land and income redistribution, labor, and marginalized groups (e.g., Cooke 2005, 261).

The global financial crisis of 2008 put many of these arguments on hold. Developing countries' need for finance took priority over other concerns. As it became clear that emerging and developing countries were experiencing less recession and faster recovery than much of the West, they also appeared to be attractive investment destinations as well. In 2013 Rwanda received $3.5 billion in offers to buy the $400 million worth of bonds it wanted to sell internationally, as well as loans from China (Herbst and Mills 2013). China, India, and other emerging market countries began providing development finance bilaterally or through the New Development Bank and the Asian Infrastructure Investment Bank, and specifically eschewed attaching policy conditions to the loans. Analysts quickly noticed that this reduced the Bank's ability to insist on policy conditions (Prizzon, Greenhill and Mustapha, 2016; Hernandez 2017) beyond what borrowers wanted to accept for their own reasons.

Maintaining a Stable System of International Payments

IMF relevance criteria were transformed by the change from the Bretton Woods par value system to the mix of freely floating, managed float, and pegged currencies of the mid-1970s. The par value system was sufficiently exacting that Western European countries and Japan deferred return to convertibility for more than a decade, and many middle or low income countries were still avoiding it when the par value system was overturned in September 1971. The new system of managed floating rates did not overturn all elements of IMF analysis, but did mean there were wider margins for appreciation of when a significant balance of payments, debt, or financial crisis problem was about to emerge.

IMF relevance criteria were also shifted by the IMF move into providing medium-term loans to developing countries because the goal – help a country reestablish stable expectations for cross-border trade by stabilizing its exchange rate – became more elusive regardless of whether the developing country used a managed float or a currency peg. Part of this increase came from mismatches between advice and country conditions because the IMF was slow to accept that developing countries faced different trade conditions than industrial ones. Part came from divergences in views about what would promote development more generally. The IMF shifted over time to using a rational expectations approach influenced version of the Fleming-Mundell model of macroeconomic influences on financial flows (Broughton 2004, 15). Meanwhile, borrower governments adopted a variety of approaches based on their own views of whether import substituting industrialization, export-led growth, mixed economy policies, or market economy policies would best advance development for their country.

Divergence in policy preferences, and with it unhappiness among borrower governments and outside critics, was greatest in the mid-1960s through mid-1980s when all of the competing routes to development seemed plausible. Divergence of views narrowed after the Cold War, but unhappiness revived and intensified after complaints about the unhelpful nature of the IMF's initial advice in the Asian Crisis (G24 2000, par. 19; G24 2001, par. 12; G24 2002, par 19). Eastern European governments and peoples, even in countries with successful transitions to market economies, integrated recollections of interacting with the IMF into their memories of the economic difficulties of the 1990s so only reluctantly turned to the IMF after 2008 (Tooze 2018, 230). Governments that could find other ways to assure private markets about the near-to-medium term stability of their currency did so, by building their national reserves out of trade surpluses, developing their own bilateral or group mutual borrowing arrangements, and improving management of their domestic banking and finance sectors (Lipsey and Lee. 2019, 42; Pardo and Rana 2015).

Yet underneath all these debates were the realities that even with increases of IMF assets agreed upon after the Asian and 2008 Financial Crises, the IMF did not have sufficient resources to operate as a global lender. What happened instead was a vast expansion of US Federal Reserve loans to foreign as well as US banks and commitments to lend through a network of central bank swap arrangements with 14 major central banks around the world which in turn provided lending to others in their region (McDowell 2016). These activities ended up involving $29 trillion in aggregate (though never all at once), well beyond what even the augmented IMF could muster.

Relevance of Instructions

The substantive shape of addressee concerns about the relevance of instructions depends partly on the nature of the goal or goals an authority relationship exists to pursue and partly on the internal norms and practices about mutual relations within the authority relationship. Thus the ways in which "favoritism" – providing more benefits to, or being more lenient about failure to follow instructions by particular addressees on the basis of close social ties to the authority holder – will vary depending on the goal and the character of the authority relationship. When, as in feudal societies, addressees are arrayed in a mutually-accepted hierarchy of social orders, unhappiness about uneven benefit or discipline will be filtered through the expectations about what is due to members of each order and comparisons made only within the same order.

Intergovernmental organizations operate within a very different set of practice expectations. Formally, each member state is the sovereign equal of every other member state. Though in fact some are “more equal,” the formal rule creates a baseline expectation that each member should receive similar treatment from the authority holding organization. At the same time, the differences in geographic extent, population size, overall wealth, internal coherence, and government capacity to formulate and pursue coherent internal and external policies creates variations among member states that intergovernmental organizations ignore at their peril.

Intergovernmental organizations are created to perform certain tasks related to attainment of particular goals, and in fostering goal attainment are expected to engage in certain forms of policy selectivity – modulating benefits and derivations according to addressee adherence to or deviation from preferred action paths. The bounds of permissible policy selectivity are defined by the goal, the area criteria of the relationship, and shared participant perceptions of which action paths are or are not likely to result in goal attainment. Identifying acceptable policy selectivity starts from the terms of the agreement creating the intergovernmental organization. For example, the UN Charter commits UN bodies to promoting “universal respect for, and observance of, human rights and fundamental freedoms for all” (Article 55 c), and this prevents them from suggesting that mass murder would be an acceptable solution to internal armed conflict.

The treaties creating some intergovernmental organizations include provisions specifying either that they may not interfere in member states’ internal affairs (e.g., UN

Charter, Article 2, par. 7) or must avoid making decisions based on "political considerations" (e.g., World Bank Articles of Agreement, Article IV, sec. 10). When there is little agreement on the relative merits of competing action paths, relations between the organization and member governments can be strained as the member governments interpret the organization's decisions occurring in the grey area where policy selectivity and individual favoritism overlap. At such times, the coexistence of formal equality and practical inequality will inspire strong tensions if the more powerful states prefer one set of policy answers and weaker states prefer another. In such situations, the intergovernmental organization can end up in the middle of a contention in which what the powerful regard as reasonable policy selectivity is interpreted by weaker states as individual favoritism, and claims about sovereign equality used to pressure the organization to limit the differences in treatment that the powerful regard as desirable policy selectivity.

The most persistent argument about relevance of World Bank and IMF instructions, the notion that both function as "capitalist tools," involves decisions that do occur in the grey area where actions can be viewed as either policy selectivity or as individual favoritism. It was obvious to all governments participating in the Bretton Woods conference that the World Bank and IMF were being designed for coordination among market economies and would favor market-based solutions to development and exchange rate stability. Thus the Soviet bloc governments most strongly committed to central planning wither did not join or soon withdrew *(Gold 1974, 141?). Developing country governments had less ability stay outside the IMF by because IMF membership is required for membership in the World Bank and (World Bank Articles of Agreement, Article II, par 1) and access to its loans.

Until the 1990s, most complaints from member governments about differing treatment were about World Bank or IMF advocacy of a particular version of market economics and private enterprise. The depth of a particular addressee's complaints varied with the distance between World Bank or IMF management views about wise economic policy and its own views, and changed over time for two reasons. First, both individual developing country governments' attitudes and the balance of opinion among developing country governments as a group changed as contentions about relevance – influenced over time by experience, as outlined in chapter 5 – unfolded. Second, the World Bank and IMF were moving targets since they had enough autonomy from the major shareholders to position themselves distinctly within the debates about relevance. The fact Bank loans were financed through selling bonds to private investors enhanced management's autonomy vis-à-vis the major shareholders, particularly as Bank bonds were sold in more countries and denominated in more currencies (21 are listed in World Bank Annual Report 2015, 55). Successive Bank presidents and vice presidents worked hard to maintain their margin for flexibility *(Oliver 1975, 261?; Reddy 1985, 29; Narasimhan 1989, 35, n. 40). When the IMF could cover a borrower's needs itself, its management also had autonomy, but this narrowed whenever a borrower needed more money than the IMF could provide on its own and it needed to rely on the General Arrangements to Borrow.

Debates about what was unfair differential treatment and what was proper policy selectivity became less intense after the end of the Cold War. The contentions about market versus central planning were replaced by more focused disagreements about the weight to be given to poverty reduction, protecting the environment, human rights, opportunities for marginalized groups, gender equity, or corruption. This did not end the general borrower governments preference for reducing the number of conditions (G24 2000, par.15; G24 2014, par. 17), but did mean shifting to more mid-level policy arguments and several rounds of revising conditions in directions borrowers were urging *(see pp.).

A particular member state may secure more favorable treatment from an intergovernmental organization through either of two channels of influence. One is that member's ties to the organization's head and staff, who initiate favors themselves; the other is that member's ties to influential member governments, which use their influence to exert pressure on the head and staff to provide favors. Concern about the prevalence of addressee-specific favoritism have also been a constant feature of discussion about the World Bank's and IMF's roles, particularly among outside observers.

Determining the actual extent of individual favoritism is not easy. In the abstract an organization's actual allocations of benefits could be measured against the standard of a hypothetical "pure" multilateralism, where organizational rules and procedures for allocating benefits and burdens among individual addressees are interpreted and applied with complete consistency. Yet few rules can be applied with complete consistency; usually there needs to be a margin of appreciation in their application to the peculiarities of individual situations. Participants in a particular authority relationship have a more or less widely shared working sense of what is and is not acceptable deviation from an ideal of completely rules-based treatment. Thus whether and how much addressees complain or engage in more vigorous pushback against decisions that appear to depart from the rules depends on the extent of consensus about acceptable deviation.

Particularly in eras marked by highly-charged great power rivalry like the most intense phases of the Cold War, great power competition proceeds in an atmosphere where rules are “applied to enemies but only interpreted as regards friends” (Giolitti n.d.). No one is very surprised when great powers extend their competition into intergovernmental organizations and try to use them to help their own allies and clients or hobble the other’s allies and clients. Such competition did extend into the IMF in the late 1940s, with those Eastern European countries that did not immediately follow Soviet instructions getting frozen out (Broughton 2004, 8). Intergovernmental organizations operating under one state-one vote and simple or only mildly qualified majority rules can also be used by coalitions of numerous smaller states as arenas for exercising their own individual favoritism. Yet, as the G77’s use of the UN General Assembly and other UN bodies in the 1970s and early 1980s indicates, ability to adopt verbal endorsements or condemnations of particular governments’ actions only makes a significant difference when it motivates actors with sufficient capabilities to support the praised or hinder the criticized.

Great power competition or other coalitional dynamics in an intergovernmental organization can easily spread from the intergovernmental forums to organization’s head and staff. International organization staffs depend on supporting coalitions of member governments for the continued supply of resources and tasks, and maintain that support by providing that supporting coalition with efforts and outcomes that it wants (Cox 1969, 222-26). Randall Stone’s (2011, 31-33) alternative to rational choice delegation models adopts this view: he regards intergovernmental organizations as arrangements in which the rest of the membership accepts that normal organizational decision processes will not apply when the leading member or members want exceptions for their particular favorites.

Yet there are elements in the context of interaction that can limit extent of favoritism. Leading members may disagree about who should be favored. The norms of multilateralism (Ruggie 1983), when taken seriously, do not prevent but do limit the degree of more or less favorable treatment. A particular international organization may also be able to generate counter-pressures from norms or definitions of good practice prevailing among experts in its particular area of endeavor.

International organizations with scant material resources will not be able to vary the material rewards provided to or deprivations inflicted on particular members. Some recent observers have suggested that even though they still command significant resources, the World Bank and IMF are no longer able to provide as much favoritism. Borrowing from both (other than loans or grants through IDA and Bank-administered Trust Funds) has been decreasing. The successful challenges to their policy recommendations emanating from NGOs, other civil society entities, and borrower governments have encouraged thoughts that both, and particularly the World Bank, less useful as an enforcer of major shareholder policy preferences (e.g., Degnbol-Martinussen and Engberg-Pedersen 2003, 119-121; Kahler 2016, 3). Yet others have doubted the extent of change (e.g., Weaver 2007; Stone 2011).

World Bank

The World Bank Articles of Agreement create a baseline expectation of impartiality by specifying that "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I" (Article IV, section 10). However it is widely acknowledged (even quietly within the Bank) that a borrower's relations with major shareholders and the Bank management and staff do have some effect on its ability to get loans (discussed further on* p. --).

Basic maxims of financial prudence impose outside limits on the World Bank's exercise of individual favoritism because they discourage concentration of lending. The World Bank raises most of the funds it uses for World Bank loans from private investors. They generally prefer investing in bonds issued by financial institutions with a large number of borrowers over bonds issued by those with a small number of borrowers because a large number reduces the risk of simultaneous default. Early Bank presidents, all of whom came from the world of investment banking, had internalized this practice of portfolio diversification well before reaching the Bank, and continued to follow them.

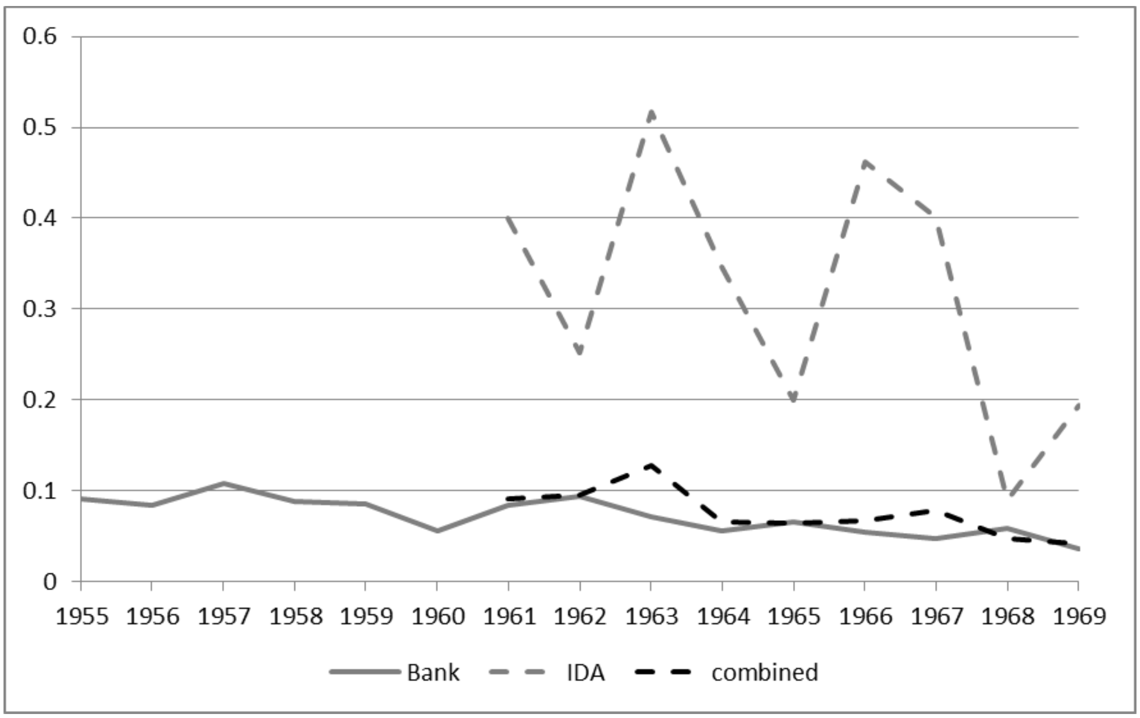
The extent of actual portfolio diversification can be traced by calculating a Herfindahl-Hirschman Index (HHI) of the Bank's lending each year. The HHI is a standard measure of market concentration, most frequently used to determine whether the market for some good or service is so dominated by one or a few firms that monopoly or oligopoly exists. It varies from 0.0 (or 0 points) denoting a highly competitive market of many firms each with a small market share to 1.0 (or 10,000 points) denoting monopoly. In the USA, the Justice Department uses 0.15 (or 1500 points) as the basis for subjecting proposed mergers to anti-trust reviews, and 0.22 or above as flagging highly concentrated markets (US Horizontal Merger Guidelines 2010).

The HHI can also be used to track other sorts of concentration, and here it is used to determine the concentration of country shares in the World Bank and IDA loans authorized each year. Calculating the HHI of World Bank and IDA lending does require some deviations from how market regulators calculate it. The first, dealing with the fact the number of countries eligible for Bank and IDA loans has changed over the years is easy; the HHI calculations are mathematically normalized to compensate for the changing number of countries. The second is less usual and responds to the fact that different sized countries secure loans more or less frequently -- some countries get loans every year while others get loans every other year or every few years. That reality is addressed here by treating all eligible countries as being "in the market" every year, with those securing no loans assigned zero as their market share. Only countries that are explicitly ineligible for loans – because they 1) did not belong to the World Bank or IDA that year, 2) had a per capita gross national income too high to qualify for loans, or 3) were disqualified for loans because they were in serious arrears on repayment of earlier loans or under UN sanctions – are not included in the calculations.

The relatively slow start of World Bank operations and the initial focus on postwar reconstruction mean Bank management intentions are more accurately assessed by starting the calculations with loans approved in Bank Fiscal Year 1955 (1 July 1954-30 June 1955) than with earlier loans in 1947. As indicated in Figure 3.2, the normalized

HHI for Bank lending in 1955-1969 ranged from 0.041912 to a high of 0.127887, with a trend towards decreasing concentration across the decade and a half. Concentration in IDA lending was initially quite high as India and Pakistan together received about 2/3s of the money, leading Bank management to adopt a rule in 1968 that no single borrower should receive more than 40% of IDA loan money approved in any one year (Pennant-Rea 1982, 37).

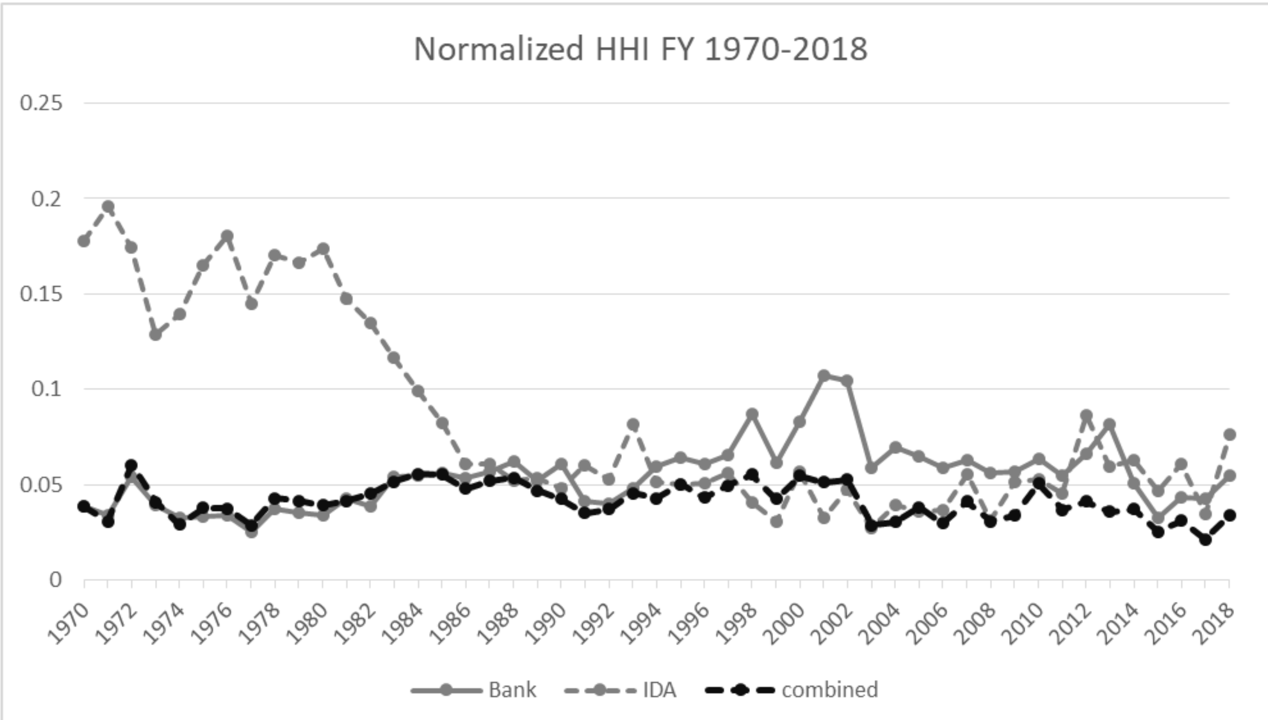
Graph 7.2 Normalized Herfindahl-Hirschman Index of World Bank, IDA, and combined lending FY 1955-FY1969



Source: author calculations using World Bank loan data

Even with that decision, IDA lending was still more concentrated than World Bank lending in the 1970s, but its concentration dropped enough in the early 1980s that normalized HI of loans between the two have diverged only modestly in most years since 1985, as indicated in Graph 4.3:

Graph 7.3 Normalized Herfindahl-Hirschman Index of World Bank and IDA lending FY1970-2018



Source: author calculations using World Bank loan data

While this analysis indicates that the World Bank has consistently maintained a diversified loan portfolio, it does not exclude the possibility of favoritism at the margins. Even before sufficient data became available to run statistical analyses of lending patterns, inside and outside observers had noticed that some countries clearly enjoyed extra consideration. Reddy (1985, 29) noted that a few countries known to have close relations with the USA – including Egypt, Turkey, the Philippines, and Thailand – enjoyed loans of "marginally higher amounts with lesser conditionality" and faster disbursement. Similarly, Woods (2006, 75) noted that their close ties to Western governments led the Bank to allow Indonesia, Turkey, Iran (pre-1979), Mexico, and the Philippines to pursue more statist macroeconomic policies than it was urging on other borrowing countries.

Bank management also has organizational reasons to lean against too much favoritism. As an international secretariat, it is expected to follow norms of multilateralism, and in particular to avoid appearing too beholden to any one member. Reddy noted (1985, 31) that Bank presidents had been able to moderate US influence, and Bank presidents have seen this as part of their job (e.g. advice from outgoing president Lewis Preston recounted in Wolfensohn 2010, 263). Bank president Wolfensohn's decision to let chief economist Joseph Stiglitz persist in unusually blunt public criticism of the IMF's errors in policy advice to Asian governments was an effort to stake out a degree of independence even as he was acceding to US Treasury pressures to step up lending to affected countries *(Mallaby 2004, 192-3; Wolfensohn 2010, zz).

As more systematic loan data became available, scholars began trying to use statistical analysis to identify possible favoritism by determining whether there was a positive correlation between leading trade partners, political alignment, ideology, or level of agreement with the USA in the UN (most often measured with General Assembly vote data even though votes have become must less numerous over the decades). Frey and Schneider (1986) concluded that countries with higher levels of imports from the major shareholders had better access to loans. Fleck and Kilby (2006), Kilby (2009) and Kaja and Werker (2010) concluded that countries with close ties to the USA received somewhat greater amounts of loan money access while Dreher, Sturm and Vreeland (2009b) found that countries got more in the years they were a nonpermanent member of the UN Security Council.

Using statistical analyses to support claims that the USA essentially runs the World Bank requires addressing several analytical challenges. The first is reliably distinguishing US influence from that of the other major shareholders since there is considerable overlap in their policy preferences (Dreher and Vaubel 2004 on World Bank loans; Lyne, Nelson, and Tierney 2009; and Cepelovich 2010, 264-275 on IMF loans). The second is explaining why the USA can dominate given that the other industrial countries together have more votes than the USA and could counter US pressures on loan decisions if they acted together (noted by Weaver 2007, 499).

The evidence for assessing the extent of agreement or disagreement among the major shareholders typically appears in policy discussions or loan decisions that sparking industrial country dissention. Information is thus too scattered to definitively settle debates about whether one shareholder or a group of shareholders steer the Bank, though can be used to indicate moments when one or another major shareholder pushes too hard and creates tensions that may cost it later. Several commentators have identified the way the US pushed through Bank lending to Mexico in the mid-1990s as such an occasion (Cepelovich 2010, 209-227 provides a particularly detailed discussion). The clear reluctance of some European governments to support US proposals for a large lending program for Bosnia in 1995 stemmed far more from irritations over being marginalized in the Dayton peace talks than from economic considerations (Mallaby 2004, 130-1). Disagreement with US views was an important element of Japanese discontent in the 1980s (Lipscy 2018, 93-94). Alignments among the leading members in discussions of the Asian Crisis were less about policy than about concerns arising from financial connections of the South Korea government and/or South Korean companies and banks with banks each G7 country (Cepelovich 2010, 264-275).

Schoulz (1982) argued that US Executive Directors has already become less successful in persuading management to drop loan proposals that the US government did not like before they got to the Board. Countering the USA by voting together should have become easier over time as US shareholdings declined. Most of that decline resulted from application of the formula for quota allocation; as other economies have grown relative to that of the USA, its portion of the shares has fallen. In IDA, vote shares also depend partly on size of contributions to IDA replenishments, and a combination of the Bush 2 administration holding US contributions steady while European governments increased their contributions reduced the US vote share in IDA more sharply, from 20.12% in 2002 to 13.78% in 2005 (Weaver 2007, 510, n. 16). Earlier studies suggested such an effect. Though some recent studies (Weaver 2007; Stone 2011) argue that there is now little overt challenge from the other major shareholders, others have noted that US ability to “get its way” does depend increasingly on other members’ support (Lyne, Nelson, and Tierney 2009).

The relatively low level of overt challenge from other major shareholders that buttresses continued perceptions that the US government calls the tune can be explained in at least three ways. The first is their broad agreement on many questions of how the Bank and IDA should proceed. The largest policy disagreements among the longtime aid donors have been between the US, UK, French, German,, and Japanese governments, each of which also runs a large aid program of its own, on one side and the “like-minded” Canadians, Dutch, and Scandinavians typically more sympathetic to G77 aspirations and distributing most of their aid through multilateral programs on the other. The UK government did appear to break ranks for a time in the late 1990s, but never became firmly aligned with the "like-minded." Second, other major shareholders might hold back to avoid upsetting wider bilateral relation with the USA by picking fights on World Bank questions (e.g., Kapur 2002, 65). Third, there is evidence for tacit understandings among the major shareholders in which the US lets others lead in areas of particular concern to them and others let the US lead where it is most concerned. This might also underlie what Clegg (2013, 69) identified as broad deal in which the Europeans let the USA run the World Bank in return for American deference to European views in the IMF. Others have suggested the existence of within-Bank deals in which the USA lets others lead in some areas (e.g., France lead on aid to francophone Africa; Germany on aid to Russia) or major shareholders carve out niches for themselves by establishing separate special-purpose Trust Funds administered by the World Bank (e.g. Kapur 2002, 65; Weaver 2007, 500; Stone 2011, xii and 178).

Shifting to the national level of analysis, and looking more closely at how governments formulate policy suggests other dynamics that affect the extent of individual favoritism in Bank lending. The strong separation of executive and legislative powers in the USA means that the executive branch has full control of US decisions about World Bank, IDA, and IMF policy only when Congress is not paying attention. Congressional disengagement during the 1970s meant that the strong similarities of views about development then prevailing in the US Agency for International Development (AID) and among the Indian and Pakistani economists guiding many World Bank activities created an atmosphere conducive to good relations (Moulton 1978, 1020). Krasner (1981, 314-315) and Schoulz (1982, 549-550) noted that a significant portion of US objections to particular loans stemmed from domestic interest groups' influence. However, these efforts often inspired opposition from other members. Schoulz notes that most of the loans the US opposed were approved anyway, and that McNamara's effort to avert a Congressional ban on loans to Vietnam by writing a letter indicating that the Bank would not initiate loans to Vietnam cost him considerable regard among other members and the Bank staff (1982, 565 and 570 note 78).

The next time the US Congress got involved in the details of World Bank lending, in the late 1980s and early 1990s, was largely at the behest of transnational environmentalist and development advocacy coalitions seeking to alter Bank policy loans for large infrastructure projects. The transnational coalition appealed to European legislatures as well, but found the US Congress most likely to act. More recently, the US Congress was one of several national legislatures using IDA replenishments to press for increased Bank and IDA funding of poverty reduction programs and more detailed tracking of Bank and IDA effort towards that goal (Clegg 2013, 48).

Over time, the individual countries favored or disfavored shifts with broader political alignments. Though fitting most of the descriptive indicators for US opposition to loans (low trade with the West, low ideological alignment, low agreement with the USA in UN General Assembly voting) the People's Republic of China received its first loan in 1981, within a year of effectively assuming China's membership in the World Bank. Iran could borrow from the World Bank in the late 1970s but neither Ethiopia nor Vietnam had much prospect of securing World Bank loans because the US government perceived those two countries as members of the rival Cold War bloc. Fast forward to the 1990s, and Iran under its post-1979 government was a rival to be frozen out if possible while Vietnam's and Ethiopia's changed political and economic meant the US government did not oppose lending to them.

A look at the data about individual loans also permits identifying decisions that are influenced by systemic concerns – worries that lack of financing for certain countries would lead to spread of financial crisis to other countries – common to the major shareholders and World Bank or IMF management. The spikes in the concentration of World Bank loans in 1996-7 and again in 1999-2003 followed the Mexican and Asian financial crises, and are consistent with other evidence that World Bank as well as IMF resources were mobilized for that purpose.

Assessing the prevalence of favoritism initiated by World Bank management or staff through statistical analysis is even more difficult because the publicly known and traceable factors like trade and investment flows or political alignments are absent. However there is scattered qualitative evidence for certain instances of such favoritism. In the 1970s through 1990s staff in the World Bank's Jakarta office (one of a handful of in-country presences when established in 1968) had close relations with the Suharto government's technocrats (Kapur, Lewis and Webb 1997, 467-71; also noted in Woods 2006, 75). A similar closeness developed with Mexican technocrats during the Salinas and De la Madrid presidencies (Urzúa 1997, 108). Thus those countries may have benefitted as much from their separate ties with Bank staff as from the often-mentioned ties to the USA.

Some scholars believe there is another route to favor: having a national on the Executive Board (Kaja and Werker 2010, 173). Yet if it exists, its importance has been limited. Morrison (2013, 291) found that developing countries with a national on the

Executive Board at the time received more IDA loans than others before 1989, but not afterward. He attributed this change to greater formalization of the Country Performance Ratings. Kaja and Werker (2010, 173) reported similar results while attributing them to concern with distributing loans equitably across regions and paying attention to differences in GDP as well as to the Country Performance Ratings.

One consistent theme in the discussions of favoritism among outside analysts is that they regard the major shareholders as the primary source of decisions favoring or disfavoring individual borrowers. The other is disagreement about how pervasive it is and whether there is enough of it to erode the credibility of Bank claims to be following the impartiality established in its Articles of Agreement.

IMF

The IMF's policy selectivity stems from its substantive goals. Yet there is a long-running tension among its leading members about how the organization should operate that has implications for perceptions of both acceptable policy selectivity and individual favoritism. European governments have often advocated recasting the IMF as a more rules-driven organization in which management and staff work under clear guidelines that confine their discretion within narrow bounds. The US government continues to prefer a looser vision of the IMF as an organization of experts allowed to apply their expertise in ad hoc and revisable fashion within fairly wide bounds of discretion. These divergences in views became noticeable in negotiating amendment of the Articles of Agreement in 1974-78, debate over abolishing capital controls in the 1990s, arrangement of the 1994 Mexican bailout, and reactions to the 2008 global financial crisis.

The contrasting attitudes might be rooted in differences in national financial situation – the Europeans prefer a more rule-bound system because that mirrors the requirements of their own monetary integration (Abdelal 2007, 21). It might also reflect places in the contemporary international system, where the US as global hegemon finds looser guidelines more conducive to the deployment of "informal influence" to guide decisions during a crisis (Stone 2011). It may also reflect differences in national-level administrative and legal traditions. Notions of a distinct body of public law and of a law-following state (*rechtsstaat* in the original German) form a large part of European traditions about controlling government action (Kunig 2001; Bogdandy, Dann, and Golsman 2008). The US tradition relies far more on more on divided and balanced allocations of power to different government institutions, employing a sharp division between executive and legislative power that does not exist in European parliamentary systems.

The vision of a more rule-bound organization is also attractive to some proponents of converting the IMF into a world central bank (e.g. Meller 1997) that would apply common fiscal and monetary rules akin to the EU’s Maastricht criteria to all member states. These include low inflation, annual government deficits below 3% of gross domestic product, total government debt less than 60% of gross domestic product, and maintaining long-term interest rates (interest on 10 year government bonds) not more than 2.0% higher than the average of the 3 EU members with the lowest longterm rates (Maastricht Treaty, Article 140). However, as revealed starkly by the separate Eurocrisis after 2008, applying common policy rules assumes a greater degree of convergence not only of opinion on what constitute the best fiscal and monetary policies but also in national rates of inflation, productivity growth, and other aspects of economic performance than even the Eurozone countries have yet attained.

The IMF has long been perceived as the most market-oriented and intensely disciplinarian of the international financial institutions. These perceptions probably peaked in the wake of the Asian Crisis, particularly among those who believed that the IMF's advice made the crisis worse by imposing fiscal constraints that led to unnecessarily long recessions (e.g., Blustein 2001, 17; Woods 2018, 287). This may be less true today. IMF research suggested that the negative effects of fiscal constraints in the Eurozone after 2008 were worse than initially expected (Leigh and Blanchard 2013) and it did not press austerity as far as some of the national governments involved in Eurocrisis loans to Portugal, Spain, and Greece (especially Greece) ("IMF and Greece" 2015) and some commentators believe it has moved past thinking that balancing government fiscal budgets and limiting public debt (policies often labeled "austerity") are always the best remedy to a country's financial problems (Ban 2015)

Assessing the actual extent of political favoritism affecting IMF lending requires different methods of proof than can be used for patterns of World Bank and IDA lending. Eligible governments usually regard World Bank and IDA loans as desirable and are applying for them fairly continuously. In contrast, most governments avoid seeking – or even discussing the possibility of seeking – an IMF loan in the early phases of a balance of payments or other financial crisis so that they do not have to admit its existence. This will systematically reduce the extent of loan-seeking and limit the usefulness of loan concentration indices. Such indices have limited utility for two additional reasons. First, though the IMF also prefers to having loans spread among several countries (IMF Annual

Report 2004, p. 69), the limited reasons for drawing on its funds means that the IMF must address over-concentration with financial risk management measures rather than spreading out the lending. The most prominent of these is linking a country's ability to borrow to the size of its quota. Second, both borrower governments and outside analysts know that IMF lending slows down significantly when the IMF's commitments have risen close to its total lending capacity (Prezworski and Vreeland 2000 and 2002).

The search for favoritism through analysis of lending behavior has come to rely on separating borrowers into two groups, those which borrow more frequently and over longer periods (defined as 7 years or more) and those which borrow less often for shorter periods. Yet such analysis must take account of the fact that most of the "prolonged users," as the IMF (e.g., IEO 2002) calls them, are governments of low income countries with low export earnings, very high debt, and weak domestic institutions (Bird, Hussain and Joyce 2004; Jensen 2004; Sturm, Berger and de Haan 2005; Atoian and Conway 2006; Pop-Eleches 2007). Some analysts have concluded that, contrary to theories of bureaucratic task expansion, borrower choice is much more important to prolonged use than IMF staff encouragement (Prezworski and Vreeland 2000 and 2002; Vreeland 2003; Stone 2008.) Several studies noted below that found statistically significant correlations between ties to major shareholders and greater access to loans (Thacker 1999; Eichengreen, Gupta and Mody 2006; Barro and Lee 2005; Eichgreen 2006; Stone 2008) did acknowledge concurrent correlations between IMF loans and certain borrower country economic and political conditions. Others (e.g., Garuda 2000; Hutchison 2003; Jensen 2004; Naroodin and Simmons 2006; Moser and Sturm 2011) concluded that the correlations between loans and country characteristics are stronger than those between loans and countries' ties to major shareholders.

Claims that the IMF engages in individual favoritism parallel arguments about the World Bank: that it is a response to pressures from the major shareholders, particularly the USA (e.g. Momani 2004; Stone 2008; Stone 2011). Other observers have concluded that the main source of favoritism is the strength of connections between a borrower country's economy and the economies of the leading shareholders, a pattern that leaves Japan at a disadvantage since its banks are not as globally active as those of the leading Western industrial states (Lipscy and Lee 2019, 60). Yet detailed information about particular loans suggests a more complicated mix of influences over loan decisions. The US government wanted the IMF to extend Argentina's standby arrangements in mid-1988 but the IMF declined because of staff concerns about Argentine inaction on policy measures included as conditions attached to earlier standby arrangements (Polak 1997, 507). In 2001 when Argentina was in trouble again, the pressure for lending included strong advocacy by other Latin American governments urging the US government, the G7 and the IMF to help it out (Taylor 2007, 87). Major shareholder influence is most effective when proponents can muster enough votes in the Executive Board, so the G7 as a group will continue to have significant influence until the G20 or some other G7-plus group that includes the major emerging economies becomes the main caucus of large shareholders (see Stone 2013, note 4).

Several statistical studies have concluded that for most borrowers the likelihood of getting a loan is correlated positively to close relations with the USA (Thacker 1999; Eichengreen, Gupta and Mody 2006; Barro and Lee 2005; Eichgreen 2006; Stone 2008), whether measured by degree of alignment with the USA in UN General Assembly voting, amount of US bilateral aid received, or extent of trade with the USA. These findings about US influence provide support for earlier qualitative accounts identifying Zaire (DRC) and the Philippines in the 1970s and 1980s and Russia, Ukraine, Egypt, Pakistan and Turkey in the 1990s as having received more loans than they would have qualified for under an impartial application of IMF rules. Some statistical analyses have produced narrower findings. Pop-Eliches (2007) concluded that strong ties to the USA was most influential in decisions about loans to post-communist countries. Moser and Sturm (2011) identified a more general political dynamic influencing lending in 1989 and 2009: countries with newly-installed governments, particularly those with newly-elected legislatures, were somewhat more likely to seek and to get IMF loans.

Individual favoritism can also be expressed as fewer and milder conditions or as more lax enforcement of standard conditions. Three studies identified a correlation running from close ties to the USA to milder conditions and less enforcement (Stone 2002; Edwards 2005; Pop-Eleches 2007) while a fourth, focused on Sub-Saharan Africa, identified a similar pattern for governments of countries close to either France or the UK (Stone 2004). A fifth attributed fewer conditions to close ties with banks in the major shareholder countries (Lipscy and Lee 2019). However Copelovitch (2010, 139) concluded that major shareholders influence conditions less than loan size. Another study concluded that countries enjoy better access while they are nonpermanent members of the UN Security Council (Dreher, Sturm, and Vreeland 2009a). Another stream of studies concludes that better access to loans correlates with having policies or institutional attributes closer to those of the major shareholders as a group (Edwards and

Santaella, 1993; Rowlands 1995; Thacker, 1999; Vreeland, 1999; Dreher and Vaubel, 2004). These results suggest that a form of homophily – the concept of preference for those similar to oneself developed in sociological studies of inter-personal relations (e.g., McPherson, Smith-Lovin, & Cook 2001; Monge and Contractor 2003) – operates at the international level between countries.

Anecdotal evidence reveals some similar results. In late 2007-early 2008 while China and the USA were contending over their trade imbalances, IMF management wanted to add a comment about the bad effects of serious imbalances by commenting the strains faced by Latvia's trade deficit amounting to about 20% of its GDP. This was prevented by the European Executive Directors, the Scandinavian Executive Director even blocking completion of the usual Article IV surveillance report on the country, to avoid calling attention anything that would disrupt the Baltic states' efforts to adopt the Euro (Tooze 2018, 127).

Analysts attuned to the possibility of IGO staffs taking advantage of the "agency slack" emphasized in principal-agent models of intergovernmental organization suggest that the IMF staff is a separate source of favoritism as they prepare the analyses that accompany requests for loans or monitor compliance with conditions (Broome 2010, particularly 5 and 194; Willett 2011, 469-472). Barro and Lee (2005) found a correlation between the number of a loan-seeking member's nationals on the IMF staff and the likelihood of getting a loan. Nelson (2014) concludes that the distance between developing country policy-maker attitudes on macroeconomic questions and those of IMF management and staff are crucial, with fellow neoliberals securing larger loans, fewer conditions, and less punishment when conditions are not met. However other internal pressures can limit staff influence. IMF staff had concluded in September 1994 that Mexico's finances were weakening to the point of requiring devaluation but did not emphasize that in its reports partly out of concern the conclusion would be leaked (and complicate Mexico's situation) and partly because of requests from the Mexican Executive Director to avoid the point (Stone 2011, 64).

Dreher (2004) suggested that IMF staff have an interest in imposing more conditions to enhance their own role in the follow-up consultations, but a larger number of studies find stronger correlations with the economic conditions of the borrower. (Stone 2008) concluded that borrower countries receiving high amounts of US bilateral aid but also having a very weak external payments situation faced more onerous conditions than others. Two internal IMF studies (IEO 2003a and 2003b) indicated that the extent and content of conditions varied with the borrower's economic situation while a third (Ramcharan 2003) concluded that the IMF has engaged in noticeable amounts of "defensive lending" to ensure continued repayment of earlier loans. Stone (2008) suggested that IMF management and staff try to avoid lending to member countries when they believe the loan program is likely to fail so that the IMF's reputation as a reliable certifier of creditworthiness is protected, while Marchesi and Sambani (2011) maintained that greater borrower economic difficulties is correlated with greater IMF staff forbearance when conditions are not met.

Analysis looking at the possibility that what appears to be individual favoritism is actually the product of the IMF's need to enlist other creditors, particularly private ones, in the restructuring or reduction of a particular government's official debt report mixed findings. Gould (2006) argues that the need for supplementary finance greatly influences what the IMF does, again because it needs programs to succeed in order to maintain its reputation. Copelovitch (2010, 58-65) concluded that the pathways of influence between the IMF and private investors changed significantly when governments stopped relying as heavily on commercial banks and shifted towards bond financing. Commercial banks can be corralled into participating in settlements by organizing them into creditor committees (often based on their own loan syndication processes) that directly discuss rescheduling with the government involved while the banks' home country governments exert pressure to keep them engaged in lending as the debtor country reorganizes its finances. Bondholders, in contrast, are a much more diffuse group who are both harder to organize and better able to flee individually by selling their bonds. The differences were not reduced until after 2002 when – with strong G10 support – more developing countries revised their bond contracts to include new Collective Action Clauses permitting some supermajority of current bondholders to commit all of them to a debt settlement should the need arise (Stolper and Dougherty 2017.)

Qualitative studies suggest the difficulties of untangling motivation when multiple possibilities all point in the same direction. Broome (2010, 27-28) pointed out the intertwining of parallel career incentives and substantive policy beliefs in explaining IMF management's and staff's constant advocacy non-expansionary monetary policy and avoidance of high government debt. In his view the advice stemmed from both concern for the IMF's reputation with other creditors and investors, and belief that following such policies expands a government's economic policy choices in the long term by reducing the likelihood it will be caught in a financial or payments crisis.

Since much of the IMF's activity involves economic monitoring and forecasting, how the IMF uses its econometric models (current one described in IMF 1998) has also become the subject of search for political bias. Such analysis is complicated because models can also be biased by mismatches between mathematical concepts and how real actors behave in real economies that have no relation to political biases. Additionally, forecasting involves projection into the future based on assumptions and human expert judgment, but always open to significant error. Yet even with all those considerations in mind, some analysts believe they have found political biases in IMF economic forecasts. Dreher, Marchesi, and Vreeland (2008) determined that countries get more favorable inflation forecasts when they are in the runup to national elections and are either aligned with the USA in UN General Assembly voting, have large IMF loans outstanding at the time, or are maintaining fixed exchange rates. Goldsmith and others (2002) argued that countries engaged in prolonged use of IMF funds received more optimistic forecasts than comparable non-borrowing countries.

Whatever the causes of error in forecasts, consistent biases towards over-optimism or over-pessimism does not seem to be in the IMF's long-term interest. Comparisons between forecasts and actual economic performance are easily made by anyone with copies of the forecasts (e.g., Artis and Marcelino 2001), while the proliferation of economic forecasting by IGOs, governments, and private researchers means that actors unhappy with one forecaster's analysis can argue against it by citing others' analyses.

Conclusions that individual favoritism is significant in the IMF are encouraged by two features of the organization: the smaller number of loans and the circumstances inspiring the seeking and granting of loans. Anticipated and actual financial crises receive more attention than development lending. The immediate economic stakes are also higher.

Summary

Relevance criteria address two addressee concerns about the instructions they receive from authority holders: whether the instructions mandate activity that has a good chance of contributing to goal attainment and whether following instructions advances the interests of all addressees, or mainly the interests of the authority holder or its favored addressees.

Addressee perceptions of the relevance of the actions being specified in authority holder instructions are based on *ex ante* estimates, which in turn derive from the state of current thinking about the likely success of alternate action paths. As authority holders, the managements of the World Bank and IMF participate in the debates about defining organizational goals and how best to bring them about. They, their direct addressees (national leaders and government officials), and interested outside observers (academics, policy research institutes, NGOs, transnational advocacy coalitions) argue in a conceptual context shaped by more or less widely shared ideas advanced by academic economists and development specialists. As John Maynard Keynes noted, “the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than commonly understood. Indeed, the world is ruled by little else” (1936, 383). However, the evolution of ideas is affected by world events, particularly those few that merit the description “catalyzing crisis” because they reveal conditions that overturn policy inertia and open policy-makers and others to new thinking.

The extent of contestation and addressee pushback against instructions within an authority relationship depends significantly on the degree of convergence between authority holder and addressee ideas on what are the most relevant action paths. Contestation over the relevance of World Bank and IMF instructions indicates that disagreement about the substantive relevance of instructions among participants in an authority relationship will be low in two distinct situations. The first is when any of several action paths appear likely to produce roughly equally favorable results, and authority holder instructions accommodate addressee choice of which one to follow. The second is when there is strong consensus that one action path is clearly superior to others, and authority holder instructions indicate that path.

A combination of disagreement about how to attain development and multiple action paths seeming to be similarly effective prevailed in the 1950s and 1960s. The World Bank and IMF managements did have preferred policy advice, and borrower governments reacted to it with more or less enthusiasm, but overall contestation was lower than it would become later, as seen in the related debates about efficacy discussed in part 8.

Turbulence in the international economy and increased assertiveness of their preferred positions among borrower governments inspired sharper contentions in the 1970s and 1980s, with the debt crisis of the early 1980s initially reinforcing the policy divides. Two questions structured the main contentions: were the primary obstacles to development external, existing in the structure of the international economy as a whole, or internal, stemming from developing country government choices, and would market-led or state-led paths yield superior results. Leftist borrower governments and outside observers regarded external causes as more important, attributed developing countries' weak economic performance to those outside inhibitors and argued for their removal through changes to the basic rules of international economic interaction. Centrist and rightist borrower governments and outside observers regarded internal causes as more important to the weak economic performance and argued for their removal through adoption of different national policies that had closer resemblance to World Bank and IMF advice.

Yet the contention between authority holders and addressees within the World Bank was never as sharp as the public comments by outside critics suggested. Though using some policies similar to those followed by advocates of ISI, the government of India stayed out of the debates; some Latin American governments never adopted ISI, and East Asian governments combined providing targeted protection of import-competing industries with general policies of promoting exports (Kahler 1990, 38). Meanwhile, co-membership in the G77 meant all of them followed the group norm of not criticizing other members' economic policy programs directly.

More events, awareness of the divergences in growth rates experienced in the 1980s and Soviet collapse, led to reduced contention in the 1990s as borrower governments and outside observers acknowledged that central planning and import substituting industrialization were less effective ways to attain development than other action paths. This was reflected in apparent acceptance of a "Washington Consensus" on how to proceed. Yet the elements of the "Consensus" were vague, and contention continued among advocates of eliminating state involvement in production and distribution of goods and services, of moving from a mixed to a regulated market economy, of different forms of regulatory state, and of continuing "developmental state" steering of activity by private firms. These contentions became more obvious in times of economic crisis, particularly the Asian Crisis of 1997-98 or the global financial crisis of 2008 as they revealed weaknesses in both developmental state programs and neoliberalism.

Since 2008, the main lines of contention can be viewed as a three-sided argument among economic liberals, "altermondialists,"[3] and economic nationalists. The economic liberals remain committed to open international trade and financial flows together with some form of regulatory state at the national level. The altermondialists want interconnections shaped by concerted international level regulation of private economic activity, particularly of the financial sector, to reduce income and wealth inequality within and between states. The economic nationalists prefer reducing interconnection through trade protectionism and other measures to insulate national economies.

The World Bank and IMF all have managements and staffs capable of translating general ideas about development into conceptions of action paths that then guide the issuing of their particular instructions. As organizations, they depend on the existence of enough internal convergence on goals, action paths, and operational rules to support a coherent internal organizational culture that permits managers and staff members to operate as if they possessed a single mind. Addressee and outside observer perceptions of the organization's work depends on how consistent the organization's

[3] The French language term for what are called "antiglobalization" activists and movements in English. The French term more accurately captures their position of accepting global interconnection but wanting it to be organized differently than it is at present.

instructions are with the ideas shaping the addressees' and outside observers' own perspectives on how to attain development (Barnett and Finnemore 2004, 67-68).

The IMF's different areas of activity means that debates about relevance of alternate action-results paths in development determine only a portion of its relevance criteria. When focused on managing current account imbalances, arguments over relevance often involve a clash of perspectives held by governments facing balance of payments deficits and governments enjoying balance of payments surpluses. Their immediate interests lead them to divergent positions on questions of what policy advice the IMF should provide, how far to allow members to borrow freely (allowed for loans totaling no more than 50% of quota) or to attach policy conditions (applied when total borrowing exceeds 50% of quota), and what sorts of conditions to apply. As the IMF's lending activity came to be concentrated on developing countries in the 1970s, the contentions about action paths to development became as relevant as the older ones about the best way to deal with balance of payments deficits in forming borrower and outside observer reaction to IMF instructions.

Intergovernmental organizations as authority holders are expected to engage in policy selectivity to the extent required or allowed by the terms of the agreement creating them, and to differentiate their treatment of their member state addressees only as recipient criteria permit. The individuals serving as their management and staff are expected to use the organization's resources competently for the purposes it is intended to further. When an intergovernmental organization – whether through the intergovernmental supervisory body or the management and staff – treats some members better or worse than others for reasons outside the policy selectivity and recipient criteria it risks running afoul of the instruction relevance criteria and incurring pushback from addressees and criticism from outsiders for that conduct.

There is enough evidence to satisfy those who believe that individual favoritism to members having close ties to the USA or other major shareholders is significant that realist and other power structure theories of intergovernmental organization flourish. Yet assessments of US influence are often too generous. Though the USA was clearly an economic hegemon between 1945 and 2000, even then it was never so dominant that it could dispense with power balancing vis-à-vis the Soviet Union through 1991, with managing relations with friendlier powers in the Western alliance through compromises, or with reacting more recently to the rise of emerging powers – particularly China. Evidence that the Bank or IMF management and staff play favorites on their own supports principal-agent analyses of intergovernmental organizations that emphasize exploitation of agency slack for organization self-aggrandizement (Barnett and Finnemore 2004; Haftel and Thompson 2006; Delreaux and Kerremans 2010).

However certain shared international system practices and internal organizational features create countervailing impulses that limit individual favoritism. Norms of multilateralism exert a pull. The World Bank needs to maintain a diversified portfolio to enhance its own financial stability in two ways. For World Bank lending it needs credibility with the investors who buy its bonds and with potential borrowers so they will take loans. For IDA credits and grants, it needs credibility with donors to keep the replenishments flowing. The IMF also needs some number of willing borrowers and, like the World Bank, faces competition from private sources of money for all but its poorest members.

Individual favoritism is a strong concern among outside observers, yet the actual degree of individual favoritism practiced by an intergovernmental organization still depends mainly on the extent to which it inspires negative reaction from other members. Power-centered theorists, who regard the strongest members as the primary source it, believe that individual favoritism reflects the distribution of capability. Though some analysts think a multipolar world would yield less individual favoritism than a unipolar or bipolar one, a set of largely like-minded leading members, as the G7 have often been, would be able to converge on selecting favorites. Even a more diverse set, like the current G20, might cope – as the G7 also have done – by mutual agreement allowing each to protect its particular favorites on certain occasions while deferring to the others' choices of who to protect on other occasions.

Debates about relevance that persist for any amount of time will also be affected by observation of and arguments about the efficacy of various action paths. In general, it can be said that the ex-ante judgments of what is relevant have been affected by the ex-post judgments of what is efficacious. How that has affected the authority relationship between the World Bank or the IMF and its member states is the focus of part 8.

Table 7.1 Normalized Herfindahl-Hirschman Index for World Bank, IDA, and combined lending

1955-1969

year	Bank	IDA	combined
1955	0.090459		
1956	0.084371		
1957	0.107445		
1958	0.08831		
1959	0.085601		
1960	0.056121		
1961	0.083348	0.399291	0.090819
1962	0.093661	0.25186	0.094511
1963	0.071719	0.517276	0.127382
1964	0.055586	0.346235	0.065117
1965	0.064878	0.198811	0.064667
1966	0.053627	0.461826	0.066831
1967	0.047295	0.400589	0.077982
1968	0.058067	0.089567	0.04722
1969	0.035438	0.193546	0.040836

[includes all loans to individual countries; excludes Bank loans to its International Finance Corporation affiliate or to regional groups of countries.]
Source: World Bank loan data available at http://www.worldbank.org/ (rest of link)

Table 7.2 Normalized Herfindahl-Hirschman Index for World Bank, IDA, and combined lending

FY 1970-2018

year	Bank	IDA	combined
1970	0.038545	0.178124	0.038578
1971	0.034371	0.195945	0.03102
1972	0.054009	0.174293	0.060342
1973	0.039326	0.129098	0.041087
1974	0.032983	0.139822	0.029196
1975	0.033217	0.165212	0.037959
1976	0.034371	0.1807	0.037587
1977	0.025177	0.144732	0.028806
1978	0.037137	0.170287	0.043017
1979	0.035238	0.166281	0.041538
1980	0.034331	0.173822	0.039212
1981	0.042474	0.147274	0.041501
1982	0.038629	0.134924	0.045258
1983	0.053926	0.116864	0.051665
1984	0.054652	0.099269	0.055596
1985	0.056192	0.082228	0.055439
1986	0.053722	0.06069	0.048102
1987	0.056685	0.060944	0.052171
1988	0.062025	0.051887	0.053796
1989	0.052304	0.053678	0.04715
1990	0.061207	0.048499	0.042615
1991	0.041566	0.060055	0.035158
1992	0.040085	0.052769	0.037225
1993	0.048074	0.08166	0.045701
1994	0.059739	0.051268	0.043116
1995	0.064142	0.049888	0.050446
1996	0.061028	0.05067	0.04338
1997	0.065847	0.056079	0.049619
1998	0.087087	0.04093	0.055279
1999	0.061283	0.030903	0.042479
2000	0.082907	0.057219	0.054863
2001	0.10724	0.032427	0.051497
2002	0.104497	0.047284	0.052798
2003	0.05874	0.027281	0.028886
2004	0.069851	0.039129	0.030564
2005	0.064807	0.035764	0.038337
2006	0.058638	0.03697	0.029849

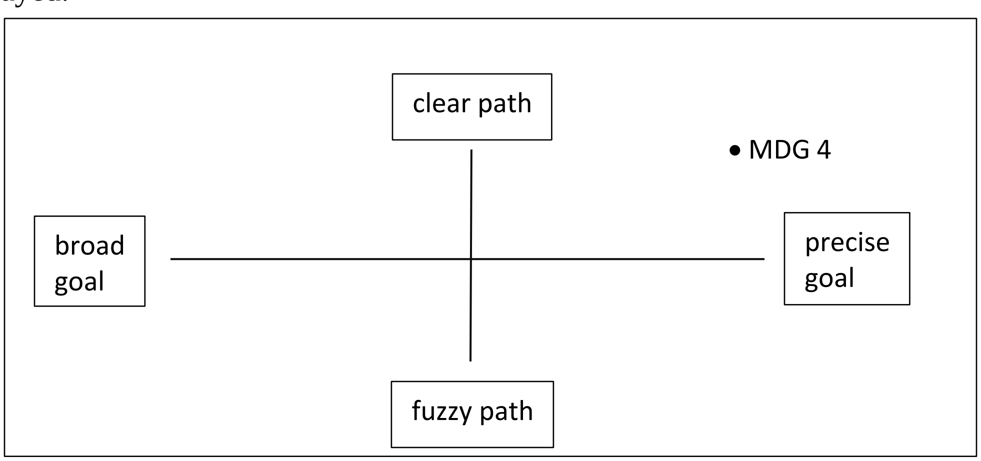
2007	0.062761	0.055779	0.04141
2008	0.055943	0.031316	0.030896
2009	0.056894	0.051409	0.033803
2010	0.063914	0.053099	0.050836
2011	0.0547	0.045753	0.036873
2012	0.06624	0.086504	0.041218
2013	0.08171	0.059662	0.036006
2014	0.050832	0.062875	0.037391
2015	0.032698	0.047161	0.025346
2016	0.043491	0.060685	0.031188
2017	0.043101	0.035066	0.021625
2018	0.054626	0.076652	0.033749

Source: Author calculations from World Bank and IDA loan data.

AFTER CREATION: PART 8. EFFICACY CRITERIA

Efficacy criteria are the standards by which participants in an authority relationship assess the extent to which following the authority holder's instructions actually contributes to reaching the common goal. Most efficacy criteria are substantive: they focus on the question of whether the actions undertaken according to instructions have or have not led to goal-attainment. Others focus on the competence with which authority holders carry out their functions. In either form, efficacy criteria complement the forward-looking anticipations of relevance criteria with a backward-looking analysis of results already attained. As experience reveals which action paths have worked well and which have not, and whether the authority holder has been competent or not, participants in the authority relationship can reassess their situation. In most reassessments, both relevance and efficacy criteria will be refined; less often reassessment will also extend to area or even goal criteria.

The ease of evaluation of progress toward the goal is easier or harder depending on the specificity of the goal and the clarity of paths from actions to results. Goals can be arrayed on a spectrum ranging from very broad to very precise while action paths can be arrayed on a spectrum from very clear to very fuzzy. This produces a four quadrant conceptual space within which various combinations of goal type and action path type can be arrayed:



These characteristics matter because they affect how addressees assess efficacy. Millennium Development Goal 4 of reducing by two-thirds the mortality rate for persons under 5 years old by 2015 is a good example of the precise goal - clear action path quadrant. It was precise in specifying what should happen (reduction in infant/child mortality rate), to whom (newborns, infants, young children), and when the goal should be reached (2015). The most effective action paths were also easily identifiable for three reasons: 1) strong expert consensus on both the maternal and child health measures that reduce child mortality, 2) existence of a large body of medical and public health knowledge regarding conditions and actions that increase or decrease child mortality, and 3) observable and quantifiable ways to monitor progress, by counting births and then deaths within five years that provided addressees with transparent and mutually understood ways to distinguish effective from ineffective action very early in the process of implementation.

In contrast, the goals set for the World Bank and the IMF are very broad. On the action path side, some reasonably clear quantifiable indicators of progress exist in the form of total or per capita GDP, the Human Development Index, and various physical qualify of life measures. However they are all incomplete measures and their use remains a topic of ongoing contention among addressees, outside political actors, economists, and policy analysts. The action paths themselves are often fuzzy. One attempt to overcome fuzziness involved use of randomized policy experiments, an analogue to randomized control medical trials (see e.g., Duflo, Glennerster, and Kremer. 2007). Yet they have been subject to serious critique on methodological, theoretical and ethical grounds (e.g., Heckman and Smith 1995; Duvendack 2012; Deaton and Cartwright 2016).

Whatever the assessment method used, assessing efficacy also involves comparing the results attained by following the path indicated by authority holder instructions to the probable results of pursuing a different path. Precise goals and clear action paths make it easier for addressees or outside analysts to construct counterfactuals specifying would have happened if addressees had done something else. This suggests that authority-holders might prefer operating in areas of broad goals and/or fuzzy paths where assessing efficacy is less straightforward, so that when results seem modest they have more leeway for arguing that following the instructions resulted in attaining the best result that could realistically be expected. Yet addressees are aware of this possibility and can react with any or all of three compensating responses: more intense scrutiny of the action paths to reduce fuzziness, using proxy measures of progress that can cut through at least some of the fuzziness, or paying more attention to assessing authority holder competence.

The content of efficacy criteria focusing on authority holder competence are distinct. Some derive from the nature of the authority holder's claim to that position. As discussions of political legitimacy indicate, there are several ways to claim authority. When the claim is based on expertise in matters acknowledged as central to attaining the goal, the authority-holder must continue to show that its expertise is still relevant and up-to-date. When the claim is based on being a representative of the addressees, it needs to show that it still resembles the addressees and sees things as they see things. When the claim is based on some form of legal-rational authority, it must show that functions according to the standards of legal-rational governance. When the claim is based on delegation, it must show that it remains a reliable agent of the principal. Others derive from general expectations about competent conduct prevailing in the society within which the authority relationship exists. Inability to keep track of projects or money, consistent failure to provide expected information, and other forms of appearing disorganized in daily routine will erode confidence in any authority holder.

When an authority holder is a collective entity, that fact also influences how addressees evaluate it. An organization, whatever its primary claim to its authority holder role, is also expected to operate as an organization and pay attention to the performance of its individual members at all ranks. Thus its reputation for competence can survive mistakes and malfeasance by individual leaders and staff members if it punishes, demotes, or removes the individual or individuals involved mistakes or malfeasance in a timely fashion.

Authority holders can suggest efficacy criteria relating to goal attainment and authority holder competence, but they are ultimately defined by the addressees, individually, in groups, and as a whole membership. Yet actors outside the authority relationship often contribute to discussions of efficacy in two ways. They may provide ideas that influence how authority holders present or addressees define efficacy. They may also provide information about addressee behavior or changed conditions that the authority holder and/or the addressees lack but affect efficacy evaluations. Development-oriented, human rights, and environmental NGO communities provide considerable information of this sort, and the information has informed assessments of efficacy.

Authority relationships in which selection criteria include periodic performance review – such as regularly-scheduled elections or defined periods of appointment with renewal optional – or include clear procedures for removing poorly performing authority holders provide addressees with greater opportunities to exert pressures on authority holders to focus on efficacious action paths and maintain competence. Yet even in authority relationships without such selection criteria individual addressees and groups of addressees can exert effective pressure for better performance by complaining about instructions, complying slowly, evading instructions, or avoiding the authority holder by pursuing the goal outside the authority relationship.

Goal-related Efficacy

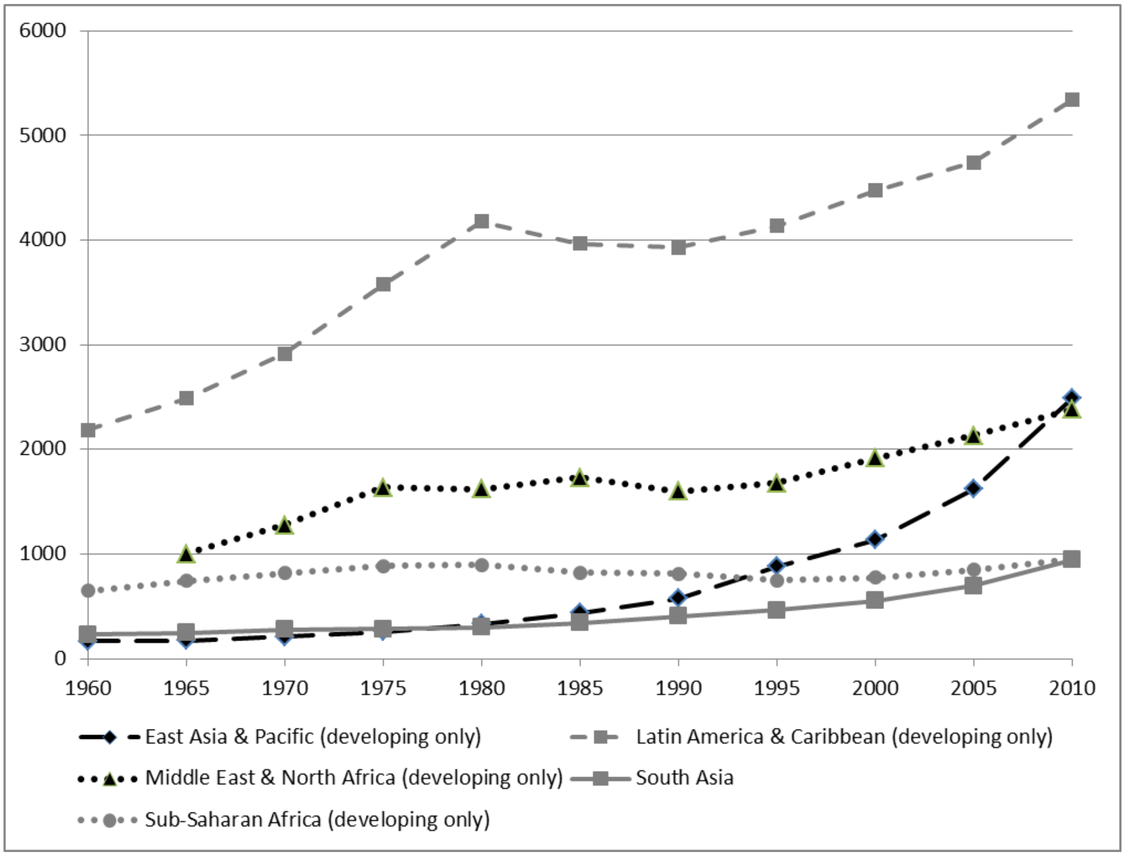
Two basic quantitative assessment tools – per capita national income to correct for the vastly different population sizes of countries, and some indicator of poverty – have been prominent in the contentions over the efficacy of various paths to development. The primary argument about calculating per capita income is whether to base comparisons on the exchange rate between a country's currency and one or more of the major internationally-used currencies or on purchasing power parity (PPP) calculations based determining the amount of money needed to buy a standard bundle of goods in each country and then convert those amounts into a single currency. Since the early 1990s when sufficient data about the local prices of particular goods and services and more powerful computers allowed rapid analysis of it, many economists have PPP calculations have been preferred by many economists as providing better comparisons. The transition from exchange rate to PPP calculation has been slower in intergovernmental organizations because purchasing power parity (PPP) calculations tend to give higher values for total and per capita GDPs of developing countries. In the World Bank and IMF this matters because the differences are sufficient to affect allocation of votes. Unsurprisingly, both have staked out a middle ground by using a combination of the two in their vote allocation discussions (source).

Settling on a numerical metric for assessing conditions of the poor has been more difficult. One way to assess development over time uses a uses a rough money figure – having an annual income that amounts to less than $1.00 a day – to define those living in extreme poverty (Ravallion, Datt and van de Walle 1991). This "$1.00 a day" figure, adopted as a global marker by the World Bank in 1993, combined with household income and consumption data provides a way to track changes in number and portion of the whole population living in the most extreme versions of poverty in each country. To account for inflation the World Bank reset this global extreme poverty line to a PPP-calculated $1.25 a day in 2008 (Ravallion, Chen, and Sangraula 2008), and again to $1.90 a day in 2015 (). Although riddled with problems as an analytical device (e.g., Srinivasan 2009), "one dollar a day" was a vivid concept and its successors retain considerable symbolic power.

However there is widespread agreement that measures based on money incomes does not fully capture the circumstances of poor people because many of them live largely outside monetized economic relationships. This inspired interest in developing non-money measures of their conditions. Reasonably systematic household consumption surveys began in developing countries during the 1980s, while government statistics about education, health, and other life outcomes were also becoming standardized across countries and provided more often in an increasing number of countries. While efforts to develop Physical Quality of Life Indices did not converge on a single formulation (chapter 3), there was enough reliable information for UNDP to construct its Human Development Index in 1990 and for NGOs to develop numerical indexes related to their own concerns (e.g., the Human Security Index developed by Human Security International (www.humansecurityindex.org). Using such indices for assessing progress toward development was also taken up in 1996 by the OECD's Development Assistance Committee, the main forum of the major aid-providing governments (OECD-DAC 1996). The basic idea of assessing living conditions rather than income was also institutionalized in the UN Millennium Development Goals (MDGs 2000), which were expressed as specific increases in the percentage of the population which would have access to particular economic or social programs by the target date of 2015. Once endorsed at the UN's Millennium Summit, both UNDP (Clegg 2013, 36) and the World Bank (source) adopted progress towards meeting the MDGs as the primary public statement of how well countries were doing at development in general and poverty reduction in particular.

While income and wealth inequality inside countries attracted some attention in the 1970s, particularly in debates about relation of economic growth to poverty reduction, inequality itself was not a significant element in assessing the efficacy of development efforts until the late 2000s. Up to that point, it was typical to use the Gini index to calculate the relative equality or inequality of wealth or income. Yet like per capita GDP, the single Gini number hides differences in distribution. With more household income data available, discussions of both within and across country inequalities have relied on comparisons of shares held by each decile or quintile of the population, with the top 1% separated out to make more points about rising inequality ().

Per capita income measures reveal strong regional variation in economic performance: Graph 8.1 Developing country per capita GDP (constant 2005 US$)



Source: World Bank, World Development Indicators, GDP per capita (MENA 2010 is actually 2009 data)

Measures of how many people are living in deep poverty indicate that the portion of world population living on less than the prevailing global extreme poverty line $1.25 a day declined from 44% of world population in 1981 to 37% in 2008 and to 12.7% in 2012 (World Bank 2016a). Today the vast majority of the extremely poor live in three regions: East Asia and Pacific, South Asia, and Sub-Saharan Africa. As Table 5.1 indicates, East Asia and Pacific has experienced the largest decrease in the absolute number of extremely poor persons:

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Table 8.1 Millions living below the global extreme poverty line

Source of data: Mastien and Feng 2012 for 1981-2008; World Bank 2016b, Table 1.1

	East Asia + Pacific	Sub-Saharan Africa	South Asia
1981	1097	200	568
1984	970	239	574
1987	848	257	593
1990	926	290	617
1993	871	330	632
1996	640	349	631
1999	656	376	619
2002	523	390	640
2005	332	396	598
2008	284	386	571
2011	161	415	399
2018			

This tracing of what portion of the global very poor live where yields a result parallel to the per capital national income-based perception that East Asia has done very well in recent decades while Subsaharan Africa and South Asia lag:

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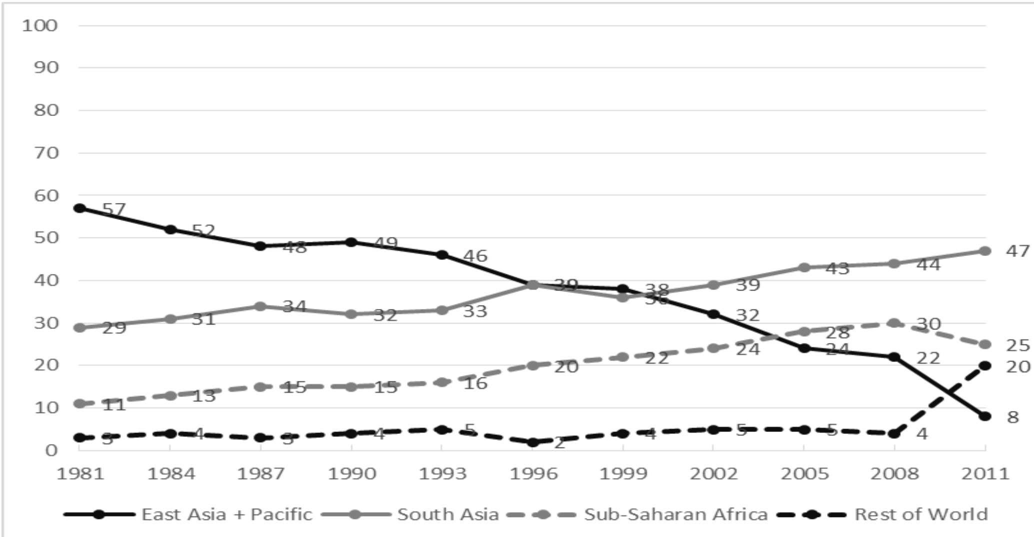
Graph 8.2 Region share (in %) of world population living on less than $1.25 a day.



Sources of data: Mastien and Feng 2012 (1981-2008); World Bank 2016b

Almost all of the contention over the efficacy of World Bank instructions has focused on whether and to what extent the type of loan and the sorts of policy conditions attached to loans promote or hinder the economic development of borrower states. A few commentators have also paid attention to the policy advice offered through the Bank's staff missions, staff research, and training programs.

Contention over the efficacy of IMF instructions has focused on whether its loans and policy advice help countries regain a sustainable current accounts balance or general financial stability at acceptable cost – with "acceptable cost" defined by many observers as including limiting any additional hardship imposed on the poorest parts of the population. This statement may seem odd in light of claims that the IMF consistently advocates "austerity," but, as will be noted later (pages), the IMF altered conditions to accommodate "social safety net" spending in the later phases of the Asian crisis and was less insistent on imposing more austerity of Greece in 2015 than some of the European governments (source). Since the vast majority of IMF loans extended since the mid-

1970s – and all IMF loans extended between 1983 and 2008 – have gone to developing states, debates about IMF lending have also featured arguments about the impact of IMF loans and advice on development.

Yet there are two reasons the relative modesty of resources has not dampened debate about the organizations' efficacy. First, in particular instances the loans available from the World Bank or the IMF are very important to the borrowing countries. In the early 1980s the sum of IDA loans amounted to 13% of all domestic investment in Bangladesh and 10% in Burundi (Pennant-Rea 1982, 46). (also have some budget% somewhere) IMF resources are smaller, but IMF loans are designed to be a financial jumpstart rather than a significant component of a country's longterm financial picture, and a well-placed or poorly-placed jumpstart can have an effect greater than suggested by the amount of money involved. Second, as intergovernmental organizations required to provide a certain amount of consistent and timely information about their operations, the work of all three can be scrutinized by member governments, professional communities of economists, NGOs, members of transnational social movements, and individuals more easily than many of the other sources of finance.

Contention over the efficacy of World Bank and IMF activity has focused primarily on four questions: the best balance between project and program lending, when and how to help countries maintain exchange rate stability, whether the policy conditions attached to World Bank, IDA, or IMF loans enhance or hinder development, and the best ways to organize technical assistance.

Project or Program Lending

The contention over what combination of loans financing discrete projects or loans supporting enhanced government capacity to implement policies or provide of social services best promote development emerged in the 1970s. When making up for insufficient investment funds and physical infrastructure were seen as the keys to development, almost all World Bank loans funded particular projects (). These loans were approved when a particular project appeared feasible and economically viable, and in the process would provide two key requisites for development – physical infrastructure and technical knowledge. Positive impressions of the project lending in this period were reinforced by the fact that most developing countries were experiencing decent rates of economic growth. Yet even in the 1960s borrowers were complaining that the Bank's project assessments were too elaborate and time-consuming, that its financial criteria were applied too strictly, and that Bank management was unduly stringent in opposing inflation (Morris 1963, 62-63).

As concern about the distributive consequences of economic growth spread in the 1960s, the pioneers in regarding project lending as too narrow (e.g., Lewis 1955) were joined by other economists arguing that there is no consistent correlation between growth and extent of inequality (cites). Going beyond project lending was also supported by the Pearson Commission, a committee of eminent political figures from around the world supported by a staff of 30 experts drawn from the World Bank and national governments, convened by Bank President McNamara to assess the impact of development aid (see Pearson Commission 1969). Both provided rationales for the shift to program lending and its emphasis on rural development, urban infrastructure, education, and health that accompanied McNamara's increasing focus on poverty alleviation (Morawitz 1977; Moseley Harrington and Toye 1995).

The occasional program lending of the 1970s was geared toward improving conditions in a broad economic sector or policy area. This change was welcomed by borrower governments; they appreciated the greater flexibility in using loan money. Borrowers strongly supported the Bank's initial decisions to allocate some 25% of total loan money to program loans (Narasimhan 1989, 30). However program lending began slowly; only 26 such loans were made before 1980 (Pennant-Rea 1982, 46).

Program lending got a bad name in the 1980s when it took the form of Structural Adjustment Loans (SALs) and Sectoral Adjustment Loans (SECALs). These loans carried conditions relating to reducing the government's direct role in the economy that many borrowers did not want to follow. At this point, the 25% figure became a ceiling, a limit that borrowers were happy to have in place (Buira 2005, yy). Critics of SALs and SECALs drew on studies indicating that whatever their effect on growth, those programs left the poor worse off (--; Pastor 1987, 89). These critiques supplied borrower pushback and outsider critiques of the conditions attached to both SALs and SECALs. World Bank management had started shifting from broadly-conceived SALs to more focused SECALs in 1983 (Petersmann 1988, 51), even before UNICEF had become leader of the UN system critical chorus (see p zz). That shift was not great enough to placate UN agencies or other outside critics whose continued discussion of "structural adjustment lending" treated SALs and SECALs as the same and provided ample material for the "Fifty Years is Enough" advocacy campaign of the early 1990s. Yet by then program lending had taken on new form as "Development Policy Lending" keyed more to the Washington Consensus.

Assessments of IMF efficacy were not influenced by the project versus program lending discussions. IMF loans were unaffected for two reasons. First, IMF loans did not finance projects; analytically, all IMF loans were program loans since they were designed to give borrower governments relief against pressures while ending balance of payments or financial problems through policy changes. In addition, IMF management continued to focus on national economic policies relevant to balance of payments issues – currency convertibility, exchange rates, fiscal policy, and monetary policy – rather than development.

Exchange Rate Stability

Efforts to assess the impact of regular IMF Standby Arrangements and loans proceed in an analytical fog. As Liam Clegg noted, "It is readily acknowledged by Fund insiders that the aggregate impact of Fund programmes on borrower countries' economies is impossible to gauge with a high degree of accuracy" (2013, 68). That does not keep individual member governments, groups of member governments like the G7, G20, or G77, and outside observers from attempting to assess the impact of IMF lending, even if they use analytical shortcuts or proxy measures with middling degrees of accuracy to cut through the fog.

The basic way of evaluating efficacy has not changed since 1945 though its application had to be modified after the change from par value to floating rate systems. In both eras, efficacy of IMF action was assessed by whether the exchange rates of the country's currency stabilized, its balance of payments deficit was reduced, and significant outflows of currency reserves or foreign investment funds ceased without inflicting significant reductions in GDP or significant increases in unemployment. The main difference between the par value system and the floating rate system is that floating rates can hide the early stages of a balance of payments or financial problem more effectively than could the par values because currently speculation could be identified more quickly in the latter.

As folk wisdom has long maintained and behavioral economists demonstrated more systematically, the psychology of buyers and sellers in currency and financial markets can flip from individual choices to a collective herd mentality producing self-reinforcing spirals of dumping assets in panic (Minsky 1982). The most efficacious IMF activity is the public announcements of arrangements to lend that break the momentum of panic psychology so well that the government involved can resolve whatever balance of payments or financial problem sparked the interest in dumping its currency or getting out of its market without drawing on the loan.

This does not happen as often as IMF management would like because governments have generally viewed ability to maintain the current exchange rate – whether expressed as a par value or as a target for currency market transactions – as a measure of economic strength and seeking loans or devaluing currencies as confessions of weakness (Dam 1982, 177). This was painfully obvious during the long contention about exchange rates among the leading industrial countries in the late 1960s. Though the British pound had been the focus of currency speculators for at least two years, it was only in June 1967 that the British reluctantly devalued from £1 = $2.80 to £1 = $2.40. In 1968 French President De Gaulle vetoed a devaluation of the franc that the finance minister had already cleared with the rest of the G10. In 1968-71 West German governments resisted revaluing the deutschmark upward while US governments were equally stubborn about not changing the gold value of the dollar. In the end, the stalemate over relative currency values was not ended through IMF or the G7 but by unilateral US action. Similar reluctance to admit problems until they are very serious persists and continues to complicate efforts to resolve them.

Even when the IMF is not the sole provider of loans or loan commitments, it is generally perceived as leading a joint lending effort because its staff provides most of the analysis of what loans the country needs and what conditions should be attached. The famous picture of IMF Managing Director Michel Camdessus standing with arms folded across his chest as Indonesian President Suharto signed the loan agreements (search camdessus suharto images for several versions) reinforced those perceptions.

Economic Policy Conditions attached to World Bank and IMF Loans

World Bank, IDA, and IMF loans have two components relevant to goal efficacy, the money and the conditions attached to receiving the money. There has been general agreement that the sums of money involved are not sufficient to ensure development on their own from the start. This assumption was built into the notion of aid as filling a gap and found expression in World Bank requirements that borrowers commit “counterpart funds” (source). Beyond that, the multilateral aid provided through the World Bank and UN agencies like UNDP was only a part of overall official aid, and official aid existed alongside funds developing countries could attract from foreign investors. In the 1950s and 1960s, official development aid comprised some 60% of foreign finance coming to developing countries, a fraction that fell to about 20% in the early 1980s (Reddy 1985, 3-

4) then settled at about 30% since 1990 (OECD 2016, Table 2). Developing counties also had domestic resources; ways of ensuring that the developing country involved was committed to the project or the technical assistance program. When compared to other pools of money, the overall sums available for development from the World Bank and the IMF do not look impressive. In 1983, World Bank and IDA loans covered less than 5% of members' external finance needs (Hoguet 1983, 318). Yet for some countries even the modest amounts of Word Bank and IDA lending are important. In the early 1980s World Bank or IDA loans provided 10% of all investment money in Burundi and 13% in Bangladesh (Pennant-Rea 1982, 46). In the mid-1990s their total was equivalent to 10-15% annual payments for imports in the smallest countries, 2-5% of annual investment needs for middle-sized countries, and a "drop in an ocean of need" for the largest low income countries (Kapur, Lewis, and Webb 1997, 2).

Debates about goal efficacy have focused instead on the conditions attached to the loans. The World Bank, IDA, and the IMF all go beyond the usual financial institution conditions about repaying loans to specifying conditions about government actions or policies needed to secure loans. Focusing on the goal efficacy gained or lost by fulfilling the conditions is reasonable because they have all rested on an assumption that inducing a government to adopt good policies or abandon bad ones has greater effect on the country's development prospects than simply providing loan money.

The debate has been vigorous, and various conclusions put forward with considerable confidence, but the analysts involved have not come to a consensus about the relative efficacy of different action paths sufficient to structure the whole debate (see, e.g., Boone 1996; Easterly 2003; Hansen and Tarp 2000; Hudson and Moseley 2001; Kusick and

Tobin 2006; Flores and Narudden 2009; Bearce and Tirone 2010). This is not surprising since analysts in different parts of the political spectrum base their evaluations on different ideological starting points. However there are also two other obstacles inhibiting formation of a consensus.

One is about the fungibility of money. Money a government receives from the World Bank, IDA, or the IMF frees up an equivalent amount of money from its other money sources that can be used for other purposes (Rosenstein-Rodin, 1943; Pack and Pack 1990; Boone 1996; Feyzioglu, Swaroop and Zhu 1998). Though many current discussions of fungiblity focus on how aid helps governments use other money to reward supporters and stay in power (e.g. Moss, Pettersson and Van de Waal 2008), freed-up money can be used for a wide variety of purposes.

The other stems from technical problems in applying statistical methods of analysis. As William Easterly, an analyst skeptical of most claims about the efficacy of aid, noted in 2008, "Growth regressions in general have been criticized on the grounds of data mining and specification searching, since there are more right-hand-side variables that have been identified as empirical determinants of growth than there are degrees of freedom in the sample" (Easterly 2008, 18). Some analysts have sought to avoid the problems of standard regression analysis with quasi-experimental techniques. Some have compared the economic growth rates, changes in income distribution, and changes in physical quality of life indices between otherwise similar countries that do (treatment condition) and do not (no-treatment condition) borrow from the World Bank, IDA, or the IMF. This mode of analysis also has problems. Few developing countries forego World Bank or IDA loans entirely; this severely limits the number of possible paired comparisons. Though there is a larger pool of IMF non-borrowers pairing is more difficult because borrower countries as a group are typically in worse economic shape than non-borrowers as a group at the moment that seek IMF loans. The need to explicitly address this problem was pointed out in the mid-1980s (Goldstein and Montiel 1986), methods of addressing it were taken up about a decade later, but only some two decades later did Steinwand and Stone (2008, 125) note that doing so "is rapidly *becoming* a necessary condition for publication" [emphasis added]. Thus some studies shifted to a before-and-after method of comparing growth rates and/or changes in income distribution or physical quality of life indices in the same country during periods when it is (treatment condition) and is not (no-treatment condition) borrowing.

No matter the method used, all the studies proceed in an area where goals are vague and thee has been room for a lot of honest disagreement about the relative efficacy of action paths (that is, models of how to pursue development). The clarity of goal, paths, and evaluating the results of action that exists for MDG 4 does not exist when trying to assess progress towards development.

Even in its early years the World Bank advised governments to connect to the international economy, reform regressive tax systems, eliminate public sector waste and corruption, and keep inflation low while avoiding high tariffs and other forms of economic nationalism. Though the World Bank began adding more policy conditions in the 1970s, it continued to accept both market and mixed economy approaches to development. In line with its standing hostility to economic nationalism, it was less acceptant of Import Substitution Industrialization.

The IMF began engaging in economic policy conditionality in the early 1950s. Article IV, section 3 of IMF Articles of Agreement on member borrowing did not mention attaching policy conditions. However, both its requirement that the borrower specify that the money is needed for meeting international payments obligations and the routines for establishing Standby Arrangements were interpreted as allowing the attachment of policy conditions to any borrowing that exceeded the "gold" or "reserve" tranche – the first 25% of a member state's quota. The possibility of attaching policy conditions was formalized in 1968 by adding to Article IV, Section 3 a new paragraph c. It specified that the IMF will "adopt policies on the use of its resources that will assist members to solve their balance of payments problems in a manner consistent with the purposes of the Fund and that will establish adequate safeguards for the temporary use of its resources" (noted in Dam 1982, 121-122).

These early forms of conditions were criticized on the Marxist left as instruments for imposing capitalism. Center life critics argued that the stabilization of exchange rates and reduction of inflation produced by the tight monetary and fiscal policies that the IMF typically urged on borrowers came at too high a cost in either or both reduced economic growth and increased unemployment. Yet on the whole these comments by outside observers did not attract public attention because the IMF did not press conditions particularly strongly during the 1950s and 1960 (Strange 1976, 92-97; Gold 1979, 215-216).

In the 1970s, the standard IMF advice provided to all member governments through Article IV consultations emphasized avoiding large government deficits, keeping public debt to manageable proportions and selecting a sustainable exchange rate. As more developing countries began borrowing from the IMF, loan conditions expanded to include reduction of price controls, subsidies, and local interest rates (Guitián 1981). The new list included items that borrower governments regarded as more central to their general economic policies, and they did start to complain.

These complaints were echoed by outside critics on the moderate left who added to the concern about negative economic consequences a criticism that they also improperly limited countries' ability to pursue their own locally-devised state-led growth strategies. These criticisms resonated with governments, which emphasized the need for attentiveness to the particular conditions of each country (e.g., G24 1978, par 12). They did not always resonate with the public, even in developing countries. Prime Minister Michael Manley of Jamaica broke off loan negotiations with the IMF in March 1980, called elections, and campaigned on the theme of "the people versus the IMF" only to see the voters reject his economic program by giving the opposition a decisive victory (Pennant-Rea 1981, Survey 16).

This Jamaican contention occurred just before investment market conditions changed significantly. Even though most developing countries faced much higher import bills after the 1973 oil crisis (see Table 5.2), they were able to cover their import and other bills with loans from Western and Japanese private banks well stocked with funds from OPEC deposits. These private loans allowed middle income developing countries to avoid or minimize borrowing from the IMF. Only 2 countries had used the Extended Fund Facility before October 1976 (G24 1976, par. 6). In mid-1979 some 80% of IMF loans were drawn from IMF facilities carrying no or few conditions: Standby Arrangements, loans from the reserve and first credit tranches or loans from the

Compensatory Financing, Buffer Stock, and Oil Facilities (Pennant-Rea 1981, 16). This widespread avoidance pushed IMF management to propose and the Executive Board to agree on accommodating some of the complaints about IMF policy conditions. The conditionality guidelines adopted by the Executive Board in March 1979 mandated that the staff pay more attention to the political and social constraints on economic adjustment, provide borrowers with longer periods of time in which to accomplish their policy changes, and pay more attention to increasing investment and productivity through interest rate and price policies (IMF 1979).

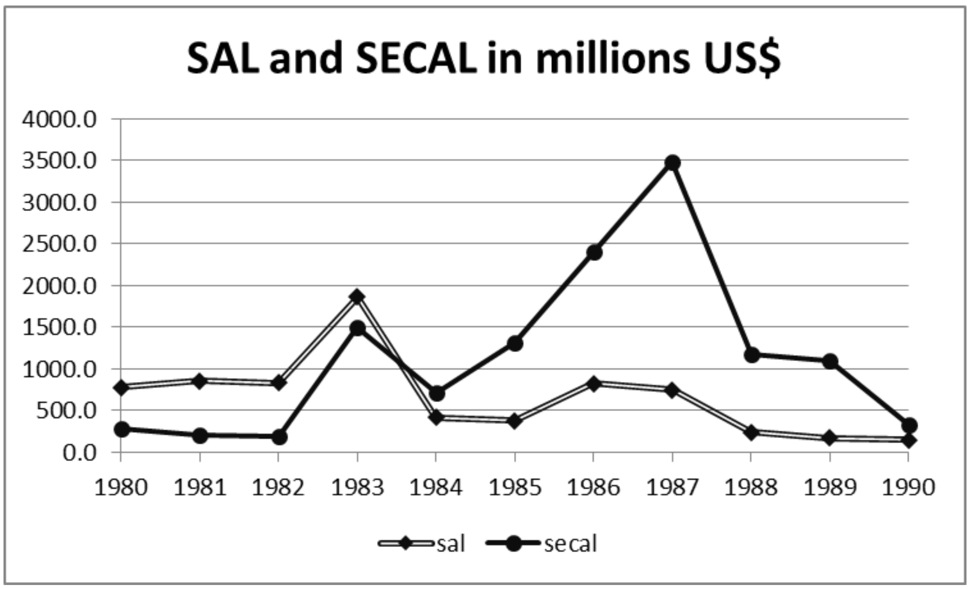
In the 1970s, the private loans were widely perceived as giving developing country governments time to reallocate their own investments to existing or new sectors capable of providing greater export earnings (see Frieden 1981) or otherwise adjust to new economic conditions. [is there a Frieden 1981 or is this Frieden 1991; if latter need page #s or chapter] Individual developing country governments varied considerably in the extent to which did. Many Latin American and African governments used their continued borrowing to continue import substitution industrialization, and the extensive importing of both inputs and machinery that went with it (see Frieden 1991). Others borrowed less, either because they were pursuing other development strategies or because they were modifying their pursuit of import substitution.

Developing country governments that had borrowed extensively without making much change in economic policy were caught in a severe bind when bank interest rates increased dramatically after the second oil price increase in 1979 ([ch 3, p. 141]). These spread rapidly through the international financial system and first reduced and then temporarily choked off private lending.

As the Third World debt crisis unfolded, more governments – either on their own or because their private lenders insisted as part of a debt renegotiation – turned to the IMF for loans or standby arrangements. These quickly moved into the higher "credit tranches" where conditions began to apply. IMF decisions to extend the duration of loans into the medium term and to offer some for "structural adjustment," the number of policy conditions increased and debates about their efficacy intensified. Critics on the left quickly concluded that IMF conditions were identical to Wold Bank ones in their devastating effects on the poor. As the decade wore on, analysts in the Keynesian and Fabian center-left (e.g., 1982 discussions in OECD Development Committee noted by Woods 2006, 144; Feinberg 1986; Hannevik 1987) also tagged the conditions accompanying structural adjustment lending as intensifiers of development woes. Meanwhile critics on the right also lumped the two organizations together, but to make the very different complaint that IMF and World Bank loans were providing "bailouts" allowing governments to persist with irresponsible policies and banks to avoid significant losses for imprudent lending.

As disappointing economic growth persisted, to the point that the 1980s were widely regarded as a "lost decade" for development, left and center-left criticisms that structural adjustment lending involved a uniform imposition of highly standardized loan conditions harmful to the poor and to economic growth dominated transnational advocacy groups' perceptions of World Bank and IMF lending. Yet the actual trajectories of World Bank structural adjustment lending and IMF development-related concessional lending were more complicated.

The extent and number of conditions did increase in the early to mid-1980s (data in Gould 2006, 60), inspiring some governments to continue avoidance. Thus the World Bank finalized only 20 Structural Adjustment Loans between 1980 and 1983, supporting George Hoguet's obsrvation (1983, 319) that demand for them was "not particularly buoyant." When adjustment loans were reformulated with new conditions as Sectoral Adjustment Loans in mid-1983, more governments sought them (Owusu 2003, 159).



Source: author calculations from World Bank Loan Data

Borrowers continued to avoid IMF loans, either by now borrowing at all or by carefully limiting their borrowing to amounts available in the low-condition reserve and first tranches (Vreeland 2003, 27-29). The government of Brazil, the second most indebted developing country by total amount owed, even announced publicly that it would not seek IMF loans. A few also sought to define parameters for their new borrowing by public announcement of limits on what they would spend on debt service. The government of Peru set its limit at 10% of Peru's export earnings. The government of Nigeria, in financial straits despite the country's oil exports, combined both in announcing plans to avoid IMF loans and to cap the amount of export earnings devoted to repaying debt (Ferguson 1988, 233). All three were able to hold to their positions through the early 1990s, when the Brazilians and Peruvians decided that they actually did need loans (IMF loan data 2013). Other governments did not have those options. By the end of 1981, other sources of funds had become sufficiently scarce that some three-fourths of IMF loans were being drawn from the second and higher credit tranches of quota or from the Supplementary Financing and Extended Fund Facilities (Pennant-Rea 1981, 16). At this point, borrowers shifted to a second form of pushback, combining vocal complaint (e.g., the 1986 UN General Assembly Special Session; comments on the Baker Plan in G24 1986a, par. 10) with slow compliance in hopes that support for their positions from UN agencies, NGOs, academic analysts, and sympathetic Western governments would influence World Bank and IMF decisions. Governments of the most heavily indebted developing countries insisted that they could not sustain the political impact of negative economic growth for long or cope with the higher costs that came with rescheduling (views summarized in Bogdanowicz Bindert 1983, 324-25; also see G24 1987, par. 13). The governments of the smaller industrial states supported the deeply indebted countries; they raised these concerns in the Bank's and IMF's Executive Boards as well as in the World Bank-IMF Development Committee; they also bucked the G7 by continuing to provide bilateral aid to all indebted countries, not just those taking IMF loans as part of their debt resettlements (James 1996, 525).

Deeply indebted countries could also depend on political ties. Governments favored by one of more of the World Bank's or IMF's major shareholders or governments adept at exploiting the Cold War to play off the USSR and leading Western states against each other were able to keep the loan money flowing (Collier 2000, 301-3). In both the World Bank and IMF, Executive Board members representing developing countries typically avoided voting against each other's loans lest a negative vote inspire retaliation. In the IMF, borrowers having strong financial ties to major shareholders – particularly indebtedness to commercial banks based in that country – could also count on lenient enforcement of conditions (Copelovitch 2010, 287-290).

Despite some suggestions by individual governments or outside analysts, there was no shift into general rejection. None took up suggestions from the government of Cuba, speaking as chair of the Nonaligned, that developing countries should collectively repudiate all their debts. Though a few private commentators did regard formation of a "debtors' cartel" and group defaults as likely if economic woes persisted (e.g., Bogdanowicz Bindert 1983, 333), and a few Latin America governments briefly explored the possibility of a coordinated repudiation (Roett 1985), there was no general move in that direction. Guillermo O'Donnell (1987) attributed this to the ability of banks, supported by their home governments, to keep developing countries divided by offering more favorable loan terms to those foreswearing default. It is possible they were also dissuaded by realization that collective repudiation would mainly hurt their own economies. Industrial countries had enough resources to stabilize their private banks in the event of collective default, particularly after their central banks had forced the private banks to making better financial provisions against default, most developing countries did not have enough internal savings to carry out their development plans in the face of the reduced external flows likely to follow default.

Internal sources of concern about conditions were less visible but equally real. As more developing countries found it difficult to carry their debt, the World Bank and the IMF were pulled deeper into a dilemma. As Paul Collier (2000, zz) pointed out, the two justifications for IMF conditional lending – inducing governments to adopt better policy and helping them avoid defaulting on their current debt – become incompatible whenever a government fails to implement its policy commitments. Strong enforcement of conditions requires cutting off the money; yet cutting off the money increases the likelihood of default. Triggering default makes IMF management look bad, so whenever the probability of precipitating default appeared to be higher than the probability of inducing desired policy change, it would avoid cutting off the money. To the extent that World Bank or IDA loans were also being used to help carry debt, a similar logic applied to them as well. Yet even if the loans were supporting development projects, suspending or terminating loan disbursements to several borrowers at the same time would create negative public perceptions that World Bank management also prefers to avoid (Marchesi and Sambani 2011). Bank and IMF management and staff were also aware of the broader political need to be patient with the low income countries, particularly the "least developed" among them, because of the strong sympathy with their plight among the smaller industrial states and transnational development advocacy groups. This helps explain the Kenyan government's ability to secure five World Bank loans meant to aid the same agricultural price reforms over a period of 15 years (Collier, 1997, zz). Yet these internal authority holder sources of debate about use of conditions were not visible to outside academic or public critics during most of the decade. They were revealed late in the decade by the World Bank with public release of an internal study on *Adjustment*

Lending: An Evaluation of Ten Years of Experience (World Bank 1988); and not until 2002 through a study on prolonged use of IMF lending (IEO 2002, 11-14).

External pushback and internal concerns led both the World Bank and the IMF to reduce policy conditions, but those reduction steps were not widely noticed because many were subtle. Some involved less stringent enforcement of conditions. The normal process of providing World Bank, IDA, and IMF loans all involve dividing them into a series of partial disbursements, each preceded by a performance review to determine whether the next disbursement would be provided on the date specified in the loan agreement. When a borrower fails to fulfill one or more conditions, Bank or IMF management can respond in any of four ways: waive the violated condition or conditions, grant extensions of time to meet it or them, replace the current loan with a new loan having different conditions, or cancel disbursement of the remainder of the loan. Only the third and fourth interrupt cash flows. The third is mildly punitive because it delays money payments possibly affecting project or program completion timelines; the fourth is strongly punitive because expected money is no longer available. As the decade of the 1980s proceeded, generous interpretation of these possibilities came to predominate. The World Bank took a number of other measures: speeding up disbursement on project loans, allowing borrowers to cover some local project costs as well as the foreign exchange costs with their World Bank money, and engaging in more co-financing with private investors (Hoguet 1983, 318 and 322). Both the IMF and the Bank also modified their formal conditionality rules

Some changes were more visible. The World Bank Executive Board decided to limit structural adjustment lending to 10% of the amount of loans extended to any one country. Anne Krueger's arrival as Chief Economist in 1982 brought further changes. Though the macroeconomic aspects of her thinking contributed to outside impressions that the Bank was "leading the charge of the neoclassical resurgence" (Ferreira and Keeley 2000, 176), her impact on Bank activity was more nuanced. Some of her other concerns – consumer price levels and creating national institutions that would better support property rights and market functioning – helped speed the Bank's shift from Structural Adjustment Loans to the finer-tuned Sectoral Adjustment Loans that more clearly distinguished between government programs providing services to people and other government spending. The first SECALs were authorized in 1983, the fourth year of commitments under structural adjustment lending, and became a larger portion of lending with each succeeding year (World Bank, 1986; Jayarajah and Branson 1995). Yet because the policy conditions attached to SECALs continued to include reducing government payrolls and the extent of state-owned enterprise, they were perceived outside the Bank as only a minor change. Few external observers noted the reviving staff focus on emphasizing poverty reduction and paying attention to the social implications of economic policy until "Poverty" was the main theme of the 1990 *World Development Report.*

IMF conditionality went through a similar evolution. The number of conditions attached to IMF loans crept up in after 1983, but newly-appointed Managing Director Michel Camdessus began reducing them in 1987 despite opposition from the USA, some other major shareholders, and Saudi Arabia – at the time an important enough lender to the IMF to have an appointed Executive Director (Ferguson 1988, 219). Their form also shifted, becoming simultaneously harder in some respects and softer in others. Some were specified as Prior Actions to be accomplished before the loan money became available rather than as Performance Criteria to be met by a future date for receipt of the next disbursement, while others were downgraded to Indicative Targets or Structural Benchmarks (types explained in IMF 2005 and IMF 2012); extent of change in form assessed from Copelovitch 2010, Figure 1.2, pp. 18-19). Though some outside observers thought the reductions were meant to make borrowing more attractive, a story Camdessus denied (Ferguson 1988, 218), internal reviews had suggested a need for changes. IMF staff reviews of standby agreements and loans from the Extended Fund Facility in 1982-83 concluded that political factors, not strictly economic conditions, caused borrower governments to fail satisfying conditions in 60% of them (review discussed in Killick 1984, 261). Outside analysts came to similar conclusions; Haggard (1985, 507) reported that of the 30 loans drawn on the Extended Fund Facility between January 1977 and June 1983, 3 were completed as negotiated, 1 was repaid early, 7 were cancelled by the IMF after noncompliance with policy conditions, and the other 19 were suspended, renegotiated, or not fully drawn down. The World Bank faced similar problems (Killick 1995).

Early indications that there was little correlation between the extent of compliance with loan policy conditions and borrower success at fostering economic growth or fending off exchange rate crises (Killick 1984; Killick, Malik and Manuel 1992) began shifting the ground of efficacy debates focused on conditions. The momentum increased as economists began acquiring better analytical tools for assessing the distributional effects of aid in the mid-1980s (see Bourguignon, de Melo, and Morrisson 1991) and could analyze the impact of World Bank and IMF lending in new ways (e.g., Addison and Demery 1985). Center-left critics had been arguing for some time that borrowing from the IMF was correlated with both greater income inequality and lower economic growth rates. The new round of research indicated that while distributional effects were negative, growth rates were not strongly affected (most notably, Pastor 1987, 89). This was consistent with a long line of economic theory arguing that early phases of growth worsen inequality (e.g., Lewis 1954; Kuznets 1955) and some older studies suggesting that national income growth not accompanied by job creation does not change the prevalence of poverty (e.g., Little, Skitovsky, and Scott 1970).

By the time Cornea, Jolly, and Stewart's *Adjustment with a Human Face* (1987) study for UNICEF presented the distributional critique of structural adjustment policies to wider audiences, other economists – including some working for the World Bank – were reaching similar conclusions (e.g. Helleiner 1987; Bassett 1988; Hodges 1988; and Havnevik 1988). These analyses were quickly absorbed by the World Bank's Development Group. The IMF Research Department's economists reached similar conclusions after renewing links to academic economists and studying the impact of IMF loan programs on poverty themselves (Kahler 1990, 52-54).

Hints of moderating conditions could have been drawn from India's negotiations with the IMF in 1980-81. Prime Minister Indira Gandhi's economic policy team first identified policies that they wanted to accomplish, as well as some normal IMF conditions they wanted to avoid. They were able to put together a set of commitments that the IMF accepted as good enough to get the loan (Chaudhry, Kelkar, and Yadav 2004). As the 1980s wore on, the moderated policy conditions began meeting with greater acceptance among borrower governments. In part this reflected reactions to differences between growth rates between inward-oriented and outward-oriented countries, most visible by comparing East Asian and Latin American experience in the 1980s (Graph 4.1, p -). In part it reflected changed policy thinking among borrower governments. Several governments that had been pursuing ISI began to see its limits as a development strategy, and groups of economists and officials ready to consider dropping ISI began forming in some countries (Callaghy 1989). In the late 1980s the World Bank developed indicators of "economic distortion" defined by the degree of trade protectionism, the difference between official and unofficial (street market) exchange rates, real interest rates, and extent of fiscal deficit. The 1991 *World Development Report* included a study showing that government and private projects undertaken in low distortion environments had a higher rate of return than those done in high distortion environments.

By the mid-1990s a significant number of ISI critics held policy-making positions in their own countries (e.g., Urzúa 1997, 107-08 on Mexico; Mengisteab 1992 on some African states; Gwinne and Kay 2000 on Latin America) and efficacy debates within developing country governments increased. Political factions supporting changes in economic policy began using World Bank and IMF loan conditions and/or policy advice as levers for securing the changes they wanted to secure. Some even offered their own policy choices as prior actions they woud complete before receiving the loan money, and the availability of outside aid, including World Bank and IMF loans, sometimes affected the political balance between reformers and stand-patters (e.g., Coate and Morris 1997; Adam and O'Connell 1997). These national-level debates occurred in a rapidly evolving set of external condition. As democratization spread more rapidly in the wake of the

Soviet collapse, the World Bank and IMF also felt pressure to give newly-elected governments a break (Mishkin 2006, 186; Easterly 2006).

The number of policy conditions attached all IMF loans declined in the early 1990s, the average per loan dropping from the peak of – in 198- to 16 in 1997 (Bird 2000, yy). The pattern was a bit different in the non-concessional loans, where the average hovered between 7 and 9 between 1985 and 1993 (Copelovitch 2010, Figure 1.1, p. 18). The average number of "harder" conditions – Prior Actions and Performance Criteria – rose some after 1993 but a significant component of the increase were Benchmarks and Targets. This reflected both external and internal developments. Growing support among member governments for new institutionalism-inspired policy ideas in the early 1990s encouraged the IMF to expand its attention from shrinking the public sector and reducing the extent of government regulations to promoting creation of stable property rights, provision of more avenues of court- and mediation-based dispute settlement, and more transparency and accountability in government activity. Yet these averages hid a range of total conditions from none to 58, and of Prior Actions from 0 to 37 (Copelovitch 2010, 72, Table 3.1), with the higher numbers reflecting particular situations. The vast institutional changes needed meant that IMF loans to the former Soviet bloc countries included a much larger number of Prior Actions than loans to others. The Asian Crisis of 1997-98 also inspired more extensive use of conditions, many related to reducing crony capitalism and restructuring the domestic financial sector.

While relations between the IMF and borrower governments were not as uniformly hostile as leftist critics and development advocacy groups had suggested (Finch 1989, 19), the IMF did continue to have a strongly negative public reputation.

Part of it resulted from the different time horizons of private creditors and governments. Private creditors typically pressed for IMF loans to be initiated quickly, often before a government had been able to develop the domestic support needed for implementing the conditions likely to be attached (von Furstenberg 1987, 123; Finch 1989, 20). Creditor desire for rapid policy implementation, sometimes shared by borrower governments themselves, also meant that economic reform programs sometimes began before the full dimensions of the country's economic situation were understood. As understanding deepened, the IMF and the government typically readjusted conditions as each successive disbursement became available. The need for mid-course change was often more visible than the actual adjustments undertaken, compounding the IMF's image problems. Thus signs displayed during the September 1998 street demonstrations in Indonesia thanking the IMF for pressuring the Suharto government to curb "crony capitalism" (Mallaby 2004, 201) are probably the only exception to usual pattern of street protest against the IMF.

Some governments did opt for avoidance. Jamaican governments, which had borrowed frequently in earlier years, started avoiding IMF loans in 1996. This was facilitated by Jamaica's the fact that Jamaica's modest external financial connections meant that its debt woes were unlikely to have any "contagion" effects on other countries and the relatively low balances of debt owed to foreign banks reduced major shareholder attention. Though "unorthodox" by IMF standards, the Jamaican government's own remedies improved its balance of payments situation sufficiently to create a reputation for skillful economic management (IEO 2002) that enhanced its credibility with financial markets. Others could not entirely avoid but did choose to repay early. Financial crisis forced the Argentine government into borrow in 2001-02, but it paid off the last of its IMF loans early, in December 2005 using proceeds from the country's higher export earnings and a $1 billion loan from the government of Venezuela. The strength of Argentine desire to get away from the IMF is suggested by the fact that Venezuela charged 8% interest while the IMF was then charging about 4% (Mishkin 2006, 187). Turns to leftist populism in several Western Hemisphere countries led to more avoidance, reducing Latin American borrowings from 80% of IMF loans outstanding in 2005 to 1% in 2007 (Desai and Vreeland 2011, 112 and 117). Similarly, governments in East and Southeast Asia unhappy about the impact of IMF handling of the Asian Crisis and worried that the strong Western influence over IMF decisions would keep them at a disadvantage pursued alternatives to IMF loans. They built up their own reserves (--), developed regional mutual lending arrangements through the Chiang Mai Initiative (Grimes 2011), or negotiated swap arrangements with the US Federal Reserve (Broz 2015).

Yet as in the 1980s there was no widespread exit or direct challenge. Venezuelan President Hugo Chavez did seek to create an alternative Banco del Sur, which pointedly excluded the US dollar from the basket of currencies used to value its transactions, but it had attracted only 7 members pooling about $20 billion in early 2011 (Desai and Vreeland 2011, 117) and the Venezuelan economy sank into severe recession soon afterward. The Asian governments participating in the Chang Mai Initiative initially kept it linked to the IMF through a requirement to secure an IMF standby arrangement or loan before arranging a CMI loan until 20yy (source in notes on CMI).

The "Fifty Years is Enough" and other activist campaigns led to public release of more information about individual loans by the World Bank and, to a lesser extent, the IMF. It provided material for a new round of more detailed outside economic analysis of the impact of loan conditions. One of the first such studies, Mosley, Harrington, and Toye (1991), found a weak correlation between structural adjustment loans and higher growth rates, with that modest correlation strongest when private investment was not flowing in at the same time. Bird and Rowlands (2001) reported no significant difference in growth rates between countries that had and had not taken out World Bank or IDA structural adjustment loans while Easterly (2004) found that none of the 20 most frequent borrowers from the Bank or IDA had achieved decent rates of growth. Vreeland (2002; 2003, chapters 5 and 6) and Joyce (2006), in contrast, concluded that IMF loans depressed growth rates and increased income inequalities. Garuda (2000) largely agreed while cautioning that analysts needed to distinguish between completed and incomplete IMF programs. Following up, Bird (2002, 841-47) concluded that there was as yet insufficient evidence to determine whether either completed or not completed IMF programs had any correlation with later growth rates or income distributions. An IMF study of loans to the 44 countries then engaged in "prolonged use" of IMF resources reported mixed results: compared to other countries growth was lower in the 15 middle income prolonged users but not notably different in the 29 least developed ones (IEO 2002, 11-14). Evrensal (2002) found that countries borrowing from the IMF did resolve their immediate balance of payments problems, but also that government deficits and the level of domestic credit creation, two policies usually addressed in loan conditions, appeared to be unaffected by whether a country was borrowing from the IMF.

By the late 1990s household income data permitted assessing the impact of World Bank, IDA, and IMF lending on income distribution in borrower countries. Ferreira (1995) and Ferreira and Keeley (2000, 2 and 189) identified three patterns of country experience with structural adjustment lending: 1) no shift into a sustained higher growth trajectory; 2) shift into a growth pattern reducing extreme poverty but not significantly affecting overall inequality; and 3) shift into a broadly-beneficial growth pattern after a period of reduced living standards among the bulk of the population. World Bank research economists' own studies (e.g., Kanbur 1990; Jayaraja and Branson, 1995) confirmed that several years often passed between starting structural adjustment programs and onset of higher growth rates. Some studies demonstrated correlations between growth and improved social indicators like infant mortality in most developing countries (e.g., Bruno, Ravallion, and Squire 1998), suggesting that growth is often needed for improvement in those areas. Arguments for paying attention to poverty reduction were strengthened by emerging endogenous growth models that turned the causal arrow around to claim that extensive poverty and steep inequality inhibit economic growth while provision of basic social services – health care, education, safe water, and adequate housing – to all promotes growth (e.g., Strauss and Thomas 1997; Bourgignon, Chong and Hentschel 1999).

Closer studies of countries' experience with structural adjustment also provided insights about preferable combinations of policy changes that affected the formulation of policy conditions. The longstanding neoclassical consensus that domestic price stability (limiting inflation) and ending persistent balance of payments deficits needed to occur early in the process was now supplemented by better understanding of political dynamics.

These studies concluded, as critics of structural adjustment lending (e.g., Drèze and Sen 1989; Cornia and Stewart 1990) had long maintained, that adjustment policies would be pursued only if governments also took measures to limit the negative short to medium term impacts of reform on the poorer parts of the population (e.g., Bourguignon, de Melo and Morrisson 1991; Bourguignon, Branson and de Melo 1992; Morduch 1995; Jalan and Revallion 1999).

These studies also fed into the concurrent debate about whether democratic governments, would be able to pursue significant economic changes. In earlier decades there had been widespread support for the view that authoritarian governments had advantages (e.g., Skidmore 1977; Frenkel and O'Donnell 1979; Diaz-Alejandro 1981) because they could insulate themselves more from public opinion. Even those who believed that democratic governments could steer such changes warned that fulfilling conditions would be a "stop and go" affair as democratic governments balanced among contending domestic groups (e.g., Haggard 1985). By the late 1990s this debate had been become subsumed within a wider one. Several analysts concluded that three factors – strong government commitment to implementing economic reform, the region where the country is located, and the country's domestic political and economic conditions were – most directly correlated with getting a lagging economy back on a growth path (studies summarized in Ferreira and Keely 2000, 170-175).

As democratization spread further in the early 1990s, the IMF began paying more attention to election cycles. Management began avoiding negotiations immediately before an elections (s). As it became more attuned to which reforms governments would and would not pursue, it also realized that pressing for labor law reforms making it easier to fire workers would not be helpful vis-à-vis democratic governments, particularly those facing elections within half a year (Rickard and Caraway 2014).

Debate became more focused on policies and institutions than regime type after release of the World Bank's *Assessing Aid* (1998). It concluded that aid provided to countries with bad policies and weak administrative institutions had very limited effect, a conclusion broadly shared by two other studies, (Burnside and Dollar 2000; Collier and Dollar 2001). Other studies challenged claims about the relation of "good policies" and higher growth (Hansen and Tarp 2001; Easterly, Levine and Roodman 2003; Ram 2004), but did reinforce the views of internal (IEO 2003) and outside analysts who believed that "country ownership" of economic reforms – strong commitment by governments and significant domestic constituencies to carrying out change – is central to success. Smith and Vreeland (2006) suggested that inheriting an IMF program from a previous government could help democratic leaders stay in power by allowing them to blame economic pain on the predecessor regime or the IMF.

Use of social outcome measures, whether those adopted for tracking progress towards meeting the UN's Millennium Development Goals (viewable at World Bank 2013) or Mosley, Hudson and Verschoor's "pro-poor expenditure index" (2004) for tracking patterns of government spending, gave new impetus to the longstanding effort to understand and ameliorate negative effects of World Bank and IMF lending on the poor. The information was persuasive enough that a few critics on the right (e.g., McQuillan 1999, 16) added burdens on the poor to their arguments against IMF loans as "bailouts" for private lenders. Other economists agreed that IMF loans have burden-shifting effects but maintained that who lost most depended on the sequencing. In their view, a country's creditors secured most of the benefits if IMF lending commitments followed a debt restructuring while the borrower country gained most when the IMF indicated it would lend before a settlement had been reached (Wells 1993; Marchesi 2003).

Arguments about the need to consider how conditions affected the poorest parts of the population inspired two changes in World Bank activity. First, while UNDP had pioneered indicators tracking how the poor fared in its own Human Development Reports and was initially the primary "scorekeeper" for the UN Millennium Goals (Browne 2013, 72), the World Bank harnessed its greater capacity to compile economic information and produce consistent datasets to create and post a broad set of World Development Indicators. It soon superseded UNDP as the main source of publicly-available information on progress toward attaining the MDGs (Deaton 2005, 2). Second, the Bank came under increasing pressure from member governments – particularly visible during negotiation of the 10th (1993) 12th (1999), and 13th (2002) IDA replenishments – to direct loans to countries that performed well on social expenditure and MDG attainment measures. This was reflected in discussions of a "new conditionality" among economists (see Mosley, Hudson and Verschoor, 2004) and some advocacy groups (e.g. Action Aid 2004; Eurodad 2006) wanting the World Bank to require borrowers to maintain social spending while dropping most other economic policy-related conditions. This drive was reflected in development advocacy groups' efforts to get the Bank to drop requirements that borrower governments charge user fees for primary education and some health services (Stein 2008, --).

The more ambitious "new conditionality" proposals to lend only to governments with good policies on economic governance and social spending were not adopted.

Besides ethical concerns about cutting off very poor countries, some analysts had noted that conditions were weakly enforced (Van der Walle 2001), and all involved – World Bank or IMF management and staff, major shareholder governments, and borrower governments (Collier 1995; World Bank 200-01, chapter 5) were aware of and expected weak enforcement. Others noted that imposing conditions had the perverse effect of making the borrower government less accountable for the effects of whatever policy changes they did adopt (Moseley, Hudson, and Verschoor 2004; Radelet 2005). Though many outside observers, particularly on the left, regarded the World Bank and IMF conditions as mutually consistent, closer looks did reveal differences. Bird (1994, 495) suggested that the IMF's short-term orientation meant that while the World Bank was supporting programs for "adjustment with growth" the IMF more likely to advise compressing imports or to ignore expansion of domestic output as a solution to a country's problems.

None of these arguments meant that policy conditions disappeared. The World Bank incorporated some more explicit results measurements in the 2004 revision of its conditionality guidelines (World Bank 2007). Some of these later inspired controversy and were dropped. In 2008 labor groups and their allies pressed the World Bank to stop using the employment-related portions of the "Doing Business" indicators in the Country Policy and Institutions Assessments used to determine eligibility for IDA loans and grants on grounds they eroded fair labor standards (Lavelle 2011, 162-3). This pushed on an open door since the World Bank Independent Evaluation Group had already recommended dropping them (IEG 2008). Incorporating social spending targets and policy results measurements into IMF conditions also came up during discussions about an IMF quota increase in 2008. As in the World Bank discussions, advocates gained enough allies in the US Congress to have the US government use its influence to support granting subsidized IMF loans only to those low income countries that keep their education and health spending steady (Clegg 2013, 90).

In the mid 2000s, the World Bank's practices regarding loan conditions changed significantly. In 2004 it formalized the shift to Development Policy Lending by adopting that name in the Operational Policy, and in 2005 the Bank's Development Committee endorsed five good practice principles of policy-based lending: country ownership, harmonization with other donors, customization of lending design, criticality (clear relation to major loan objectives) of loan conditions, and transparency and predictability of performance.

In 2012 the World Bank adopted a new loan category, Program for Results, supporting existing government programs with loan disbursements following the meeting of specific achievement indicators. This met a borrower desire at a time when other sources of loans were increasing, and also reflected the influence of transnational network advocating "aid effectiveness" movement (Winters and Kulkarni 2014). Yet early reviews were mixed with the World Bank's Operations Policy and Country Services Department giving positive reviews (World Bank 2015, vi) and the Bank's Independent Evaluation Group (IEG) identifying several areas of weakness (IEG 2016).

Greater attention to the domestic politics of aid conditionality inspired research disaggregating compliance with World Bank and IMF conditions by the type of policy change expected. This provided partial challenge to conclusions (e,g, Mosely, Herrington and Toye 1995) that lax enforcement has been the primary reason for so little change. An IMF internal study (IMF 2001) indicated that borrowers' efforts depended partly on the type of condition involved, with 80% of Prior Actions and 67% of Performance Criteria met in time for a disbursement; and partly on policy area, with 57% of conditions regarding pension system reform or reorganization of state-owned enterprises and 47% of those related to privatization fulfilled in time. Krueger and Rajapatirana (1999) compared 20 countries' trade policies between 1985 and 1996 and concluded that countries with World Bank loans having trade policy conditions attached did liberalize their trade policy more than others. Vreeland (2006, 374) noted that "Compliance [with IMF conditions] has been cited as being as high as 72% for credit creation conditions and as low as 30% for fiscal conditions." This was consistent with studies linking borrowers' compliance with the extent and intensity of domestic opposition to the type of change being sought (e.g., IMF 2001; Ivanova et al. 2003; Mayer and Mourmouras 2008). In studies of trade policy Stiglitz (2002), Büthe and Milner (2008) and DeRouen (2011) all concluded that adoption of trade policy and capital controls liberalization depended on a combination of three factors: existence of IMF conditions on those points, US support for those conditions, and limited domestic opposition to the changes. Stone (2002), Mercer-Blackman and Unigovskaya (2004); and Pop-Eleches (2009) all indicated that privatization was the least likely change because the relatively long time involved in preparing for sale of state-owned enterprises gives domestic opponents more opportunity to organize political counter-pressures.

These arguments affected the formulation of loan conditions. The World Bank dropped privatization and trade liberalization from its conditions after 2003 (World Bank 2005). The increase in compliance rates observed afterward (Bull and others 2006) suggested that there was now greater alignment between what the World Bank was encouraging and what borrower governments wanted to do. An IMF study (IEO 2008) confirming earlier conclusions that borrowers complied more with conditions regarding fiscal policy and tax matters than with conditions regarding privatization, trade liberalization, or public sector reform helped shape Executive Board decisions about conditions reached in 2009. This change happened in the context significant reengagement with lending to developing countries. Though the loans involved totaled less than the amounts lent to European governments, they reflected an increase of IMF activity in the developing world, particularly in Sub-Saharan Africa.

These new loans reflected changes in IMF conditionality and policy advice. In 2009 the IMF Executive Board abandoned structural performance criteria in favor of structural benchmarks and revamped the concessional lending facilities. It also agreed that social spending targets should be an element of monitoring borrower performance "where appropriate" (noted by Clegg 2013, 90). The PRGF replaced by an Extended Credit Facility modeled on Standby Arrangement; Poverty Reduction Strategy Papers were replaced by Economic Development Documents giving borrowers more flexibility in policy choices. Two new concessional short-term facilities, the Standby Credit Facility and the Rapid Credit Facility, also reflected the new policies about conditions, including specifying social spending targets to protect health, education, and other social programs from budget cutting (IMF 2016, 6).

Recent studies of IMF loan conditions could be read as suggesting that the IMF should be able to anticipate borrower government behavior and modulate conditions or loans in ways that would promote compliance. However IMF Historian James

Broughton (2006) cautioned that IMF management and staff might not be able to determine borrower governments' real attitudes well enough to do this for two reasons. First, borrowers (particularly frequent borrowers) know IMF staff preferences and have some incentive to say they will do certain things they do not intend to do simply to get the loan. Second, because IMF management and staff still interact mainly with top leaders and the finance ministry, their information about the extent of support or opposition in other parts of the government will be limited. Yet there was one area where Broughton thought the IMF could anticipate borrower behavior: since governments cannot "own" what they cannot do, he maintained that the IMF should pay attention to a borrower's actual administrative capacity when designing conditions.

Borrower governments are strategic actors making two sets of calculations when presented with loan conditions they dislike. The first is whether they can secure modifications. As preceding paragraphs suggest, they often succeed. If negotiating fails, their set of choices change. Borrowers will avoid taking loans if they can get the needed money elsewhere on terms they can afford. Avoidance is becoming more common as alternate sources of money – private investors or "new donors" – the emerging market states, particularly Brazil, China, and India, --less inclined to impose policy conditions (--) – have expanded. When avoidance is not feasible, borrowers shift to their other choices. If they need the money badly enough, they have strong incentives to accept more conditions than they intend to fulfill simply to get the loan. Though aware of these borrower incentives, World Bank and IMF management realize that they cannot fully determine the width of the gap between what a borrower says it will do and what it actually intends until after loan disbursements have begun and reviews for the next disbursement are coming up. The World Bank has a somewhat easier situation here than the IMF because most borrowers seek multiple loans over many years; this gives those borrower governments expecting to remain in power for some time incentive to avoid letting the gap get so wide their promises lose all persuasiveness. The IMF, which most of the time is dealing with occasional borrowers likely to have changed leadership since last time, has addressed the problem by stating some conditions as "Prior Actions" to be accomplished before any loan money flows. However it needs to be careful that Prior Actions do not become so numerous or time-consuming that they weaken the financial stabilization effect of a commitment to lend.

IMF loans also involve a second calculation – borrower governments balancing the domestic cost of turning part of their economic policy over to the IMF against the benefits of the money plus letting the IMF take the blame for unpopular policies (Vreeland 2003). Other rational expectations studies (e.g., Drazen 2006) revealed what insiders already knew, that while many borrower governments do chafe under policy conditions and try to secure fewer and/or less constricting conditions, governments strongly committed to pursuing economic reform for their own reasons prefer strong conditions that match their intentions. They use the conditions as signal of their commitment to pursue the policy changes even in the face of domestic opposition.

Technical Assistance and Pre-Investment Studies

Effective provision of technical assistance depends on accurate understanding of how many people with what level of expertise are needed for a particular activity. Pritchett and Woolcock (2008, 151-154) suggest a typology of government programs that facilitates identifying the type of training needed. It sorts government programs into a four-cell matrix defined by whether policy implementation requires exercising considerable judgment about handling particular situations or can be guided by a set of general rules, and whether it involves interactions with large numbers of people or not:

	judgment-based	rules-based
many interactions	government agency needs large numbers of people with sufficient skill to adapt regulations or services to individual circumstances	government agency can perform its tasks using automated or nearly-automated systems and clerical personnel
few interactions	government agency needs small numbers of people with sufficient skill to perform the work	government agency needs small groups of people who can follow directions

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Though subject to the usual drawback that constructing a 4-cell matrix requires collapsing spectrums of possibilities into binary categories, this classification helps identify the mix of challenges involved in any particular government agency's work. In particular, it suggests that the technical aid is most important for judgment-based government programs that need to be provided to large numbers of individuals or households, such as healthcare or education. It also suggests where governments can use information technology as e-government effectively substituting for human officials and where e-government can only supplement human effort.

The typical World Bank and the IMF technical assistance involves training programs for national-level officials in agencies operating in the judgment-based/few interactions quadrant. This allows for modest-sized programs run primarily through short-term workshops for officials who already have university-level education in economics or some other discipline. The training is generally regarded as good; the criticisms come from those who dislike the policy orientations being transmitted.

As developing country political leaders and senior bureaucrats acquired better training themselves, they were increasingly able to find experts using their own contacts in international academic and policy expert communities. In most countries the pool of locals with advanced training has also increased considerably. These changes mean that most developing countries are less reliant on outside technical assistance, including that from World Bank, IMF, or UN system sources, than they had been in the 1950s and 1960s. When they do identify a need technical assistance, developing country governments can now tap a much wider array of sources than were available in 1965, including a larger number of private foundations and private training or consulting firms (Browne 2013, 117).

Organization Efficacy

Organizational efficacy refers to the coherence, skill and orientation toward addressee benefit observed in authority holder conduct. Both the complexity of assessing whether broad goals like economic stability or development are being met encourages some amount of using organizational efficacy as a proxy for goal efficacy. The World Bank's and IMF's existence as intergovernmental organizations created by conscious delegation mean that member state governments are the primary actors concerned with organizational efficacy, while academic economists, policy analysts, and transnational advocacy groups also form and express their own views on organizational efficacy. No one expects authority holders to excel all the time. Yet if incompetence (making obvious and easily-avoided errors), mismanagement (bad organizational coordination and unduly slow performance), or corruption (diversion of funds or other resources for private use) become noticeable, complaints about lack of organizational efficacy will follow. Because they are bureaucratic organizations rather than individuals, the World Bank and the IMF are also evaluated on how well the head and other managers monitor and control the conduct of staff members at all levels of the organizational hierarchy. The internal management problems faced by the three organizations vary. All three have staffs larger than the 7000 that some students of public administration identify as a threshold beyond which efficient operation becomes difficult (Davies 2002, 36). In 1992, the World Bank and the IMF had staffs of about 9000 and 2500 respectively (World Bank Annual Report 1993, p. ; IMF Annual Report 1993, p.). In 2019 the numbers were at about 10,000 and 2600 respectively (World Bank Annual Report 2020, p. ; IMF Annual Report 2020, p.). The World Bank also stations staff members supporting projects and programs in the member countries receiving loans or technical assistance, adding geographical dispersion to the challenges for internal coordination and supervision. The IMF does not support projects, but like the World Bank handles sufficient amounts of money that government officials can use it to cover up their diversion of other public funds. Member governments and others do take these differences into account as they develop their assessments of organizational efficacy.

Addressees and other cannot react to what they cannot see. Members of the intergovernmental supervisory forum so could have access to a good deal of information about staff activity; other member governments and outsiders do not. As transnational advocacy coalitions started presenting themselves as representing “the people” affected by IGO activity, they campaigned not only for policy changes but for increasing the transparency of IGO operations and the accountability of management and staff for organizational efficacy not only to member governments but also to the general public. Though the question of “accountable to whom?” – to “principals” or to “people” – remains contentious, such expectations have created pressures on many intergovernmental organizations to provide for continuous evaluation of activity from a standpoint more independent of management that the usual in-house financial and project effectiveness audits produced by internal staff units such as the World Bank’s Quality Assurance Group, or the IMF’s Policy Development and Review Department. The World Bank established its Independent Evaluation Group in 1974, and extended it work to all parts of the World Bank Group over time. The Bank’s exposure to public pressure because of the controversies over the social and ecological impacts of large infrastructure projects, led it to create an Inspection Panel for handling complaints by individuals and groups in borrower countries in 1994. The IMF shifted from using occasional ad hoc external studies in the 1990s to creating a full-time Independent Evaluation Office in 2001. While permitting management to secure more continuous and systematic evaluations of activity, these evaluation units also provide information to shareholder governments about the overall quality of organization activity. Their work thus helps the intergovernmental supervisory group monitor management and staff performance more effectively, even if they are not as comprehensive as the performance management systems used in some national governments (described in e.g., Van Dooren 2010; Mizrahi 2017).

Addressee and third party expectations on organizational effectiveness are shaped by the goals to be served, the nature of the organization’s activity, and the size of the organization's staff and budget. Differences among them on some or all of these dimensions mean that debates about the organizational efficacy of the World Bank and the IMF have proceeded separately, though occasionally comparison with one of the others is used to praise or blame the particular organization under discussion.

World Bank

The World Bank enjoyed a reputation for high organizational efficacy in the 1950s and 1960s (Lewis and Kapur 1973, 3; Kapur 2002, 55-56; zz). In the early 1970s borrower governments, though unhappy with the complexity of procedures, regarded the staff as competent and as less politically motivated than their counterparts in most bilateral aid agencies (Lewis and Kapur 1973a, 3-4). As Bank activity increased and the staff grew in size, maintaining efficiency became more difficult. Two elements of McNamara's presidency intensified the effects of a larger staff he was confident the Bank could increase its level of activity significantly without diluting quality, and he discouraged careful thought about what it could and should do to best promote development (Kapur 2002, 57).

The World Bank's external reputation for handling the money well through the project approval process, requirements that contractors be hired through competitive bidding processes, and periodic audit of accounts remained strong in the1970s. Even critics of the Bank's policy orientations did not question its ability to keep resources flowing to their intended uses (e.g., Ohman 1975, 27). The Bank's project management work was also highly respected (Degnbol-Martinussen and Engberg-Pedersen (2003, 123). Even when the project management began to be questioned, bank staff in the units dealing with financial matters, such as arranging bond issues, making short-term investments covering periods between receiving bond sale proceeds and disbursing them as loans, managing currency swaps, were regarded as highly competent (Crook 1986, 10-11). They could demonstrate this by comparing their performance that of private sector financial managers.

[this par needs work] Some observers' perceptions that competence was sliding in the 1980s were confirmed by two internal studies in the early 1990s. The World Bank Operations Evaluation Department's 19yy survey of a large sample of earlier World Bank loans concluded that 86% of the loans extended during the 1970s achieved their main goals and that loans for income-producing projects were averaging an 18% return on investment. Perceptions that things were sliding in the 1980s seemed confirmed in conclusions that of projects undertaken in the 1980s the design and pre-investment analysis in 13% of them was poor and in another 25% only acceptable (OED 199- [cited in D and E 2003 123 and need to trace as they suggest it is not the Wapanhans report].

The nearly-simultaneous Wapenhans Report (1992) indicated that the proportion of 37.5% of World Bank-funded projects that had to be rated "unsatisfactory" rose from 11% in the early 1980s to 37.5% by the end of the decade. It did indicate that some of the decline reflected the unfavorable economic conditions prevailing in much of the developing world, the rapid growth of the Bank's loan portfolio in the mid-1980s, and some weakening in borrower government administrative capacity. However it attributed most of the decline to a combination of two internal factors. The first was the push to expand lending, which encouraged staff to pay more attention to making new loans than to monitoring the impact of previous ones. The second was the practice of doing project evaluation when a completed project first came into service because that meant evaluation relied primarily on estimated rather than actual economic return, and the estimates were often wrong (Kapur, Lewis, and Webb 1997b, preface 10-11).

The Bank's reputation for effective management was also damaged in the 1990s by two waves of negative information. The first, in the early part of the decade, focused on mismanagement of projects, and suggested that even in a world where cost overruns are common (e.g., Flyvbjerg, Holm, and Buhl 2003 on transportation projects), the planning elements of project management was weak. The second, towards the end of the decade, focused on failure to address significant diversion of funds by officials in some borrower countries.

Public impressions of reduced organizational efficacy were reinforced by debates regarding the Arun III Dam project in Nepal. The dam was designed to generate 201 Megawatts of electricity, most to be sold to India. Critics pointed out that the total cost of the project exceeded the Nepalese government's entire budget, and that maintaining the facility would impose a major burden on Nepal if India were ever to stop buying electricity it produced. *The Economist* ("Nepal," 16 Oct 1993, p. xx) and the German Federal Audit Office (report on Arun III Dam, 19 Dec. 1994) advised abandoning the project on economic grounds alone, though noted that environmentalists were already criticizing the project's likely ecological impacts. The Bank Executive Board was initially inclined to continue the loan. The Bank's chief manager for health, education, and population projects in Nepal took early retirement so he could publicly campaign against the decision to persist. The internal rift over the project became public when the Bank's vice president for Asia was quoted as saying that stopping the project was a bad idea because it would signal that World Bank could not support major infrastructure projects. In the end, however, the arguments against it were sufficiently weighty that newly-arrived Bank president Wolfensohn abandoned the project (Rich 2002, 29). Impressions of poor project management were also reinforced in 1993 by newspaper reports that the new headquarters building, commissioned in 1989 at an expected cost of $186 million, was going to cost $314 million to build. Though Bank statements maintained that the difference stemmed from unanticipated renovation costs (e.g., US Senate 1994, p. 563), it gave critics an irresistible opportunity to say that the Bank could not even manage projects in its home city. Efforts to assess the impact of Bank staff participation in project preparation and supervision of construction improved project outcomes were mixed; one concluded that closer supervision of projects was correlated with better project outcomes (Jayaraja and Branson, 1995) while a later one found no particular correlation (Dollar and Svensson, 1998).

The size of the World Bank staff mean that administrative sprawl and fissioning into distinct bureaucratic fiefdoms was a constant problem, made worse in some eyes by Barber Conable's administrative reorganization in the late 1980s (Davies 2002, 83). Lewis Preston cleaned up some of the mess through adoption of better financial controls, but the limits of progress were indicated by James Wolfensohn's need to promise borrowers a more efficient and effective Bank staff in 1995-97. He approached borrower concerns in two sets of ways. For general operations he devolved a greater measure of decision-making to the Bank's country directors, built up better internal information management systems, and established a new Quality Assurance Group to improve project evaluation. Borrowers in particular were affected by decisions to assign more World Bank staff to work in borrower countries, going form 24 country offices in 1996 to 53 in

2001 and reducing average project preparation time from 24 to 15 months (*World Bank Annual Report*, 2001? p. --). His efforts made some difference though not as much as hoped (Davies 2002, 12) or that others thought was needed (Mishkin 2006, 190). Concern about sprawl and internal fragmentation persisted (Lowery 2013).

In the early 2000s concern extended to the quality of World Bank research work. 80% of it is coordinated by the Department for Development Economics, which produces the annual *World Bank Development Indicators* and *World Development Report* as well as several series of research publications. The longstanding complaints that their neoclassical economics training inclined them towards neoliberal policy suggestions (repeated in Sender 2002, 185; Kanbur 2006, 412), were now supplemented by concern about the quality of the work itself. This was great enough to inspire commissioning an external review by a group of academic economists led by Angus Deaton of Princeton University identifying methodological weaknesses and other sloppiness marring the work and suggesting ways to improve (Deaton Report 2006).

Member government responses to these developments varied. The Executive Board paid relatively little attention to internal efficiency. Devish Kapur noted (1992, 67) that developing country Executive Directors gave low priority to monitoring administrative costs or loan quality because they worried that if they pressed for reduction in administrative costs Bank management would get back at them by making difficulties in the administration of their country's loans. John Taylor (2007, xx) suggested that the other major shareholders regard organizational efficacy as an area where the US government should take the lead since it names the president and has a long tradition of concern with the matter. As bank management itself acknowledged in 2009, the main impetus for administrative improvement now comes from major borrowers' choices between participating and avoiding. "Because [middle income countries] have access to alternative sources of finance and have the analytic and technical capacity to design and implement programs, they are increasingly selective about the program areas in which they invite Bank engagement" (World Bank 2009, 16).

Though occasional concerns were expressed in the 1970s and 80s (Stein 2008, 41), corruption did not become a major topic of discussion until the early 1990s. Some corruption within national governments was expected. In 2004, during public discussion of the UN's "Oil for Food" scandal, a senior British diplomat expressed no surprise at findings that Iraqi officials were getting 10% the total billed to suppliers as kickbacks because "a degree of corruption is quite normal" (quoted in Traub 2006, 258). Only particularly egregious instances, such as the diversion of approximately most of the international aid provided for rebuilding after the 1972 Managua earthquake by Nicaraguan dictator Somoza into his own family's fortune, received significant public attention. However it was widely known in development circles that some national leaders were diverting a lot of money to their own accounts (e.g. McFerson 2009; Cockcroft 2012).

The public charges of corruption that surfaced in 1997-98 were not news to Bank management. In late 1993 Lewis Preston's new internal Financial Reporting and Auditing Task Force had already reported that financial audits had little impact on project management. Less than 40% of project-related audits were completed on time, the formatting of the financial data did not allow clear tracking of expenditures, and neither the audits nor the credentials of the auditors were reviewed carefully (World Bank 1993).

However this report received no publicity and did not inspire any immediate internal response (Rich 2002, 48). One staffer, frustrated by the lack of action regarding corruption, resigned to form Transparency International (TI) in 1993 (Mallaby 2004, 417 note 2), still the most active NGO campaigner against official corruption. TI was soon joined by other watchdog groups issuing periodic "scorecards" on corruption, and anti-corruption drives began to emerge spontaneously in many democratizing counties.

News stories charging that the Bank was aware of large-scale diversions at the time emerged in fall 1997. The US-based *Business Week* magazine claimed that $100 million of the $500 million loan meant to help Russia rebuild its coal mining sector was either unaccounted for or misspent (*Business Week*, 8 September 1997) and a few months latera story in the UK-based *Financial Times* estimated that diversion actually totaled $250 million (*Financial Times*, [date] 1998,). In early 1998 newspaper claims that as much as 30% of all the money the World Bank lent to Indonesia in the past 30 years had disappeared into personal accounts were denied by senior bank officials (Rich 2002, 48-49). The Bank's Jakarta office, which was the source of the 30% estimate, ended up confirming the claims in July (Mallaby 2004, 184-85 and 419 note 12).

At this point the Bank had to get serious, not least because it had been urging member governments to root out corruption in their own operations since 1995. In [month] 199- reports on the independent audits of selected projects that the Bank had commissioned came in and confirmed problems. (Wolfensohn 2010, 296 notes the commissioning by June 1996; get a citation from a WB annual report). As additional problems were revealed, the Bank took to making public announcements of punishments for corruption imposed against its own staff others involved (World Bank chronology 1990s, available at [get website from card on squabbles with NGOs in 1994]).

As corruption in government contracting became a bigger issue in many countries, the discussion also extended to multilateral aid agencies. Weaver and Park (2007, 462) included widespread corruption in aid programs and lack of accountability mechanisms for its own staff in their list of the Bank's major shortcomings. The *Wall Street Journal* ran stories on corruption in World Bank projects and what it regarded as laggard Bank response to the problems ("World Bank Scorpions" 2008; "World Bank Report Card" 2009). Critics on the right criticized staff conduct and claimed that billions of dollars were missing (e.g., Behar 2012). While some of these claims seemed overblown, there was evidence of real problems. Bank management were sufficiently concerned in 2007 to commission an outside review led by Paul Volcker, former chair is the US Federal Reserve and chair of the Inquiry that had reviewed the UN's Oil for Food Scandal in 2004-05. The Volker Panel reviewed the Bank's procedures for identifying and dealing with corruption and recommended various changes (Volker Report 2007).

Tensions between bank staff and management rose to the point of occasional media coverage as staff worried that internal investigations were creating impressions they were benefitting from corruption in programs (Pound 2007) and concerns raised about how the Bank's vice president for integrity was handling the inquiries (World Bank Administrative Tribunal 2009). When Bank president Wolfewitz was pressured into resigning over a love affair at least one external commentator called it a "staff coup" ("Lessons" 2008). Wolfewitz's successor, Robert Zoellick, put the Bank on its current path of better audits, disqualifying bidders found to have engaged in corruption, reporting individuals to their home countries for action by national authorities.

The Bank's Independent Evaluation Group found significant leakage in IDA-financed activities (IEG 2009). Some notable cases also became public knowledge. Improved audits revealed that about 40% of the grain intended for the poor under India's food and jobs programs was not reaching intended beneficiaries (ETP 2007, -- McGivering 2011). In 2012 the World Bank even cancelled previously-committed loans for the Padma Bridge project in Bangladesh over the government's failure to deal with corruption (World Bank Press release 2012).

Though diversion of World Bank loan funds is a real problem, the truly epic cases of corruption involve national leaders skimming foreign loans or export earnings on a massive scale (McFerson 2009; other sources on corruption). For instance, the Nigerian Anti-Corruption Commission estimate ultimately concluded that about $380 billion in oil revenue was stolen or squandered between 1960 and 1999 Guest 2007) while the diversions in Indonesia between yyyy and 1999 have bene estimated at (Indonesian source). Mention the whole Africa's Odious Debt thing?

IMF

The IMF is generally viewed as having a competent and cohesive staff, even by critics who deplore its policy leanings. Michael Davies (2002, 30) called it "one of the more successful and impressive" IGO staffs. Its smaller numbers (one-fifth that of the World Bank) and high uniformity of professional background both enhance the coherence of its operations. At the same time they also add to the impressions, noted by insider Jacques Polak (1997, 493-94) and others (Mishkin 2006, 190; Stone 2011, 64), that there is little room for internal debate within the IMF. Since change often depends on the presence of sympathetic insiders, this encourages perceptions that the IMF is harder to influence than the World Bank. Differences in loan decisions have also reinforced these perceptions. Approving World Bank loans involves both the Country Desks and the Office of Senior Vice President for Operations whereas IMF loan are al handled through the Exchange and Trade Relations Office (REF 1986, 21 [is this Feinberg? if not, is not in ref lest]).

Though less subject to internal bureaucratic dynamics encouraging efforts to maximize budget or staff size than most intergovernmental organizations (Willett 2001, 323), the IMF's bureaucratic structure itself harbors some sources of weakness. Davies (2002, 32) saw potential for internal inefficiencies in the 1994 shift from having a single Deputy Managing Director to a three Deputy structure that split responsibilities for internal staff oversight, and in maintaining 8 distinct bureaucratic layers of staff at a time when most IGOs had 6 or 7 and large US business firms had 4 or 5.

The 2000s were a time of internal questioning. Perceptions that its basically monetarist approach to policy advice was irrelevant, even during financial sector crisis, inspired search for a new analytical framework (Gabor 2010, 805). For a time it shifted to using inflation targeting approaches, something an increasing number of national central banks had been doing since the early 1990s (Gabor 2010, 807. That approach also had problems, not least the fact that financial innovation were making it harder for central banks to control the money supply. Thus the IMF was searching for a new analytical model when the 2008 financial crisis hit and revealed even more clearly than the Asian crisis the problems created by banks and other financial houses taking on more risk than they understood and the difficulty of resolving the ensuing ecnonmic problems.

The 1978 extension of surveillance and periodic policy consultations to all member governments stretched the staff; many member governments were able to go two or three years without what was supposed to be an annual discussion of their economic policies and outlook. At least one observer blamed this overstretch for the IMF's lagging awareness of the dimensions of Third World debt problems in the early 1980s (Brau 1986, 36). Nor did bureaucratic routines promote sufficient attention to how and how far the "world economic environment" was shaped by the policy decisions of some seven states, even though that had been brought home with great force as the major industrial states tightened monetary policy in the early 1980s (Brau 1986, 36). Staff overstretch was felt strongly again in the immediate post-Cold War period. As the Soviet Union collapsed in In December 1991 about 1 in 6 IMF staff economists were working on the USSR and Eastern European countries (Gould-Davis and Woods 1999, 4, note 10).

Both the Executive Board and IMF management were slow to adjust organizational routines to the explicitly medium-term lending supplied through the Structural Adjustment Facility and the Extended Structural Adjustment Facility (noted in IEO 2002, 10). IMF research staff monitoring country conditions continued to focus on the next 1-2 years because that was the time interval used in Article IV surveillance and consultations and in regular IMF loan disbursements. Similarly, staff continued to use the same repertoire of Performance Criteria (actions needed to receive the next disbursement of a loan) until loan conditions were reorganized into Prior Actions and

Performance Criteria and the scheme of Indicative Targets and Structural Benchmarks for assessing performance adopted (Copelovitch 2010, Figure 2.1, pp. 18-19).

The IMF's reputation for competence suffered severely in the Mexican, Asian, and Russian financial crises of the mid-to-late 1990s, though for distinct reasons in each instance. In the Mexican case, the primary complaint was that Article IV surveillance had not provided adequate advance warning about the worsening of Mexico's financial situation. Though not publicly released, the general conclusions of the IMF-commissioned external review (Whittome Report 1995) that IMF monitoring had failed were widely known. In the Asian Crisis, IMF advice was faulted by critics from all parts of the political spectrum for having mistaken a banking sector crisis for an exchange rate crisis and given the wrong advice (e.g., McQuillan 1999, 17; Uzam 2001, 415; IEO 2003). The IMF was also castigated for pressing Asian countries to liberalize their financial sectors prematurely, before they had adequate regulation in place. This became and remains the consensus view on the left. Though Joyce and Noy (2008) found only weak statistical support for the idea liberalization had proceeded too quickly and reminded readers that before the Asian Crisis hit at there was wide consensus on the desirability of financial liberalization, the premature liberalization charge has stuck. The Russian Crisis followed a long sequence of events in which the IMF and the Russian government were never well-synchronized in their attitudes and policies (Gould-Davis and Woods 1999). The IMF was blamed for having provided too little help too late, for urging Russia to retain a ruble zone including all the former Soviet republics even though that worsened Russia's financial situation, suspending lending in 1993, and generally misunderstanding both Russia's situation and needs.

Though the IMF commissioned another comprehensive look at monitoring (Crow Report 1999) and implemented a number of changes, complaints about failures of monitoring arose again in the wake of the global financial crisis triggered by collapse of the US housing bubble. As in the case of Russia, the situation was complicated by the limits of IMF leverage over a major power. The IMF had already warned about the levels of private debt in the US economy (IMF Occasional Paper 2004), but IMF staff had never done a full Financial Sector Assessment Paper (FSAP) on the USA because the government did not volunteer to participate in that optional program. While some members complained that the IMF management should have worked harder to get the major shareholders to participate in FSAP, a sentiment also backed by an internal study (IEO 20--), IMF advice was not seen as part of the cause of the 2008 crisis. It was included in later critiques of austerity as a way out of the crisis, but at least some of austerity's opponents recognized that the IMF was neither the sole nor the most zealous source of advice to adopt austerity.

Some mismatches between economic reality IMF advice cannot be blamed on the IMF, though they raise fair questions about its monitoring routines. Its statistical systems cannot (by definition) track activity in the "informal economy" and it has few analytical tools for assessing its effects. Thus the IMF is likely to misunderstand the situation of any country with a large "informal sector" (Broome 2010, 26-27). Member governments also dislike seeing economic weakness exposed, and have some incentive to under-report or mis-report data that will reveal problems. This problem of "opaque data" has been an ongoing problem, one difficult to solve because most of the data the IMF uses is produced by the member governments. Only occasionally are private sources able to mobilize and report alternate data, as with Argentina in 2012, when consensus that the Central Bank was being forced to under-report inflation led Argentine economists outside government to supply, and international media (e.g., *The Economist*) to use, the unofficial data ("Don't lie" 2012). Things get more difficult when national central banks engage in deceptive transactions, as with the Russian Central Bank's use of nominally independent banks that it actually owned to buy Russian State Bonds in 1996-98 so it could present a more favorable picture of Russia's financial situation (Stone 2011, 68-70).

Because the IMF does not get involved with contracts for construction or activity related to development and few of them reside in borrowing countries for extended periods, IMF staff have limited opportunities to use IMF resources for personal financial gain. Heads of state or government and high officials in the finance ministry and/or central bank obviously have extensive opportunities to divert IMF loan money to their own pockets once it is disbursed to the country. This is a longstanding problem, which received little attention for many years. henomenon, one which the IMF seemed to tolerate for many years. Two significant incidents were widely known in the 1980s – cost overruns and payroll padding in Zaire (source) and extensive diversions -- $16 million missing from government agency accounts, another $20 million dictator "Papa Doc" Duvalier set aside for his personal use, and the $100,000 a month he had the central bank pay his wife – in Haiti.. Though picked up in IMF staff audits, IMF management went ahead with a new standby arrangement with Haiti even after Duvalier had also replaced longtime central bank employees with cronies (Haggard 1985, 514-515).

The IMF has taken diversion more seriously since 2000, but its action remains uneven. Typically only the more egregious cases inspire IMF (and other donor) interruptions of aid, as in Uganda in 2010 and 2012 (Akello 2013). Where a country has agreed to certain anti-corruption measures, such as publication of contracts for sale of state-owned assets, failure to follow those measures can lead to suspension of loans as in the DR Congo (source)

The vast majority of concern about IMF management and staff conduct involves favoritism and other irregularities in appointments or dismissals and on-the-job harassment or discrimination. These are handled inside, and only scandals involving top management become public knowledge. Managing Director Dominique Straus-Kahn got into trouble in 2008 over an affair with a subordinate who was married to another IMF staff member. Though commissioning an external inquiry, the Executive Board concluded that while the situation was "regrettable and reflected a serious error of judgment" he would not be dismissed (BBC 2008; CNN 2008). He ended up resigning in June 2001 amidst an already-collapsing rape charge as the 2008 incident was dredged up to reinforce the invidious commentary (e.g., *Le Journal de Dimanche* quoted in IBTimes 5/2011) that made his position untenable. Two years later his successor Christine Lagarde, who had been finance minister at the time and authorized the arbitration proceeding, was mentioned in the French fraud investigation into payments made by the government to Bernard Tapie in 2008 after an arbitration panel ruled that the partly state-owned Credit Lyonnais had defraud him by undervaluing Adidas when he sold it to other investors in 1993 (French tycoon 2013). [check on current state of Lagarde charges]

Summary

What Weaver and Park (2007, 461) said of the World Bank can be extended to the IMF as well: there is "little if any consensus" on the efficacy of their activities. Friendly observers look at aggregate statistics showing major reduction in absolute poverty, increased GDP growth, and increased human development in borrower countries and say they are effective. Unfriendly observers use similar aggregate statistics showing there has been little improvement in the living conditions of the lower 40% of the population to conclude that they are not effective. Statistical analyses of development lending in general, and of World Bank, IDA, and IMF lending with economic or political policy conditions come to contradictory conclusions.

This remains true despite a significant shift in the analytical tools that economists and policy analysts use to assess whether development is occurring. From 1945 through 1970 national income-focused aggregate indicators – absolute increases and rates of increase in total and per capita national income were the main indicators of whether development was occurring in the 1940s through 1960s. Though ideas about using other measures were discussed in the 1970s and 1980s, it was not until the 1990s that other types of outcome measures – such as access to formal education, access to adequate shelter, nutrition, and water, and average life expectancy – began to be used along with income levels and growth rates. More recently, household consumption surveys and other data have permitted disaggregating national income by quintiles of the population and presenting differences in quintile share of national income or wealth in more detail than the long-used single-number Gini Index. In short, In the 1990s development became as much about people – individuals and households – as about national economies, a change reflected in the concurrent discussions of “national” and “human” development.

The seven decades of continual debate about how to secure development has not produced any consensus on a single superior action path. In the late 1980s two action paths, central planning and import substitution industrialization, were sufficiently discredited to have been set aside. However there is still no consensus about which of the remaining action paths work best. That may reflect wider realization that “one size does not fit all” – no single set of policies and programs is right for all countries at all times. Yet even that allows adherents of rival policy prescriptions and different schools of economic thought to continue contending over which action paths are better or worse in various sorts of circumstances. Yet the convergence towards some form of market economics meant that the distance in policy views among industrial country governments, developing country governments, and Bank and IMF management and staff narrowed. Even after the 2008 global financial crisis governments unhappy about the excesses of “neoliberalism” were not proposing a return to central planning and interest in “new structuralist economics” (e.g., Lin 2012; others) is a far cry from the calls for de-linking and pursuing a state-focused import substitution approach to development so prevalent in the 1980s.

The debates about goal efficacy seem quite repetitive because they have circled around the same points for decades. The main lines of goal efficiency critique have been largely the same as well. Complaints that their “one size fits all” approach ignores real difference in country situations, that their narrowly neoclassical economic approaches lead to bad Bank and IMF policy advice that hurts the poor and widens inequality have been sounded since the 1970s. In the 1980s, concerns about World Bank-financed project enabling environmental degradation and violation of the human rights of poor and marginalized people were added to the list.

Most immediately, perceptions of goal efficacy affect the direct relations among the IGO management, the major shareholder governments, and the borrower governments. Major shareholders want the organization to pursue what they regard as "sound" policies compatible with or advancing their own interests; borrower governments want access to money when they need it on terms that are not too financially or politically onerous. Outside observers want to advance certain norms and typically have strong positive or negative attitudes towards the various actors involved in or affected by World Bank and IMF activity.

Assessing the efficacy of policy conditions requires prior analysis of the level of borrower compliance with them since policy conditions that are ignored do not form part of the path from action to result. Staff methods for assessing compliance with conditions differ in the IMF and the World Bank. In the World Bank, where policy conditions usually specify particular government actions, fulfillment is assessed by whether the actions are undertaken. Other than the conditions stated as Prior Actions, fulfillment is measured by the IMF by whether mainly the borrower meets the quantitative targets on a set of standard macroeconomic indicators within a defined and relatively short period.

The dynamic of the World Bank's or IMF's authority relation with borrowing member governments is affected by the balance among the organization's internal pressures to lend money, the existence of economic or political conditions truly beyond borrower government control that inhibit compliance, and pressures from academic observers and transnational advocacy groups doubting the wisdom of most conditions. These have combined to create a situation in which even significant noncompliance with loan conditions usually elicits mild responses. World Bank and IMF management typically use the flexibility granted to them in organizational rules to respond to low compliance with a combination of stepping up persuasion and modifying or canceling conditions. Sometimes this mix of responses reflected changed authority holder beliefs about the efficacy of various types of condition; this was particularly clear with the revisions of conditionality policy in both the World Bank and the IMF in the early 1990s and again in the mid-2000s. More often it reflected calculations about how effective persuasion or punishment would be in altering borrower government behavior. The continuing reduction of conditions in the mid-1990s reflected calculations by management and intergovernmental supervisory groups that neither of those responses would have much effect because loan avoidance had become much easier. Major shareholders also hold definite views about conditions, but are generally content to leave decisions about degree of enforcement to the organization.

Borrowers can push back against about loan conditions they dislike in two ways. Whenever the World Bank or IMF Executive Board is formally reviewing conditions, governments already borrowing or expecting to borrow in the near future use those occasions to point out what they dislike and assert their rights as sovereign states to choose their own economic policies. When negotiating for a particular loan, individual borrowers negotiate energetically about loan terms. Though the borrower's position as *demandeur* in the negotiation suggests they will be operating at a disadvantage, a number of countervailing factors operate. First is the Bank's and Fund's need to continue making loans, both to have income and to demonstrate continuing relevance. Second are the criticisms of particular forms of conditionality as unlikely to contribute anything to promoting development emanating from UN agencies, academic observers, and transnational advocacy coalitions. These rose dramatically in the 1980s at a time when many borrowers were losing their ability to avoid the World Bank and the IMF because private finance dried up. UN agencies promoting what they regarded as a superior "people-centered" approach to development, "heterodox" (non-neoclassical) economists, and transnational advocacy groups working hard to diffuse beliefs that World Bank and IMF conditions were bad for countries as a whole and for the poor were able to win wide audiences and attract executive branch or legislative endorsement in some of the industrial countries. It even inspired like-minded elements in the World Bank staff, the people hired while Robert McNamara was president, to reassert the importance of paying greater attention to poverty when Barber Conable became Bank president in 1986.

Whether conditions inspire borrowers to avoid, disobey, complain-and-lag, obey and complain, or obey also depends on factional dynamics within the borrower government, the extent of policy agreement within World Bank or IMF management and staff, and relations of officials of a borrower government with the particular Bank or IMF management and staff members dealing with its loan applications. These dynamics are not publicly visible most of the time. However, there are enough occasions then these dynamics are visible to suggest that the authority relationship is one between a single-minded authority holder facing a single-minded addressee than a "two level game" (Putnam 1988) in which the leaders on both sides are trying to hold together an internal coalition while negotiating with the other. Many governments have taken advantage of training programs provided by UNDP, other aid agencies, the Bank and IMF, and other sources to build their own analytical and negotiating capacity. Some have appointed nationals with high level World Bank or IMF experience to major national economic policy positions, while the World Bank in particular has appointed developing country nationals with high-level national experience to senior positions. These patterns raise interesting questions about the direction of influence flows between lenders and borrowers. The smaller size and greater homogeneity of views among the IMF staff may mean that dynamics created by internal disagreements less relevant for them, but less relevant is not irrelevant.

Though their arguments have been intense at times, neither addressees nor authority holders have engaged in the most extreme actions available to them. Only a few governments have stated publicly that they will not borrow in the future, and those only vis-à-vis the IMF. Most notably, borrowers have not attempted –or even credibly discussed – simultaneous defaults on outstanding loans. Though simultaneous defaults would create serious problems for the World Bank and the IMF, it would create even more serious problems for defaulters by alienating government and private lenders. On the authority-holder side, neither Bank nor Fund management are eager to declare a member completely ineligible for loans, even when they are seriously behind in payments. This reluctance became obvious at two points in IMF history, in the 1952 decision to substitute conditions for an ex ante analysts of whether a borrower actually needed the money, and in the 199z decision to punish members in "prolonged arrears" with loss of voting rights rather than exclusion from borrowing. Similarly, Bank management is acutely aware that publicly declaring a developing country, particularly a low income one, completely ineligible for loans would not be received well, though cancelling particular loans and defining loan size because of member behavior will be accepted.

These policy discussions can bleed into debates about World Bank and IMF organizational efficacy because they reflect one aspect of their bureaucratic character. To develop routines allowing them to function, bureaucratically-structured organizations necessarily “reduce” complex policy problems to certain key dimensions and ignore others (e.g., Keeley 1990; Scott 1998; Harper 1998; Barnett and Finnemore 2005; Broome 2010b). Yet discussion of organizational efficacy follows another track, one focusing on whether the bureaucracy gets its tasks done in a reasonably competent, expeditious, and economical manner.

[need a paragraph on organizational efficacy]

Outside observers also appear to be more concerned than member governments about corruption. The cynical explanation for this would be that officials in many governments engage in enough diversion to override any motivation to complain. Another viewpoint acknowledges the incentives for diversion created by the fact the money comes from outside and auditing of accounts was often very lax. Even with better auditing systems, diversion can be difficult to track because the officials, other individuals, and contractors involved work hard at covering their tracks. Yet in recent decades a combination of media coverage, public criticism, and the difficulty of asking borrower governments to clean up corruption while tolerating it in the organization’s own activities have pushed the World Bank and the IMF to address diversion of resources more systematically and actively. Though the world of international relations is rife with hypocrisy (Krasner 1999; Weaver 2007), the acceptable forms of hypocrisy shift over time. By mid-2015, diversion of funds to personal use by either international staffs or national officials appeared to be moving from the set of undesirable activities seen as “unlikely to change” or “to be expected” to the set seen as deserving active suppression.

[this is incomplete, and needs to address kleptocracies]

AFTER CREATION: PART 9 CONCLUSION

[Most of this Part was developed in 2021; the sections on selection, addressees, and procedures were last revised in 2018.]

The World Bank and the IMF are often portrayed in outside commentary as intergovernmental organizations capable of forcing the governments of developing states to adopt policy measures they would prefer not to adopt so they can get access to loans. The argument comes in two varieties, one drawn for international relations theory and the other from theories of bureaucacy. The first is that the World Bank or IMF can exert this influence because they are used by their most powerful member states to maintain the international economic order they prefer; in short that the organizations are foreign policy tools of one or more leading member states. The second is that the organization itself has sufficient resources and scope for independent action to elude control by member governments and pursues its own goals and visions regardless of member state opinions.

Applied to the World Bank and IMF, the two conceptions suggest something very similar for the weaker member states because the goals and visions of the organizations' leaders and staff are very similar to the goals and visions of the leading Western industrial states. The developing country members needing the loans will have to follow the policy conditions in any event. Yet both conceptions oversimplify the interactions between the World Bank or IMF and their individual member developing states and underestimate both the scope for autonomous action retained by weaker states and the centrality of the content of shared understandings about the nature of the issue at hand and of ways to address it in shaping the organization-borrower relation.

Analyzing relations between the World Bank or the IMF and their respective member states as occurring within the structure of an authority relationship allows for a more nuanced analysis. Doing does not require blindness to the impact of material capability, whether held by states or international organizations. Nor does it ignore the ability of the powerful to affect the content of shared ideas, though does stop short of claiming that, in E.H. Carr's trenchant phrase, "morality is the product of power" (1946, 63). The authority relationship concept is an analytical framework that allows developing a better understanding of the extent and limits of what the more capable can do and how ideas are (or are not) taken up and modified along the way through actor interactions within the international system or what English School analysts (e.g., Bull 1977; James 1998; Clark 2011) call the society of states. This system or society is not a physical system in which discrete objects influence one another according to physical laws of which they themselves are unaware; it is a human system in which self-aware conscious actors anticipating others' reactions size up their opportunities and select how and when they will use resources under their control for interacting with others.

Though highlighting interaction, the authority relationship framework also does not require going to another analytical extreme by adopting the deep relational view that social relationships are prior to and define the actors (e.g. Emirbayer 1999). Typical social actors – most definitely including governments managing their state's international position – engage in multiple relationships. They remain aware of themselves as actually or potentially autonomous, and are also aware with varying degrees of acuity about the implications of their position within each of the social relationships, including authority relationships, in which they participate. Self-awareness suggests consciousness, and consciousness allows for the possibility of doing different things, whether because of individual experimentation and learning or because most others are now doing things differently.

The authority relationship framework permits a better analysis of the extent and limits of individual member state government choice when interacting with an intergovernmental organization by positing that both the organization and the members are conscious agents with their own ambitions and interests operating in a mutually-understood context defined by a common goal and a shared set of expectations how they will collaborate in pursuing that goal through the authority relationship.

Appreciating the actual situation of all member states, but particularly the weaker ones so often deemphasized in power politics or bureaucracy centered accounts of intergovernmental organizations, thus requires understanding the norms and expectations, the choices actors having authority holder and addressee roles make as they interact in the instruct-react-respond sequence, and the impact of policy-relevant ideas that bring participants together or drive them apart.

Norms and Expectations of the Authority Relationship

The content of seven sets of norms and expectations define an authority relationship. One set – defining the goal – frames the authority relationship by providing a statement of the reason or reasons for cooperating through the relationship that also sets standards for addressee assessment of authority holder competence and group progress toward the desired state of affairs. Three sets structure how participants conduct their interactions by defining authority holder selection – the qualifications and selection process by which the role of instruction-giver is assigned to one or more particular actors, recipients of instructions; addressees – the actors that receive and are expected to follow the instructions; and procedures – the forms and ways in which instructions are conveyed to addressees. Another four structure the substantive aspects of cooperation within the authority relationship by defining the goal, establishing the areas of activity within which instructions are appropriate, what types of actions are relevant to goal attainment and thus proper content of instructions, and the efficacy of continued cooperation within the authority relationship in producing progress toward the goal.

Goal

The goal set for the World Bank, advancing "development," is both broad and abstract, permitting significant changes in what it means. There was a suggestion of time-boundedness in the assumption that "development" means making a transition from a national economy of one type (variously called "traditional," "underdeveloped," or "developing") to a national economy of another type ("industrial," "modern," or "advanced"). The time required for making that transition was never very clear, but it is obvious now that it has turned out to be longer than expected in 1945. This expansion of timeframe reflected more than the difference between the tendency of many economists to bracket social context while focusing on production, distribution, and exchange and the tendency of sociological analysts to emphasize the nesting of an economy within a broader social context. It also flowed from changes in economic thinking that better understood the importance of interconnections between parts of an economy and the impacts of the many 20th century technological changes.

A goal stated in broad terms invites contestation over its meaning, and efforts to define "development" have inspired a good deal of contestation since 1945. A few areas of agreement have emerged: that higher total and per capita national income is one indication of success; that reducing the number of people living in poverty is another; that widespread poverty itself is a drag on development; and that technological change, particularly the information revolution, has dramatically changed the contours of developed (or advanced) economies. There is also growing realization that ecological sustainability is essential to planetary survival. The areas of contention that remain are more about how to get development – identifying action paths that will take a country from having its current economy to having an advanced economy.

Broadly-defined goals give an intergovernmental organization more leeway for reinterpreting organizational activity as conditions change, so permit greater variation in area criteria over time. Yet they do not protect an organization against all "existential threats" – circumstances that could easily result in closing it down – because even broad goals can contain either of two such threats. The first is a suggestion that the goal is permanently attained once it is reached; the second is member government abandonment of the goal because they now regard it as unimportant, irrelevant, immoral, or unattainable. At present there appears little chance of abandonment; governments still regard development as a worthwhile and attainable goal, even though a growing number of individuals are challenging the vision of consumption-centered economies now prevailing in the wealthier parts of the world on newer environmental as well as longstanding philosophical grounds.

The World Bank does face a distinct abandonment possibility in the fact that multiple intergovernmental organizations, some global and some regional, address the goal of development. It does have some advantages over most of the others because its financial resources exceed those of most multilateral development banks or aid agencies. This allows it to make a larger mark but also makes it a bigger target for criticism by other IGOs and outside observers. The other UN agencies dealing with development are strong candidates to supplant it, but regional or leading powers' bilateral agencies might eclipse it in a more regionalized world.

The possibility that development will be fully attained remains relevant. If the governments of the world ever came to a consensus that all countries are roughly equally developed, or private investors become equally willing to invest in any country (or at least any country not wracked by a severe internal war at the moment), the World Bank would lack a mission. Its Articles of Agreement even foresee this possibility by including provisions for ending operations and dissolving (Article V, section 2). While many of the upper middle income countries do appear to be closing in becoming developed, other countries, particularly the low income ones, still have a long way to go. This frustrates those who believe there should be more results by now, or as one critic put it, "When the World Bank reaches the milestone of being in a country for fifty years, it should not be a cause for celebration" (Senator Lugar in US Senate 2010, 4).

The IMF operates in the separate but partly overlapping issue-area of international financial and monetary affairs with a goal of promoting financial stability. In the initial version, this involved supervising and backstopping a system of freely convertible currencies having fixed exchange rates. US closure of the "gold window" in August 1971 brought the fixed rate system to an end, and the IMF had to redefine how it would contribute to financial stability. It did define roles workable in a world of floating rates – monitoring member countries' balance of payments situations and providing policy advice through periodic consultations. However its lending operations shifted: lending to high income countries decreased dramatically after 1973, reached zero in 1983 and remained there until 2008 (IMF loan data 2019). The resulting concentration of borrowing in its developing country members drew the IMF in an unanticipated direction, squarely into the development issue area. Critics on both left and right have regarded this as resulting in the IMF taking up matters outside its areas of competence.

Avoiding that shift of focus was not an obvious option; particularly in the 1980s when it was developing countries that had the more serious balance of payments and debt problems. Organizational survival instincts would have pushed the IMF in that same direction since its income depends on making loans and wealthy countries were not asking. Other actors – private banks looking for some third party assessor of borrower readiness to adopt policies that would permit servicing current or rescheduled debts, and industrial state governments seeking to avert developing country defaults to protect the financial condition of their banks – were also eager to have it involved. The Third World debt problems of the1980s eased, to be followed by other problems – financial changes and instabilities attendant on the collapse of Soviet central planning, the Asian Crisis of 1997-98, and the 2008 financial crisis – and other shifts of IMF activity to address them.

The goal of promoting international financial stability suggests something that will need constant attention. However neither that fact, nor the fizzling of proposals to replace it in the 1970s, exempts the IMF from existential threats today. It currently faces two distinct existential threats – collapse as the global economy fractures into lightly-connected national and regional parts having no need for a global coordinator of monetary affairs, or replacement by a true global central bank managing the more unified monetary policy necessary to creating and maintaining a global currency. Even with the shocks of the 2008 global financial crisis, neither of these threats appears imminent. There is now enough financial and trade interconnection between regions that full collapse of the global economy into regional parts seems unlikely, even if some academic analysts believe that regionalization would improve matters by allowing governments in each region to adopt remedies better designed to their own circumstances (e.g., Desai and Vreeland 2011). Yet recent G20 decisions to build regional and global lending capacity simultaneously suggest they agree that localizing financial crises that begin in a major country (Oatley et al. 2013, particularly 142-147) will fail and that something like the IMF will still be needed. Creating a world central bank and a single world currency is also unlikely at present since, as the Eurozone's travails in the 2010s demonstrated, maintaining a global common currency for any length of time requires commitment to a broad array of global common policies that governments are unwilling to make now.

Lack of immediate existential threats does not mean than an intergovernmental organization is assured of continued existence. Member governments could become so dissatisfied with the authority relationship centered on the organization to shut it down anyway, either directly by invoking provisions for dissolution included in the organization's charter or indirectly by completely abandoning it in favor of other organizations. These sorts of discontent tend to arise from widespread unhappiness with other aspects of the authority relationship, particularly with the relevance or efficacy of cooperative activity led by the IGO concerned.

Selection

While cast as discussions about how selection should proceed in a particular IGO, controversies about selection rules draw less on ideas specific to the particular organization than on general international practice regarding composition of intergovernmental forums, selecting organization heads, and appointing staff. This can be seen particularly clearly in the controversies about voting power in the World Bank and IMF, where the weighted voting systems never conformed to the one state-one vote allocation rule prevailing in most UN intergovernmental forums. Tensions between norms suggesting IGO executive heads should be selected on the basis of competence and practices of limiting the field by defining which countries should or should not (as in the practice that the UN Secretary-General is not a national of any of the P5) expect to see their nationals occupying certain leadership positions also occur in most IGOs.

UNDP experienced no complaint about its basic voting rules because they conformed to the one state-one vote, simple majority decision rules prevailing in the UN General Assembly and therefore fit with G77 ambitions to create a "more democratic" international system based on emphasizing the sovereign equality of states. The only, and relatively brief, controversies arose when deciding how far to deviate from strict proportionality to each region's share of the total UN membership in allocating seats on the Governing Board/Council among the five UN regional groups. The World Bank and IMF both had very different voting rules, drawn mainly from the world of finance where allocating votes by shareholding, and shareholding by relative size of financial contribution to the enterprise were the norm. While a weighted voting scheme fit comfortably with 19th century and interwar diplomatic traditions emphasizing differences between great powers, middle powers, and small states, the notion of relating shareholdings to relative economic size and votes in the intergovernmental forums to shareholdings, they did not conform to the inter-state egalitarianism increasingly asserted by the G-77 in the 1970s and 1980s.

The contentions over World Bank and IMF voting rules did not produce stalemate because the weighting rules themselves contain a mechanism for ongoing change that provides both a way to accommodate change and a pressure to do so when the pattern of global economic activity changes sufficiently. Initially this mechanism was stronger in the IMF, where the formal rules mandated quinquennial review of the quotas on which shares (and votes) are allocated. Yet the World Bank also followed informal practices of review based on an expectation that members assigned a higher quota in the IMF would also provide similar increments to their portion of Bank capital, and caught up formally in 2010 with an agreement to review capital shares and votes on a 5 year schedule.

Even at the height of agitation for a "New International Economic Order" fears of triggering industrial state departure led the G77 to stop short of demanding a one state-one vote rule in either the World Bank or the IMF. Its expressed goal in the early 1980s was securing about 44% of the votes for developing countries as a group, particularly by increasing the "basic votes" allocated to each member. Strong Economic growth in Brazil, China, India, Indonesia, Mexico, South Africa and Southeast Asia since 1990 shifted many members' concern to securing a more consistent application of the weighting formula. Particularly when combined with continuing slow growth in the Western industrial countries and Japan since 2008, consistent application means it will not be long before a combination of high-growth "emerging countries" and more modest growth developing countries hold a majority of shares.

Whether a different majority of shareholders would then seek to modify the rules requiring qualified majorities – ranging from 70% to 85% – for general increases of capital, changing the composition of the executive board, and other key decisions depends on the attitudes of the larger emerging states. Evidence from their structuring of other global IGOs and their behavior in regional IGOs suggest that they will maintain some form of supermajority rule to protect their own interests, which are not always identical to those of smaller developing states.

Discussion of staff selection has involved two points: appointment of professional and senior staff and appointment of the executive head. There has been no disagreement within the World Bank, UNDP, or IMF about the desirability of recruiting professional staff from a wide array of countries. A norm of geographically diverse recruitment was institutionalized in the League of Nations from the start and carried over into formation of the United Nations. The fact that the World Bank and the IMF began with predominantly Western staffs reflected the circumstances of 1944-45; a less severe "overrepresentation" of Westerners in UNDP reflected its formation by merging two preexisting UN agencies established and staffed in the early 1950s. The drive to diversity staff in the World Bank and IMF staff was weak in the 1940s and 1950s, but both felt stronger pressures to diversify as decolonization proceeded. Each began recruiting persons from a wider set of countries into junior staff positions, and also reduced the proportion of Westerners in the senior ranks as the initial generation of staff reached retirement age. In UNDP, diversification was accelerated by explicit decisions in the early 1970s to rely more heavily in the country offices on "national staff" recruited in that country. While diversification of nationalities meant change in the racial/ethnic composition of the staff, it did not directly yield gender diversity. IGOs came under separate pressures in that area in the late 1980s as “women” emerged as a distinct category needing representation within the staff. All three have responded to this call as well, though with some unevenness because their intergovernmental forums and senior staff display the same range of perspectives on the importance of gender equity as the various cultures of the world.

Change in the informal practices defining eligibility to head the organization has been more uneven. The informal understanding that the head of UNDP would be a US citizen ended in 1999 without any particular battle because the US government itself yielded its hold on the post. The most likely substitute convention would have been the widespread UN practice of rotation among the five regional groups in the UN General Assembly, though UN Secretary-General Kofi Annan took advantage of European disarray to secure initiative for himself rather than leave it with the regions. The nationalities of the Administrators since 2000 – a Briton, a Turk, and a New Zealander – leave unclear whether a de facto regional rotation exists.

The convention that a US national heads the World Bank while a European heads the IMF continues to hold despite considerable criticism among member governments and outside observers. The most recent IMF selection does not reveal much since it occurred during an emergency created by a Managing Director’s unanticipated resignation. Yet the most recent World Bank selection occurred as a regular term was ending and the convention was maintained. However both organizations had adopted new procedures for selecting the head that included competitive interviews and, for the World Bank, formal nominations of non-US citizens for the presidency. Though the stirrings in the 1990s were a bit early, the timing of these increased contentions suggests that Cogan (2009, 212) was right in arguing that "Informal agreements largely take account of … the differences of power and interests that pervade the international system when those differences cannot be acknowledged formally." Thus the same diffusion of economic power away from the West affecting other aspects of world politics and economic relations will be felt in selection of the next IMF and World Bank heads.

Procedural Criteria

The procedural criteria used in IGO-based authority relationships need to fit well with the nature of the activity being pursued if they are to enhance efficacy. However, governments and other actors in the international system, like actors in all political systems, share general notions of procedural regularity, consistency, and fairness that they apply across issue-areas and authority relationships. This tendency is reinforced by the fact that the operating element of an IGO is typically structured as a bureaucracy. Adoption of bureaucratic form in itself entails adopting certain answers to questions about procedures, particularly specialization of task assignments among staff, and arrangement of staff positions into hierarchical systems of reporting upward and supervision downward. Thus it is not surprising that the World Bank, UNDP, and the IMF exhibit certain similarities of internal organization and modes of operation despite the differences in budgets, staff size, work locations, and activity.

Yet procedural differences stemming from conceptions about how particular sorts of activity should be accomplished also exist. World Bank and IMF procedures for lending money derived from long traditions in cross-border financing. The monitoring and policy advising ("surveillance") aspects of IMF activity could not draw on a set of equally well-developed traditions, because there were none, so there has been more improvisation and revision in this area. UNDP had a different set of models, drawn from earlier bilateral and UN system technical aid programs. Provision of "aid" rather than "loans" means UNDP does not face the tensions inherent in creditor-debtor relations that often inspire a significant portion of borrower complaints about procedures in the World Bank or IMF. However it does face similar addressee expectations regarding on-time and reliable delivery of program activity.

Governments needing to repay with they had borrowed from the World Bank or the IMF understood from start that their need for loans made them into what diplomats call the *demandeur*, the participant in an interaction needing something that another participant possesses but is not legally obligated to provide. Thus borrower governments realized that they would need to inspire IGO staff confidence in their ability and willingness to repay. However borrower patience with this aspect of the relationship has limits, and borrower complaint about the length and complexity of the paperwork and prior discussion required before a loan is approved has been voiced for nearly all of the World Bank's history. The World Bank management's response has varied, with simplification of procedures and streamlining of loan disbursements occurring mainly when enough members were engaged in complete or partial avoidance of loans that the Bank's own finances were threatened.

The IMF always had much shorter loan processing and decision time, as befits an institution geared to providing money in an emergency. Lending that accompanied a debt rescheduling took longer, but borrowers realized this delay was part of debt restructuring process. By the 1990s, though, many governments had found a way around some of the more onerous aspects of debt renegotiation by securing their foreign loans as bonds bought by diffuse groups of investors rather than as loans from a concentrated set of investment banks. Capital flight in a crisis remained a significant problem, but, as Copelovitch (2010) showed, the change from bank loans to bond holdings fundamentally altered the dynamic of preventing capital flight, increasing the pressure on the IMF (and other official lenders) to provide the loans quickly. The low income countries borrowing from PRGT-financed facilities did have to accept longer processes to borrow at the subsidized interest rate, but they got one procedural break when the IMF agreed that it would also rely on the Poverty Reduction and Growth Strategy papers the World Bank was then requiring from borrowers rather than put them through a separate exercise.

The most significant IMF procedural decisions occurred in the late 1940s and early 1950s when it separated borrower eligibility for funds into distinct "tranches" based on their quotas. Loans in the "gold tranche" (later "reserve tranche") of up to 25% of the member's quota and loans in the "first tranche" of between 26 and 50% of the borrower's quota were available without conditions beyond the general obligations to use the funds to meet the immediate balance of payments or financial crisis and to repay the IMF on time. Taking loans in the remaining three "credit trenches," amounting to 51 to75% of quota, 76 to 100% of quota, and 101 to125% of quota respectively, involved accepting policy conditions through which the IMF specified economic policy measures the borrower was also expected to undertake.

Borrowers had to engage in considerable pushback through the IMF intergovernmental forums to defend this separation in the 1960s and 1970s, but succeeded in holding the line because they included some major industrial states. However European insistence in

1968 that the IMF avoid creating any new unconditional lending facilities meant that all lending from the Extended Fund Facility and other newly-created programs allowing ending beyond 125% of quota involved policy conditions. As members needed to use both the credit tranches and these new possibilities in the 1980s, policy conditions increased and arguments about their content and effect became intense.

In both the IMF and the World Bank it is difficult to separate the portion of borrower complaint focused on the procedures themselves from the portion inspired by dislike of the substantive conditions. Even so, the most effective way to attack disliked procedures is the same as that used to resist substantive conditions: avoid taking loans. The major simplifications of procedure undertaken in the World Bank in the 1990s and 2000s and in the IMF in the 2000s all occurred at times of low overall lending. Once made, those procedural changes tended to stick: they became the "new normal" even if economic conditions impelled governments back into borrowing. Later increase in demand for loans tended to affect two other things: the speed with which governments sought loans if it appeared that applications might outrun loan funds and the number and detail of substantive conditions.

The basic terms – currency provided, interest rates, maturities, and disbursement schedules – of IMF and World Bank loans remained rather steady through the early 1970s. Inflation rates were low, and capital controls kept capital movements between most parts of the world within modest bounds. Economic conditions became more turbulent after the effective end of the par value system in 1971 and particularly after the first oil price increase in 1973. Yet the impact of commercial lenders moving to variable interest rates and pressures to modify interest charges on IMF, World Bank, and IDA loans came later, after Western central banks raised domestic interest rates dramatically to curb inflation in the early 1980s.

In a world of floating currencies, the IMF and the World Bank both needed new benchmarks for setting interest rates, and each adopted a formula based on an index of prime interest rates in the USA, Japan, and major Western European countries. Because of their longer maturities, World Bank loan offerings needed to address the potential for interest and exchange rate changes over longer periods. Two changes among borrowers, growth of financial sophistication among the governments of lower middle income and low income countries and a falling-off in borrowing by some of the major higher middle income countries in the mid 1990s, created additional pressures for the Bank to offer attractive types of loans. Because they were already highly concessional and based on taxpayer-provided rather than investor-provided funds, the terms of IDA loans remained more standardized

Greater borrower financial sophistication affected the IMF in a different way. In 1968 and again in 1978, amendments to the IMF Articles of Agreement created new IMF obligations to pay its members for holding amounts of their currency in or beyond the "reserve tranche" consisting of most of their quota payment in convertible currency plus any amounts of their own currency lent out to other members. In the initial version, IMF management had discretion to define the timing and amount of payment; that discretion was narrowed considerably by decisions in 1969 that some amount of remuneration should always be paid and in 1978 setting upper and lower bounds to the rate setting the amount owed to each member. This tightened the financial constraints on management's choices.

Addressee Criteria

The basic addressee criteria used by each of the organizations have not been subject to particular challenge. The uniform criteria in all three still limit membership to states or territorial entities with claims to state status having significant support among established states. The differentiation between developing and developed states fundamental to the operations of the World Bank and UNDP continued to be accepted as reflecting a significant reality. At the same time, that continued acceptance has depended on flexible definitions of “developing” and “developed.” The binary distinction between developing states taking loans or receiving assistance and developed states supplying money and providing assistance has been fudged at the edges since the mid-1980s as some middle income countries still taking World Bank loans began providing contributions to IDA replenishments or UNDP budgets. The World Bank (like the other multilateral development banks) did not rely on the developing/developed binary as their only way of categorizing addressees. It categorized all countries by levels of per capita income, with all the industrial countries in the “high income” group and different sets of developing country members filling out the “higher middle income”, “lower middle income” and “low income” categories of countries eligible for Bank or IDA loans. To the extent it differentiated among aid-receiving members, UNDP used the UN system distinction between “developing” and “least developed” countries. The IMF distinguished between surplus and deficit countries, and countries at any income level could find themselves on either side of that divide. It adopted differentiation by income level later, using the World Bank's low income category to identify the countries eligible for concessional loans.

The Cold War era East-West political divide also cut across the industrial-developing divide but had no effect on World Bank or IMF addressee criteria because their memberships came only from the West or the nonaligned. After 1980 it was commonly acknowledged that China, Cuba, and the Southeast Asian communist-ruled countries had more in common with the developing countries while the USSR and its Eastern European allies had more in common with the industrial world. The main weakening of the industrial-developing binary came after in the later 1990s as it became apparent that some of the larger countries counting as middle or low income on a per capita GDP basis had large enough populations and had racked up enough aggregate growth to have total GDPs larger than those of the smaller industrial countries. Thus policy and popular discourse carved out a new category of "emerging market economies" not yet industrial but more economically significant at the global level than those still regarded as "developing." This new non-binary shape of the world was manifest most clearly in 2009 as the provision of informal great power steering committee for the world economy was shifted from the G7 to the G20.

Area of Activity

Debates about what areas of activity are most relevant to promoting development are more complicated now than they were in 1945 when the problem seemed to consist mainly of overcoming capital shortages. Market, mixed, and central planning proponents all presented their visions as the one most able to marshal capital for development. As awareness that overcoming capital shortages alone was insufficient for securing development, the search has been on for other key factors. Over the last seven decades the common method of trying something and seeing what happens has produced some closure in development debates, but not enough to conclude that there is a consensus vision of an action path that will lead to development for every country. Some of the contention persists because of disagreements among economists using different analytical methods, but most persists because of arguments about whether development is primarily an economic problem solvable with application of economic reasoning and policy tools, or as involving other considerations and therefore requiring application of political, social, and ecological reasoning and policy tools. The vast majority of participants in these discussions agree that increased per capita income is a sign of development, particularly in very poor countries. However there remains a deep divide between those who focus mainly on income growth and those who maintain that “true” or “real” development also involves reducing income inequality, ensuring access to basic necessities for all, and providing greater opportunities for each person to develop and use her or his human capacities.

The successive additions to the list of requisites for development created a strong impetus for expansion of World Bank activity. Expansion was usually welcomed; the one hesitation – about creating the IDA – was less about adding new activity than about having a significant portion of organizational budget dependent on the wills of the wealthier member governments. Thus the World Bank can be seen as generally confirming the tendency of bureaucracies to use “task expansion” as a way to secure more resources and perpetuate themselves. Pincus and Winter (2002, 1) even suggested that accepting task expansion was also part of the World Bank’s "conscious political containment strategy" towards unhappy member governments, investors, and (later) transnational advocacy groups by expanding the list of activities to incorporate at least some of their concerns.

The long and loud contentions over loan terms and conditions obscure the fact that member governments seldom objected to World Bank task expansions. Because most borrower governments made few statements about areas of activity, it is difficult to determine whether they were accepting the task expansions as useful in themselves or were making tactical calculations that including more areas of activity meant a wider variety of loans and hence more room for setting their own priorities by increasing the variety of loans. The governments of the states that are the Bank's largest shareholders and largest sources of IDA replenishment funds also raised no objections to task expansion, and usually offered active support.

The 2008 financial crisis has had relatively little impact on area criteria for the World Bank. Concern with income inequality was a longstanding feature of discussions about development; the change after 2008 was the increased attention it received in the advanced economy states. The transition from Millennium Development Goals to Sustainable Development Goals in 2015 affected area criteria by increasing the prominence of environmental concerns. The rise in the number of extended internal armed conflicts and growing awareness of climate change have been more relevant, drawing the Bank back towards postwar reconstruction and out toward environmental issues.

The primary objections to World Bank task expansion came from outsiders. One was expressed by economists concerned that the expansions meant the Bank was taking on more than it could do well *(e.g. Srinavasan 1991; --). Another came from market enthusiasts arguing after the Cold War that the expansions of private investment in developing countries meant the Bank no longer had much relevance *(). A third came from leftwing critics continuing to argue that Bank activities were tools for imposing a brutal capitalism on the world *(; Pirie 2012).

Formal IMF area criteria did not change in the 1970s, but the change in countries borrowing form the Fund shifted its attention more towards development. Soviet collapse also gave it a new area of activity, “transition,” – helping countries shift economic organization from central planning to reliance on markets. The 2008 global financial crisis drew IMF attention back to addressing problems in advanced economies as some high income countries became borrowers for the first time in a quarter century. It also confirmed another shift by highlighting the need to look beyond balance of payments problems and currency misalignments to the overall workings of what had become a highly interconnected global financial system since 1990. Concurrently, it began undertaking more comprehensive analysis of global economic conditions and the policies of major states in response to demands, especially from emerging and developing economy members, that it give more attention to the policies of major governments and the G20 request that IMF staff help with the G20 program for “mutual monitoring” of members’ policy actions.

Relevance of Activity

Relevance criteria address two addressee concerns about the instructions they receive from authority holders: whether the instructions mandate activity that has a good chance of contributing to goal attainment, and whether following instructions will advance the interests of all participants in the authority relationship or only those of the authority holder and/or its favorites among the addressees.

Addressee perceptions of the relevance of the actions an authority holder instructs them to take are based on *ex ante* estimates derived from then-current thinking about the likely success of alternate action paths. Thinking about the relative merits of various action paths has changed as vigorous debate has proceeded. The managements and research units of the World Bank and the IMF have been active participants in these debates, along with national leaders and government officials of member states, and the wide array of interested outside observers (academics, policy research institutes, NGOs, transnational advocacy coalitions). The IGOs have two reasons to participate in these debates. Internally, they need enough internal convergence on goals, action paths, and operational rules to support a coherent organizational culture allowing managers and staff members to operate as if they possess a single mind. Externally, addressee and outside observer perceptions of the organization's work depends on how consistent the organization's instructions are with the ideas shaping the addressees' and outside observers' own perspectives on how to attain development.

The extent of contestation over relevance and of addressee pushback against particular instructions depends significantly on the degree of convergence between authority holder and addressee beliefs identifying relevant and irrelevant action paths. The long and fairly constant contestation over the relevance of the World Bank and IMF instructions specifying policy conditions attached to loans indicates that disagreement about the substantive relevance of instructions among participants in an authority relationship will be low in two distinct situations. The first is when any of several action paths appear likely to produce roughly equally favorable results, and authority holder instructions leave room for addressee choice of which one to follow. The second is when there is strong consensus that one action path is clearly superior to others and authority holder instructions tell addressees to move along a path they would select on their own.

Though there was disagreement about how to attain development in the 1950s and 1960s, the broad measures of total and per capita gross national product used to assess whether development was occurring suggested that following any of a number of equally plausible action paths would produce development. Turbulence in the international economy and regional divergences in economic growth rates inspired sharper contentions in the 1970s and 1980s. Two questions structured the main contentions: were the primary obstacles to development external (rooted in the structure of the international economy as a whole) or internal (rooted in developing country governments' policy choices) and would market-led or state-led paths yield superior results. Those on the left who regarded external causes as more important attributed weak economic performance to those external inhibitors and argued for their removal through changes to the basic rules of international economic interaction. Those in the center and on the right who regarded internal causes as more important attributed weak economic performance to internal inhibitors and argued for their removal through adoption of different national policies.

Yet the contention between authority holder and addressees within the World Bank was never quite as sharp as the public contentions among outside critics suggested. Though using some policies similar to those followed by advocates of ISI, the government of India stayed out of the debates; some Latin American governments never adopted ISI, and some East Asian governments combined providing targeted protection of import-competing industries with general policies of promoting exports (Kahler 1990, 38). Meanwhile, developing countries belonging to the G77 followed a group norm of not criticizing other members' economic policy programs directly and putting forward common positions focusing more on what the wealthy countries were doing or should do.

With time, discussions of relevance are affected by evaluations of efficacy. What is an *ex post* evaluation of an action path adopted at one time becomes an *ex ante* expectation about its likely success in the future. Thus real world events affected the course of discussions by providing evidence that was seen as confirming some policy programs and disconfirming others. The debt crisis of the 1980s, coinciding as it did with emergence of sharper debates between neoclassical and other economists in the West, drove battles over relevance to new heights as general economic policy became the subject of attention. The Asian and global financial crises highlighted weaknesses in developmental state programs and neoliberalism respectively.

The range of what appeared to be viable choices for national-level policy narrowed sufficiently after 1990 to be reflected in apparent acceptance of a "Washington Consensus" on preferable actions. Yet the elements of the "Consensus" were vague, and contention continued among advocates of different policy choices. These contentions became more obvious in times of economic crisis, particularly the Asian Crisis of 1997-98 or the global financial crisis of 2008.

Contestation over the relative importance of system level conditions and national level choices also persisted. It regained prominence after 2008, initially in arguments between supporters of some form of "embedded liberalism" combining open international trade and financial flows with state regulation of economic activity at the national level and a diffuse group of "altermondialists" desiring more state regulation of economic activity, particularly of large corporations, and government action directly reducing income and wealth inequality within and between states through redistribution.

The IMF's different areas of activity means that the long debates about relative merits of alternate action paths in development determined only a portion of relevance criteria for it. More of them derived from arguments over other questions. When focused on managing current account imbalances, arguments over relevance often involved clashes between governments facing balance of payments deficits and governments enjoying balance of payments surpluses. Their immediate interests lead them to divergent positions on questions of what policy advice the IMF should provide, how far it should to allow members to borrow when they choose, and when The IMF should attach what policy conditions to loans. When Keynes's vision of surplus and deficit countries sharing the burdens of adjustment was replaced by expectations that it was the deficit countries that had to adjust, the structure of the argument favored surplus countries, which were typically the wealthier states. China, which remains a middle income country overall, has changed that dynamic to some extent simply because of the size of its economy, but its positions on many issues, such as whether the US dollar can remain the central international currency, derive from a surplus country outlook.

When it comes to assessing whether authority holder instructions are advancing goal attainment or particular participants' interests, it is important to distinguish policy selectivity from favoritism. Intergovernmental organizations as authority holders are expected to engage in policy selectivity to the extent required or allowed by the terms of the agreement creating them, and to differentiate their treatment of individual member states as addressee criteria specify. Similarly, the individuals serving as the organization's leadership or management and as members of its staff are expected to use the organization's resources competently for the purposes it is intended to further. It is when an intergovernmental organization – whether through the intergovernmental supervisory body or the management and staff – treats some members better or worse than others for reasons outside the parameters of acceptable policy selectivity that it risks running afoul of the "who benefits?" relevance criteria and incurs pushback from addressees and criticism from outsiders for that conduct.

Both power-centered and bureaucracy out of control theories intergovernmental organizations encourage expectations that the World Bank and the IMF will give some members more favorable treatment than others that goes beyond the accepted policy selectivity. The questions then become which members and how much favoring. A large statistical-based literature does find correlations suggesting that borrower counties having close political or economic relations with one or more leading industrial state – particularly the USA – do get better treatment in the form of larger loans and/or fewer policy conditions. The evidence for management favoritism is more anecdotal but does exist.

However certain shared international system practices and internal organizational features create countervailing impulses that limit individual favoritism by great powers or organization management and staff. The general norms of multilateralism provided one limit, by reinforcing expectations that decisions should be rules-based. The relations of great powers provide another. Though the USA was clearly an economic hegemon between 1945 and 2008, it was never so dominant overall that it could dispense with power balancing vis-à-vis the Soviet Union while the Cold War lasted, with managing relations with friendlier powers in the Western alliance, or with coping more recently to the rise of emerging powers – particularly China. These others were rival centers of influence that could and often did require the US government to temper its views. Considerations of financial prudence are a third limiter. The World Bank cannot cater only to the favorites of a few influential members because it needs to manage economic risk by maintaining a diversified loan portfolio, both to enhance its own financial stability and to attract private investors to its bonds and member governments to supporting IDA. The IMF cannot pursue the same strategy of portfolio diversification; its role as a crisis lender means members do not seek drwings when times are good and the IMF woud have trouble turning down a country seeking drawings to deal with a serious balance of payments or other financial flow problem.

Changes in the availability of alternate sources of funds also limit favoritism by reducing the number of borrowers. This became readily apparent for the World Bank since 1990 when private investors renewed their interest in developing countries, particularly the fast-growing "emerging economies." In both the 1970s and the 1990s private sources of short-term loans allowed many developing countries to avoid borrowing from the IMF while Asian unhappiness with IMF programs after 1997 led to formation of an Asian regional analog to the IMF and soe within-region central bank swap arrangements and more "self-insurance" through building up national reserves.

Outside observers have long criticized the World Bank and IMF for engaging in favoritism, but the degree to which they actually engage in favoritism depends mainly on how the member governments react. The leading shareholders appear to define what they will accept through mutual deference giving each some ability to get favors for their individual proteges. Individual borrowers also have ways of forming connections with leadership or staff that give them an edge. The favored like it; the less favored appear mainly to live with it as long as they are still receiving some benefits.

Efficacy of Action

The increases in World Bank, IMF, UN, and member government ability to collect a broader range of data about economic activity and social conditions have provided a greater range of data for assessing performance over time and updating impressions of the relative merits of possible action paths. Thus efficacy evaluations can have strong feedback effects on definitions of relevance. However that occurs only when the information about efficacy of efforts suggests clear conclusions. For most of the post-World War II period, the lack of consensus on the efficacy of different ways to promote development and or handle financial crises of various sorts meant that different participants and different outside observers could maintain divergent assessments of World Bank and IMF efficacy. Those examining aggregate statistics showing major reductions in absolute poverty, increased GDP growth, and increased human development in borrower countries could use them to conclude that efficacy was acceptable. Those looking at different sets of statistics, such as household surveys showing there had been little improvement in the living conditions of the lower 40% of the population, could use them to conclude that efficacy is lacking. The many statistical analyses attempting to relate types of policy conditions to outcomes also come to contradictory conclusions.

Accumulated data about economic activity did contribute to discrediting two action paths – central planning and import substituting industrialization. The convergence towards some form of market economics meant that the distance in policy views among industrial country governments, developing country governments, and Bank and IMF management and staff narrowed. Even after the 2008 global financial crisis governments unhappy about the excesses of neoliberalism were not proposing a return to central planning; they wanted different ways of regulating markets and private firms.

The expansion of available data has not inspired convergence on any one action path as clearly superior. It appears instead to be supporting increased realization that "one size does not fit all" – that no single set of policies and programs is right for all countries at all times. That shifts the contention over the relative efficacy of action paths into a different register, one more attentive to the implications of both a changing international economy and changing national economies. Yet that only shifts debate to contention over which action paths are better or worse in various sorts of circumstances.

Different perceptions of what is efficacious have contributed to tensions between the major shareholder governments and the borrower governments. Major shareholder governments want the organization to pursue what they regard as "sound" policies while borrower governments want access to money when they need it on terms that are not too financially or politically onerous. Thus the level of contention among World Bank or

IMF management, the major shareholder governments, and the borrower governments has varied with the degree of divergence among their respective policy visions.

Contention about efficacy of action have also affected evaluations of World Bank and IMF organizational efficacy because they reflect one aspect of their bureaucratic character. Bureaucratically-structured organizations necessarily "reduce" complex policy problems by focusing on some dimensions and ignoring others so they can develop the routines that allow them to function. How much these reductions contribute to addressee satisfaction or dissatisfaction depends on the extent to which the reductions used by the World Bank or IMF correspond with the reductions member governments use when developing their own routines for promoting economic development or dealing with balance of payments, government debt, or financial sector regulation.

A separate stream of addressee thinking about organizational efficacy focuses on whether the bureaucracy gets its tasks done in a reasonably competent, expeditious, and efficient manner.

The spread of "managing by results" ideas, which stress the importance of organizations evaluating the effectiveness of their activities using consistent evaluation measures, from national level thinking about the organizational efficacy of government agencies to international organizations has not eliminated differences in member governments' evaluations of organizational efficacy. Internal evaluation offices and external raters like MOPAN have surveyed and reported on multilateral development agencies' performance since the late 1990s, Paying attention to the functioning of bureaucratic structures, ratios of organization expenses to money spent on development efforts, and how governments and other interlocutors perceive their interactions with the agency's staff. On the whole, the World Bank fares well compared to other aid providers in the external assessments efforts though both those assessments and the Bank's own internal assessments continue to identify areas of organizational weakness.

Flow of Interaction

This study has treated interactions between an IGO and individual member states as involving three moments of choice 1) authority holder issues an instruction, 2) addressees react to the instruction, and 3) the authority holder responds to addressee reactions. Once the authority holder issues an instruction, each addressee can react in any of seven distinct ways:

1) comply, 2) complain while complying, 3) complain while complying slowly, 4) evading, 5) disobeying, 6) avoiding the instruction by acting outside the authority relationship, and 7) challenging either the authority holder or the authority relationship as a whole. Once an addressee reacts to an instruction, the authority holder has an opportunity to respond to that reaction. Logically, the authority holder has 6 choices: 1) do nothing, 2) increase efforts to persuade addressees to obey, 3) modify the instruction to remove whatever addressees regard as most irritating, 4) cancel the instruction, 5) reward obedience, or 6) punish failure to obey. In the abstract, this three-moment sequence yields 42 possible sequences, but many of the reaction-response possibilities do not exist in real life. Doing nothing is the only authority holder response that makes sense if addressees are obeying. Addressees complaining while obeying may need a different response, but what that might be depends on the extent to which the complaints are. Similarly, authority holders cannot ignore evading, disobeying, avoiding, or confronting by a large number of addressees. So the actual response choices open to an

authority holder depend on how addressees – acting alone or in groups – are reacting to instructions.

Authority holder interactions with each individual addressee are also affected by the extent to which all addressees are expected to be doing the same things, or are divided into distinct groups based on differences in their expected activity. The World Bank has consistently distinguished between loan-eligible members and other members. The IMF's distinction between "deficit" and "surplus" countries became a more stable differentiation than originally expected as deficit counties became the ones expected to change course when currency misalignments became significant. To the extent the differentiations rest on persisting differences, they may create some barriers to coalition-formation between addressee groups. However, groups of differentiated addressees may also be divided among themselves. This was clear with the World Bank's borrower members several times. It has also been true among the non-borrowers. As has been more obvious since the mid-1990s, the smaller Western industrial states often had different views than the leading ones. In the general debates about defining loan types, this has often given borrower countries a source of support beyond their relations with particular leading states or members of the IGO management and staff.

World Bank and IMF experience confirm that numbers matter in authority holder responses to addressee reactions to instructions. Each could hold off responding when an isolated one or two borrowers were engaging in complaint, evasion, or avoidance, but not when any of those reactions became more widespread. Non-response also becomes more difficult if influential members support the complaints. With the increase in transnational advocacy since 1970, non-response also become more difficult if complaints were picked up by transnational advocacy groups that succeeded in gaining a sympathetic ear either within the IGO's own bureaucracy or within the governments of influential member states.

Authority Holder Issues Instructions

Fully understanding first move – the authority holder instructs – in the sequence requires noticing that World Bank and IMF instructions come in varieties based on the type of loan being sought. Thus borrowers initiate a discussion that shapes the set of instructions the authority-holder issues by selecting from the menu of loan types, each with its own set of terms and conditions. The main differences among the instructions that a World Bank borrower encounters derive from whether it is seeking a project loan or a program loan, and also on whether its per capita national income makes it eligible for World Bank-only, blended, or IDA-only lending because the interest rate and some other terms of World Bank and IDA loans are distinct. The main differences in instructions that an IMF borrower encounters derive from whether it is using one of the IMF's short-term lending facilities or one of its smaller set of medium-term facilities, and on whether it can or cannot keep its borrowing within the largely policy condition-free amounts defined by the reserve and first tranches of its country's quota.

As they interact with the World Bank or the IMF, borrower governments have argued about both the basic framework of instructions defined by the loan type and the particular instructions attached to individual loans. The results of contentions over basic frameworks of instructions show up in two ways, as changes in the basic elements of the policies, inlcuidng the types of policy conditions to be attached, set for each type of loan or, for the IMF, the terms of access to drawings, and as variations in borrower interest in a particular type of loan. Contention over the basic framework of World Bank and IDA loan terms was particularly prominent as borrower governments, loudly supported by outside critics including certain UN aid agencies, academic development economists, and transnational advocacy groups, opposed the conditions attached to the initial version of Structural Adjustment Loans developed in the early 1980s. Its later phases were reflected in the transition to Sectoral Adjustment loans in the later 1980s and then to Development Policy loans in the early 1990s. Similar contentions occurred at the IMF, with the contentions over World Bank structural adjustment loans mirrored in arguments about the loan terms for the medium-term lending added to the IMF menu in the 1980s. Tese debates continued, with additional revisions to general instructions in the 2000s.

Other streams of contention were reflected in shifting usage of certain types of loans. Pressured by human rights and environmental groups and by major shareholder governments sympathetic to those groups' concerns, the World Bank decreased its lending for infrastructure projects in the early 1990s, especially for those involving large dams or extensive expansions of road systems. This decision dismayed middle income borrowers, leading them to complain, and then to start looking for other sources of infrastructure finance. Though it took some time, such sources emerged, including both the New Development Bank led by the BRICS governments and the Asian Infrastructure Investment Bank led by China after 2015.

Other shifts in usage were borrower initiatives. The low level of borrower interest in the Structural Adjustment Loans offered by the World Bank in the early 1980s led it to revise their terms within three years. Few borrowers took up loans from the IMF's Buffer Stock Facility, a loan type established in the 1970s to help countries address reduction of export earnings stemming from commodity price fluctuations with medium-term loans maturing in 3 to 5 years rather than the usual 1 to 3 years or from the Contingent Credit Facility established in the 1990s to provide rapid lending to prequalified countries. The reasons for low interest were very different in each case; the Buffer Stock Facility was a very pale reflection of the more state-led commodity price stabilization cartels that the G77 was hoping at the time to establish while the Contingent Credit Facility went unused because borrowers worried that seeking prequalification at one time or losing that status later would only lead financial markets to assume that they were in more financial trouble than was actually the case. The IMF reacted by dropping both Facilities as it rearranged its menu of choices in the early 2000s.

Once a borrower chooses to request a particular type of loan, both World Bank and IMF procedures call for leader-borrower discussions of the uses, timing, and detailed terms of the loan. Borrower governments became more sophisticated negotiators over time, better able to influence both the amount and timing of the loan and the conditions that would be attached to it, as they developed teams of well-trained economists able to challenge World Bank or IMF management and staff at an equal level of expertise. The most successful bargainers were those which, like the government of India with the IMF in 1980-81, figured out how to guide the discussions by putting their own policy ideas on the table.

In this light, the length of loan negotiations appears not simply as the lender posing tough questions to the borrower, a form they did take in earlier decades with governments having limited ability to formulate their own positions, but as a chance for the borrower to secure customized loan terms. That said, the length of time needed often proved irksome to borrowers, they regarded it as a separate irritation, and they did complain about it. These complaint were heard and acted upon starting in the mid-1990s for several reasons. The greater convergence between World Bank or IMF views and those of many borrower governments in the 1990s meant that both lender and borrower were making similar background assumptions about what loans and conditions would be useful. As rational choice theorists would emphasize, the increase in other borrowing options open to developing country governments increased borrower government ability to avoid, which added to the impetus for taking borrower complaint about the length of time needed to complete loan negotiations more seriously.

Over time, borrowers acquired other forms of leverage. As borrower governments perceived the internal organizational pressures to maintain levels of lending and also found out directly or by noting the experiences of others that the World Bank or IMF responded only moderately to most failures to meet conditions, they also realized that they could overcommit – accept conditions they knew that were unlikely to fulfill – with little risk. Publicly evaluating the World Bank on the basis of whether it was a net lender to or receiver of repayments from developing counties also provided the G77 with another lever for keeping lending activity high.

The fact that World Bank and IDA loans and IMF drawings are provided as a set of partial payments rather than as a lump sum creates rapid multiple rounds of the instruct-react-respond sequence. This is particularly true in the IMF, where the usual period between disbursements is three months, and may be reduced to one month in particularly complicated circumstances (Gilman 41 notes that Russia was under a monthly schedule in 1996-97). The process of reviewing progress before releasing the next tranche of the loan or drawing means that loan terms can be adjusted in midstream, as occurred during the later phases of the Asian crisis.

Assessments of the positive or negative impact of the narrowing of differences in perspective between the World Bank or IMF management and the borrowed governments is in the eyes of the observer. It can be told with a power-centered analysis and viewed as the result of pressures by the large shareholders as either great powers or parts of the global capitalist core in which the borrower states figure as objects pressured. It can also be told as lessons learned from experience with the fizzling of central planning and ISI that attributes greater agency to borrowers.

Addressees React to Instructions

At the second step in the move sequence – addressee reactions to authority-holder instructions – borrower governments have engaged variously in compliance, compliance while complaining, complaining and lagging in hopes of getting instructions revised, evasion, disobedience, and avoidance. Whether dislike of loan conditions inspires a borrower to obey and complain, complain and lag, evade, or disobey depends on factional dynamics within the borrower government, the extent of policy agreement within World Bank or IMF management and staff, and relations of officials of a borrower government with the particular Bank or IMF management and staff members dealing with its loan applications. These dynamics are not publicly visible most of the time. However, they have become visible on enough occasions to indicate that the authority relationship is not one between a single-minded authority holder facing one or more single-minded addressees, but a "two level game" (Putnam 1988) in which the leaders on both sides are trying to hold together an internal coalition while negotiating with the other.

The multi-stage disbursements of loans and the extended time for repayment (particularly for World Bank and IDA loans) frequently makes it had to categorize borrower reactions into crisp and mutually-exclusive categories. Categorizing is also made more difficult, particularly for IMF loans, because many borrower government failures to meet economic performance criteria originate in economic shifts at the international level. This requires determining which failures to meet performance criteria are outside the borrower's control and which are reasonably attributed to the government's own actions or inactions before responding.

The flow of addressee reactions has changed over time for two reasons. First, as they acquired greater negotiating skill, borrower governments have been better able to affect the content of instructions – both the specification of general terms for each loan type and the particular terms of particular loans. In the 1970s, the typical time from initial proposal of a project and the first disbursement of loan money was 4 to 5 (Haq 1973, 85). Other loans required longer discussions because the borrower government's weak planning and project-design capacities pushed Bank staff or other outside experts further "upstream," from pre-investment studies into initial project identification even though the formal rules assume the borrower government identifies projects itself (Gruhn 1978, 549-550; Murphy 2006, 142). While the governments of larger (such as India) or more prosperous (such as Brazil or Mexico) has well-trained negotiating teams, many others did not and relied heavily on outside advice. By the 2000s, this had changed; most developing countries were able to rely on their own expertise and could start focused loan negotiations more quickly.

Borrower governments also acquired more choice about when to seek what types of loans. As private investors became more willing to invest in developing countries, borrowers also acquired the leverage provided by having outside options. Efforts to create national currency reserves, bilateral central bank swap arrangements, and regional funds have had particularly strong effects on the IMF, which faced revenue declines forcing staff reductions in the mid-2000s. It has also affected the World Bank by shifting its lending in the direction of countries or types of programs, such as post-conflict rebuilding, that other lenders avoid.

Considering the range of addressee reactions to World Bank and IMF instructions also illuminates one root of IGO persistence. States belong to multiple IGOs – sometimes stacked geographically into sub-regional, regional, and global, and sometimes differentiated by issue specialty. This allows their governments to engage in provider selection as they look for finance, technical assistance, information-dissemination, and other assistance. That simultaneously enables greater avoidance of any one IGO and reduces the likelihood that addressees will frontally challenge the IGO's instructions or existence. The highly visible disbandment of an IGOs' existence, as happened with the League of Nations in 1946 and with the CMEA and the Warsaw Pact in 1991, have occurred after major shifts in the overall pattern of world politics that left the organization vulnerable because of its close identification with a past era no one regretted seeing end. Yet sufficient evasion and avoidance can also drain an IGO's viability, and leave it vulnerable to becoming an empty shell as governments take their activity elsewhere. Thus even without exercise of the extreme options of open rebellion, enough discontented member governments can impel an IGO into responses designed to reduce discontent and keep the members active in the authority relationship.

Authority Holder Responds

Authority holders can respond to addressee reactions to instructions in any of six ways: do nothing, increase efforts to persuade addressees to obey, modify the instruction to remove whatever addressees regard as most irritating, cancel the instruction, reward obedience, or punish disobedience. In both the World Bank and IMF, the Executive Board focuses on broad policy, initial approvals of loans, and approvals of proposals to suspend loan eligibility; the details of administering the approved loans and conducting other activities are left to the management and staff. The organization bureaucracy has to follow the policies, but its broad discretion in implementation means that it determines most of the authority-holder responses to addressee reactions.

Lack of significant resources and the context provided by simultaneous existence of multiple IGOs with overlapping areas of activity together limit the range of authority holder response to addressee choices. The World Bank and IMF can reward members at the margin; this is more important for small and poor countries for which the lending is a significant portion of government fiscal resources. Their choices for punishing disobedience are also fairly limited. The Articles of Agreement do allow the IMF to expel members, but it has not been willing to use this response; the furthest it goes is suspending a member's right to draw on IMF funds.

Additional limits on responses stem from the balance among the organization's internal pressures to lend money, the existence of economic or political conditions truly beyond borrower government control that inhibit compliance, and pressures from academic observers and transnational advocacy groups doubting the wisdom of many conditions. These have reinforced the tendency to adopt mild responses to noncompliance with loan conditions. This preference for less severe responses became obvious at two points in IMF history, in the 1952 decision to substitute conditions for basing a loan on an *ex ante* analysts of whether a borrower actually needed the money, and in the *199z decision to punish members in "prolonged arrears" with loss of voting rights rather than exclusion from borrowing. Similarly, Bank management is acutely aware that publicly declaring a developing country, particularly a low income one, completely ineligible for loans would not be received well. Cancelling particular loans and the IDA scheme of defining loan size by assessments of the overall quality of borrower policy making and implementation have been accepted.

Thus World Bank or IMF management typically uses their discretion to determine responses to noncompliance with a combination of stepping up persuasion and modifying or canceling conditions.

Efforts to persuade through participation in the debates about development, current account flows, capital flows, and financial stability. Particularly in periods when there was significant contention over the relevance of action paths or the efficacy and the macroeconomic foundations of stability, both worked hard at persuasion in three ways. They have maintained research departments capable of producing work of a quality that earned academics' and policy analysts' respect. Though the World Bank did close its research department in the 1950s, it was reestablished within a few years. Those department's reports on global economic conditions (*World Development Report* from the World Bank; *Global Economic Outlook* from the IMF), and working papers on particular questions all served as channels for stating the organization's views to academic and policy audiences. The also attempt persuasion in negotiation of particular loans and, for the IMF, preparation of the regular Article IV surveillance reporting that addresses member governments directly. More recently, they have taken up provision of information to the general public. The World Bank began more coherent provision of public information in the mid-1990s as a way to respond to the vocal comments and criticisms from various transnational advocacy groups and nongovernmental organizations; the IMF began public information efforts somewhat later. Today both maintain open websites with sections directed to journalists, academics and policy analysts, and general audiences.

Both engage in a considerable amount of instruction modification, a process facilitated by the multi-stage nature of World Bank or IMF loans and the repetitive nature of Article IV surveillance reports. Some of these modifications respond to changes in economic conditions that occur after the loan is first approved but not yet fully disbursed; others respond to how the borrower is reacting to the current instructions. Though proposed in the 1980s by some analysts and governments *(chapter 5, pages xx and yy), borrowers have never taken pushback against instructions to the extreme of organizing group defaults on loans. They have engaged in other forms, such as failing to follow certain conditions or delay implementation of certain measures. The IMF now explicitly limits addressee delay by specifying some loan conditions as Prior Actions that must be accomplished before any money is transferred; the World Bank had less explicit methods though adopted the Prior Acions idea in 2002. For later rounds of modification before subsequent disbursements are transferred, the IMF is in a somewhat stronger position than the World Bank because borrower governments and the Bank alike are aware that any but minimal changes to the loan disbursement schedule can cause significant problems for project completion or program continuity. However, the IMF can also finds its responses limited by the domestic politics of the borrower, where attentive publics may variously support, grumble about, or vehemently object to features of an IMF program or different factions within the government use the presence or absence of IMF involvement in their own power struggles.

The Impact of Ideas and the Extent of Convergence on Ideas

Role definitions indicate what each participant in an authority relationship is expected to do, but the motivation to continue in the role stems from the participant's beliefs that it needs to cooperate with others to reach a shared goal and having a leader provide instructions will get everyone to the goal more effectively than each working towards the goal on its own. This means that the authority holder is expected to guide the process of fitting progress toward the goal within the limits of the means available. For their part, addressees are expected to follow instructions, but an authority relationship cannot reduce them to puppets without losing crucial feedback mechanisms. Addressees do not leave their own ability to think, to judge progress, and to act at the door when they enter an authority relationship; they retain these capacities and apply them to evaluating whether the authority relationship is working as expected and producing the goal attainment they desire.

Setting Goals

Since goals, like other desires, can be expanded indefinitely while means are limited at any particular time, authority holders and authority holders alike need to develop a sense of what in military affairs is called grand strategy – the alignment of “potentially unlimited aspirations with necessarily limited capabilities” across space, time, and scale (Gaddis 2018, 21). This alignment process occurs in the formulation and occasional reformulation of the goal, the specification and re-specification of the kinds of activity needed to reach the goal, and the ongoing assessments of the relevance and efficacy of the various action paths to goal attainment that participants regard as potential choices. The substance of these shared ideas about goal, where activity needs to occur, and which action paths are most relevant and efficacious provides the mental framework through which the authority holder and addressees perceive the situation, their choices, and their relations with one another. Since there are multiple participants in an authority relationship, those processes of definition and redefinition will be more or less contentious depending on the range of differences among individual participants’ identifications of the goal and the most relevant and efficacious action paths. In the authority relations led by the World Bank and IMF, the goals pursued have not been questioned. What has changed, and been the subject of more or less contention are the definitions of the areas of activity relevant to goal attainment and the relevance and efficacy of alternate action paths.

Defining Areas of Activity

Changes in shared notions about areas of activity relevant to development have been marked by an expansion of the needed activity and a major change in the definition of the ultimate beneficiaries form states to humans. On the whole, the expansions have been adopted and large parts of the shift form states to humans as ultimate beneficiaries accepted. The shift from assessing development by solely by aggregate macroeconomic measures to incorporating measures of individual, household, and income quintile situations has been widely accepted; the more ambitious formulations of an individual right to development has not.

The expansion has been encouraged by three factors: 1) the shift from focusing primarily on economic processes of change to regarding development as also involving a series of social and cultural changes, 2) dynamics of task expansion by national governments, and 3) the significant changes to the basic contours of economic activity brought about by information and computer technology. Whether these amount to an economic “revolution” as transformative as the agricultural or industrial revolution or a distinct phase of the industrial revolution is an interesting one for economic historians, but need not be resolved here; what is important is the way in which information and computer technology has required developing new images of a developed economy.

The basis for going outside economics and pay attention to the broader sociological-cultural context already existed in the late 1940s and 1950s (e.g., Polanyi 1944; Schumpeter 1949; Hirschman 1959) and was reinforced by later work. This wider view did not always result in clear economic policy advice, but did encourage expanding concern into provision of education, rural development, and social programs.

By the end of the 1930s nearly all national governments around the world were engaged in task expansion. The efforts started with using government programs of various types to create demand for goods and services to reduce the impact of the Great Depression and expanded during the mobilization of whole economies to fight World

War II. After the war, governments in most parts of the world maintained a major economic role. The Soviet Union intensified its central planning efforts after 1945, first to rebuild and then to catch up with and (Soviet leaders expected) surpass the Western industrial countries. Central planning came to China with the Communist Party victory in 1949. European governments either adopted central planning or finished the work of building a welfare state. Governments of newly-independent states saw government leadership as essential to breaking the economic patterns of colonialism. This more general pattern of governments taking on more activity provided a favorable milieu for expansive definitions of the development task.

The rise of information and computer technology in the1970s, and particularly after the internet became a reality in late 1991, changed visions of what activity characterized a developed economy. This required paying greater attention not only to technology in general, but to the greater importance of good communications infrastructure, the more intensive use of computer-assisted designing and machining tools, new ways of buying, selling, and offering financial services. Yet many of the possibilities required fostering innovation and experimentation, adding elements to preexisting arguments for reducing the government's role in production, distribution, and price setting through controls.

Definitions of maintaining financial stability have also widened, moving from a primary focus on current account balances of payments to the impact of fiscal and monetary policy on ability to carry debt in the1980s, to the challenges of dealing with increased cross-border long-term and short-term capital flows in 1990s, and to the overall workings of global financial networks in the 2000s. These changes have been reactions to broader changes in the international economic system, and – sometimes after some delay – have also been accepted as relevant to attaining “international financial stability.”

Agreeing on Relevance and Efficacy

Aligning on shared ideas regarding the relative relevance and efficacy of alternative action paths has involved much more contention that has changed over time but is not yet over. Yet the range of differences in first preferences among action paths has narrowed, affecting the authority relationship by shifting most contention from the whole-economy level to the midrange level of different policy areas.

The range of difference on the whole-economy level was greatest between roughly 1970 and 1991, and particularly in the first half of the 1980s when continuing G77 expectations of creating a highly state-centric New International Economic Order ran up against the increasing influence of economic neoliberal visions of reducing government involvement in economic activity particularly strong in the USA, the UK, and West Germany. At the time, contention appeared to involve very little actual debate and a lot of confrontation between blocs busy assembling whatever material resources they had in their efforts to prevail. With the Soviet bloc fracturing, most publicly in the Sino-Soviet rivalry, and its economies stagnating by the mid-1980s, and the Western industrial countries still accounting for xx% of global economic activity, the outcome – an eclipse of the most state-centered action paths – was not surprising.

Yet the strong verbal clashes in the foreground obscured the ongoing debate and modification of ideas occurring within governments on both sides of the state-led versus market-led debate. Central planning lost its luster in the 1980s; at about the same time encountering the limits of import substituting industrialization led its advocates to seek another way. They did not shift all the way to neoliberalism, but neoclassical economic analysis did become an important element of the various forms "new structuralist economics" combining elements of the older emphasis on developing countries' disadvantaged place in the global economy with acknowledgement that the inward focus and heavy government hand in price-setting needed to be replaced. Similarly, the extreme neoliberalism of the Thatcher-Reagan years proved less successful than a move back towards Keynes. Even the developmental state/export-led growth vision came under challenge in the late 1990s as analysts pointed out the limits in an information technology-heavy world of relying on exports of simple manufactured goods to jump-state development. The result was a move to more careful thinking about middle-range policies that did not produce consensus but did mean contention became less a matter of pitting one ideologically-driven grand vision against another than a pragmatic search for what would work in a particular country's circumstances.

Thus in the 1990s and 2000s arguments inside the authority relationship looked different than arguments among tides observers. Academic and policy analyst critics on the far right and far left continue to regard the World Bank and IMF as harmful organizations that should be closed down, but the G77 had retreated from its ambitions to replace all the global economic institutions. The main external challenges to the World Bank and IMF now derive from developments in global politics and economics since the 2008 financial crisis. Appreciation of their impact requires returning to the question of how the broader social context affects the workings and evolution of particular authority relationships.

IGO Authority Relationships in their Social Context

The authority relationship between an intergovernmental organization and the governments of its member states operates within the wider context of the international system and is therefore affected by significant shifts in that context. The most general influences stem from political decentralization at the global level, which shape the definition of authority-holder and addressee roles. Some authority relationships are very hierarchical – the authority holder commands and the addressees are expected to comply fully and immediately. Others are more collaborative – the authority holder instructs but not until after it and addressees have collaborated in formulating either or both the normative and conceptual framework within which the instructions are developed and the instructions given at a particular moment, and in "after action" reflection on the success of failure of acting as instructed. Though various informal hierarchies do exist in the international system, the bedrock principle of sovereign equality of states limits how far hierarchy can be taken and means that there is no expectation that states will develop enduring loyalties to any particular authority holder.

This continuing freedom of states to join or leave any particular IGO and to belong to multiple IGOs at the same time has important implications for intergovernmental organizations. It means that though they derive much of their claim to authority from an initial act of delegation by the member states, they need to find additional bases for claiming authority. The most common of them is possession of the expertise needed to adequately lead members toward the goals specified in their founding treaties. Maintaining a reputation for expertise is much easier when an IGO handles technical issues on which there is consensus about areas and action paths. It is harder when consensus is lacking, and is another reason for the World Bank and IMF to maintain research departments and internal evaluation offices.

This political decentralization also means that the general shape of great power competition will have significant impact, both directly and through its effects on the global economy. The actual impact of American-Soviet competition during the Cold War on the authority relationship between the World Bank or the IMF and their member states was not as strong as one might expect from the shape of the political competition. The Soviet decision to fence off its bloc from the global economy did offer a model of a different way to organize a global economy and had real effects on the debate about which action paths would best secure development. Mainland China was excluded from many IGOs by the Western bloc until 1971, but it also pursued economic isolation until the early 1980s. This combination of self-exclusion and exclusion by others meant that the authority relationship between the World Bank or the IMF was actually nested within the Western portion of the international economy. The relatively minor role of Soviet bloc countries and mainland China in the world economy and their relatively meager resources for economic aid – as distinct from military aid or funding of like-minded local Leninist parties – meant that the alternative they offered was less of a challenge to Western models than it might have been. The Soviet bloc and China supported G77 positions on economic issues, adding another layer to the influences coming from outside the authority relationship, but by the end of the 1980s was rethinking its own economic models and giving developing counties advice that resembled what they were getting from Western and multilateral aid agencies.

The generally-acknowledged US hegemony that existed after the Cold War shifted the context, but not as much as might have occurred otherwise since it reaffirmed the placement of both within an international economic order defined by the Western industrial countries and, later, Japan. Yet the creation of a truly global economy after 1990 did release trends that were beginning to have significant effects on the great power balance even before the 2008 financial crisis accelerated the pace of change.

As emerging market and developing countries enjoyed greater economic growth, their weight in the global economy as measured by share of world gross product and share of world exports increased. In 1999, they provided 36.8% of global production and 18.0% of global exports; in 2009 the figures were 46.2 and 34.9% respectively, and in 2018 the figures were 59.2 and 37.0% respectively. China alone went from 11.2% of world product in 1999 to 18.7 in 2018 (data from IMF *World Economic Outlook*, 2000, 2010, and 2019). The emerging market counties were pressing to have their increased economic weight reflected in greater influence over global economic affairs through demands for changes in the shareholdings or quotas and voting rights in the World Bank and IMF. The changes that occurred were slow in coming and not as much as those countries wanted. A stronger mark of their new influence was the shift from the G7/8 to the G20 as the primary forum leading power discussion of world economic affairs.

The oscillations between recessionary and expansionary economic eras also affects the authority relationships. After almost three decades of increasing prosperity marked by mild recessions, the economic changes resulting from the quadrupling of oil prices in 1973 created serious challenges for many developing countries. The middle income ones that had borrowed heavily in the 1970s and early 1980s faced serious debt service problems when major Western governments raised interest rates to eliminate domestic inflation. The low income countries heavily dependent on one or two commodities for most of their export earnings were caught in a scissors of facing higher import bills for oil and lower export earnings as demand for other commodities declined. Their situation was dire, and the levels of contention rose as a wide range of ideas about how to handle it emerged. Yet the configuration of political and economic power was such that the West could wait out challenges posed by G77 campaigns for a New International Economic Order. Those campaigns faded with the loss of confidence in central planning and ISI as action paths, and were replaced by efforts to advance common G77 positions in the various middle-level policy contentions that arose.

Better economic times in most of the 1990s brought widespread economic advance. Yet buried in the excitement of shifting to a truly global economy for the first time since 1914 were trends that widened the gaps between gainers and losers in the global economy. Not only were automation and robotization reducing manufacturing and clerical jobs, the shift from inward to outward economic policies in the former Soviet bloc, the various Soviet successor states, China, and India more than doubled the world's working population without creating a commensurate number of new jobs even before the 2008 financial crisis hit. This made it easy to blame job losses as well as the increasing income and wealth gap between the extremely wealthy few everyone else on "globalization" when economic times became less good after 2008.

The global economy might have evolved in a number of ways, but in the late 2010s it was clear that authoritarianism, nationalism, and unilateralism were all on the rise. What many observers thought would be a transition toward a multipolarity operating along lines not too different from those established in the 1990s has now been turned in new directions. Some observers expected the result to be a more “go it alone” world of major states paying less attention to global cooperation and more to their own national or regional concerns (e.g., Zeihan 2020). Others expected the result to be continued interconnection with a move away from the openness allowing considerable scope for national and transnational popular mobilization that has prevailed since 1990 to one where governments consciously limit those possibilities.

Visions vary, but the sense that the post-World War II era is over, and a new era is beginning has extended into the multilateral development agencies. Though the exact shape is not clear, The World Bank and IMF are doing what intergovernmental organizations typically do: adjust to new times by more or less explicit adjustment of the various norms and practices of the authority relationship to fit the new situation.

AFTER CREATION: PART 10. REFERENCES

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