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From Bretton Woods to Neoliberal Reforms: the International Financial Institutions and American Power

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The last decade has seen numerous debates about the performance and the future of the International Monetary Fund (IMF) and the World Bank as well as many proposals for reform. Some have criticized the international financial institutions (IFIs) for creating problems of moral hazard and have argued that their original mandates have been gradually distorted and overextended. Others have condemned the narrow theoretical framework behind structural adjustment programmes or the narrow focus on business interests and the disregard for civil society. Although such critiques are inspired by different assumptions and political orientations, many of them are characterized by a tendency to isolate the IFIs' operations from the dynamics of the capitalist relations of which they are part. More substantial critiques of the IFIs must locate their discourses and policies in the context of the neoliberal transformation of the economies and societies of the global South – a process that involves the liberalization of trade and finance, the creation of opportunities for accumulation through the privatization and commodification of public goods, the protection of foreign direct investments and the building of domestic institutional structures of accountability to international financial markets. Indeed, over the past decade the role of the IFIs has been extended from the enforcement of these reforms to the management of their adverse effects (such as impoverishment, social dislocation, expropriation of public goods, regressive distribution of wealth and environmental degradation). Their new focus on poverty, governance and transparency was meant to shore up their legitimacy and to enhance their capacity to manage the conflictual and contradictory development of neoliberal globalization and contain the spread of the disruptive effects of crises.

Cammack's (2002a, 2002b, 2003) comprehensive review of the World Bank's recent intellectual production reveals that its attention to institutional and social issues is driven primarily by the aim to establish the structural conditions for the global governance of capitalism, especially the creation and maintenance of an exploitable and disciplined global proletariat.

He links this to the IMF's ongoing effort to strengthen the international financial architecture, arguing that both institutions have assumed the role of guardians of global capitalism in a way that transcends the particular interests of countries and capitalists. Similarly, Fine (2001: 10–15) argues that the World Bank's (and to some extent also the IMF's) turn to a more positive view of the state and a greater concern with poverty since the late 1990s suffers from serious conceptual flaws but has served to legitimate the IFIs' intervention in borrowing countries beyond economic policies to broader dimensions of governance and social reproduction. In a similar vein, Bond (2001: 437–8) has shown that World Bank and IMF initiatives to bring issues such as the environment, participation and debt relief onto the agenda have been subordinated to the aim of enforcing neoliberal structural adjustment.

These important contributions shed light on the connections between economic and institutional reforms, governance and social discipline, and reveal the lines of continuity that run between the pro-market orthodoxy of the Washington Consensus and the apparently more social post-Washington Consensus. But to fully appreciate all this, more attention must be paid to the IFIs' relation to American imperialism and its political project aimed at the creation and reproduction of the institutional conditions for neoliberal globalization. This is especially important today because the questions that have been raised in mainstream economic and political circles about the effectiveness of the IMF and the World Bank have resulted in a new American agenda for keeping their policing role intact while streamlining their organizational structure, reasserting control over their bureaucracies and addressing problems of multiple and incoherent goals.

To assess the current institutional crisis of the IFIs properly it is necessary to go beyond the mainstream focus on the institutional and organizational dimensions of the IFIs. These dimensions are certainly not unimportant but they are by themselves inadequate to grasp the complex nature of the IFIs and of their successive crises and redeployments. The discourses and strategies of these institutions, the connections among them and their relationships with both donor and borrowing states need to be conceptualized in the context of the historical balances of forces, including their relationship to the imperial power and the way it has historically used them as enforcers of capitalist discipline.

In order to appreciate the role the IFIs have come to play in establishing the conditions for neoliberal globalization, this chapter will attempt to put them in proper historical perspective. Moreover, since the IMF and the World Bank are not identical twins, their actions and theoretical premises have undergone periods of divergence as well as convergence, and as they have responded to different political and social demands, the coordination between them has not been automatic. It is necessary, therefore, to review their histories separately.

The IMF: from regulating exchange rates to policing neoliberal global integration

The Bretton Woods Agreement of 1944, which gave birth to the IMF, established an organizational structure and procedures that guaranteed a pro-American bias in the goals and operation of the new institution. To join the Fund and get support in the event of balance of payments problems, countries had to commit to peg their currencies to the dollar (which alone was pegged to gold) and to remove exchange controls and discriminatory practices affecting current transactions. To be sure, concessions were made that would relax this discipline in some respects. First, it was accepted that countries could control current transactions during a transitional period. In addition, a scarce currency clause (which has never been invoked) was included in the IMF's Articles of Agreement that allowed discrimination against exports from a country with a large balance of payments surplus whose currency had been declared scarce (Block 1977: 48–9).

The IMF's voting system is based on a country's quota subscriptions and its governing bodies reflected the uneven balance between core and peripheral countries and, especially, the unmatched power of the US.[1] This has been accentuated by the fact that some important decisions require a special 85 per cent majority, giving the US effective veto power. The subsequent evolution of the requirement of special majorities has helped the US to extend its influence. The number of categories of decision that require these majorities has gradually increased from nine to sixty-four and includes decisions about the adjustment of quotas, the creation of a council, the allocation of the IMF's own international reserve asset, the Special Drawing Rights (SDRs) and, since 1977, all political decisions (Woods 2000a: 833). However, the US has not often needed to resort to its veto power. Consensus among the major shareholders is usually reached through informal channels, which allow the US Treasury to exercise influence on the IMF's executive directors and staff[2] (Thacker 1999: 41; Babb 2003: 16–17; Smaghi 2004: 233, 242). The strength of this influence depends on US decisions to ensure large disbursements and on the fact that managers will not make recommendations that risk American rejection, so that sensitive issues would be 'run past' the US Treasury before being presented to the Board (Woods 2003: 107).

During the early years of the post-war period the US state, pushed by Wall Street bankers (who had gained considerable influence in the Truman administration) (Helleiner 1994: 52), worked to reshape the IMF – an institution ostensibly created to protect countries from the potentially deleterious effects of untrammelled financial markets and capital flows – into a guardian of the integrity of financial markets (Frieden 1987: 61–5). Orthodox economists and 'old-fashioned' financiers took important positions in the institution and set the basis for its strong anti-inflationary culture and its tendency to take price stability, financial responsibility and the repayment of debts more seriously

than other economic problems even in the context of the Keynesian policy climate of the time (Babb 2003: 20). By imposing restrictive lending criteria, the US ensured that the institution would work to create the same discipline the gold standard had imposed in the past. In this context, the international liquidity shortage of the period increased the need for US private and public investments and generally inclined countries to offer a better climate for business (Block 1977: 113).

The American preference for restrictive assistance became operational in the Fund's lending in the years to follow. The US prevented European countries receiving assistance under the Marshall Plan from getting IMF assistance. It also put pressure on the IMF Executive Board to make lending conditional on the borrower's efforts to overcome balance of payments problems. Even though European and other members of the Board initially rejected this conditionality, it was finally accepted as the only way to overcome the IMF's initial deadlock and make its resources widely available. The US's capacity to impose its criteria was enhanced by the fact that this pattern was established at a time when only weak peripheral countries – those most likely to accept conditionality – were applying for assistance. During the 1950s, and especially after the fall of the prices of raw materials that followed the Korean War prompted peripheral countries to apply for IMF assistance on a regular basis, the principle of conditionality became institutionalized. Conditions included quantitative performance clauses which limited public expenditures. Disbursements were often 'phased', i.e. spread over time contingent on performance (Harmon 1997: 26; Babb 2003: 10).

The IMF's first crisis

After the return to convertibility of European currencies in the late 1950s, the Fund responded to the challenges posed by the rapid growth of private financial activities by expanding the resources available for financing used to offset capital flows (especially against the pound sterling). To deal with the potentially disruptive effects of the growth of the Euromarkets without turning to trade restrictions or capital controls, Managing Director Peer Jacobson proposed an increase in the quotas subscribed by member countries and the establishment of a line of credit with governments and banks (the General Agreement to Borrow) that would enable the IMF to provide additional funds to meet the needs of countries in periods of crisis (Helleiner 1994: 96), while at the same time enforcing conditionality on all the IMF's standby loans – including those to a core country like the UK (Harmon 1997: 27–9).[3]

In spite of its additional financial resources and its expanded disciplinary power, the Fund did not play a meaningful role as the crisis of the fixed exchange rate system developed through the 1960s. Indeed, it became marginalized and cut off from the major decisions that reshaped international monetary relations (Kahler 1990: 98–101). The IMF's proposal

to defend the fixed exchange rate system through the strengthening of cooperative capital controls got the support of Europe and Japan but foundered on US opposition (Helleiner 1994: 104–5). The marginalization of the Fund undermined US domestic support for the institution and showed other member countries and Fund officials that 'the organization's status and role in the world economy would depend upon the uses to which the United States would put it' (Woods 2003: 94). The US's unilateral ending of the fixed exchange rate system of the Bretton Woods Agreement made the IMF's regulation of exchange rates meaningless while lending and surveillance became less important in the context of growing international liquidity and capital flows to peripheral countries. As the number of loans consequently decreased dramatically and conditionality was relaxed, the decline of the IMF seemed unavoidable (Babb 2003: 13).

This dire prospect changed in the 1970s, starting with the first oil crisis, when the balance of payments deficits of non-oil producing countries ushered in a new area of IMF intervention (Peet 2003: 67–72). Initially, new lending facilities with longer repayment periods and looser conditionality were created to assist countries that were suffering a substantial deterioration in their current accounts. The principles underlying these facilities involved 'sharing the deficit' and providing for medium-term financing, rather than rapid adjustment. This ran against the preferences of the US Treasury for more orthodox adjustment policies similar to those followed by core countries and for recycling petrodollars through financial markets without the mediation of the Fund. This divergence, however, came to an end in 1976, when the IMF aligned itself behind the US's rejection of the financing of disequilibria and greater loan conditionality – and moreover applied it very stringently to the 1976 standby loan to the UK (under pressure from the US and Germany). Since then, core countries have avoided recourse to its assistance, as the British loan 'fostered the belief that a conditional Fund standby was politically costly and something to be avoided if at all possible' (Harmon 1997: 233). This reluctance, combined with the availability of non-conditional private lending for middle-income peripheral countries, seemed to confine the IMF to assisting its poorest members in Africa and Asia that could not get private credit and to providing a 'seal of approval' for policies that offered guarantees to private investors. In what seemed to prefigure a new role in development financing, the Fund became a permanent monitor of countries (on the behalf of lenders), rather than an adviser helping them to overcome temporary imbalances (Kahler 1990: 102).

Accompanying the reformulation of the IMF's roles and tasks, the 1978 amendment of its Articles of Agreement recognized countries' right to define their exchange rate policy (reflecting US efforts to liberalize the exchange of goods, services and capital), and redefined surveillance in vague terms that would pave the way for expanding the number of economic issues that could be subjected to scrutiny (Fieleke 1994: 21–2; Helleiner 1994: 110; Bradlow

2006: 6). The Guidelines on Conditionality released in 1979 ratified the expanded surveillance power by authorizing the Fund to 'pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members'. This also laid the basis for the conditionality associated with structural adjustment that would accompany IMF assistance from the early 1980s (Pauly 1999: 415). These modifications expressed and catalyzed a trend that has made the Fund more influential in a broad range of developing countries while reducing its influence in industrialized countries.

The debt crisis and structural adjustment

The debts accumulated during the 1970s by peripheral countries turned problematic when it became apparent that economic growth was not sufficient to allow for the servicing of the loans; and the problem became critical when the Federal Reserve increased interest rates with the Volcker shock of 1979. After the 1982 Mexican debt crisis, debt management allowed the Fund to reassert its role as the guarantor of the stability of the international financial system. Its assistance to indebted countries became conditional on the implementation of structural adjustment programmes that reshaped their domestic economies and prioritized debt repayment. The IMF also played an important role in coordinating the actions of private banks that were seeking to reduce their exposure in the countries affected by the debt crisis. By threatening to withhold credit unless banks cooperated, the IMF prompted them to contribute their own funds to bail-outs, thereby expanding its command over resources beyond its own reserves (Peet 2003: 75–6). In this way, its intervention put the burden of the crisis on debtors while enforcing the collective interest of bankers. Not surprisingly, this soon led to a reversal of the initial hostility of the Reagan administration towards the Fund (Kahler 1990: 103–7).

Even though the IMF succeeded in preventing the debt crisis from turning into a major dislocation of the international financial system, its interventions prompted serious criticisms. When it became apparent that the crisis was not a mere problem of liquidity, the Fund was blamed for pushing countries into recession and postponing necessary systemic reforms (Bird 2001: 828). As a response to this impasse, in October 1985 US Treasury Secretary James Baker announced a debt restructuring plan whereby a group of highly indebted countries[4] would obtain additional lending from private banks and the international financial institutions conditional on fiscal, financial and monetary reform monitored by the IMF. Although the plan failed to attract new private lending and to reduce the burden of indebtedness, it was a turning point in that it recognized the structural nature of the debt crisis and encouraged the IMF to formulate 'growth-oriented' adjustment programmes (Killick 1995: 7).

In 1989, in the wake of the failure of the Baker plan, Nicholas Brady, the Treasury Secretary under the Bush administration, announced a new debt restructuring scheme that would increase collectability, diversify risk and improve debtors' creditworthiness through the reduction and securitization of existing debts with commercial banks in countries willing to implement IMF-sponsored structural reforms. As part of this new strategy of debt management, the Fund's intervention went even further in transcending its traditional focus on domestic credit, budget deficits and currency devaluation and promoting radical structural 'reforms' deemed necessary for the success of adjustment, based on more detailed assessment of the allocation of resources and specific budget cuts (Killick 1995: 25). Hence, the Brady plan created the conditions for the Fund to catalyze the infusion of new private credit to indebted countries while assisting them with adjusting to the imperatives of free capital markets through a more intrusive intervention in their domestic economic management.

Crisis management and surveillance

By the early 1990s, when many peripheral countries were engaged in structural reforms and regained access to international financing, the 'Tequila crisis' in Mexico threw into question the neoliberal promise of crisis-free development. Complementing US bilateral assistance, the IMF disbursed the largest loan in its history to prevent the crisis from spreading. The US imposed its view on the Executive Board despite the opposition of the European members who argued that the loan weakened the liquidity of the institution and contradicted the catalytic role of the Fund (Riesenhuber 2001: 58). The IMF also followed the US's lead in understanding the crisis as the result of mismanagement on the part of the Mexican government and made its assistance conditional on fiscal austerity and further financial deregulation (Soederberg 2004: 52–4). As in 1982, its intervention was instrumental in directing the impact of the crisis away from investors to the poor majority of the Mexican population.

The IMF's response to the 1997–8 East Asian crisis, in line with the US priorities, involved pushing governments further in the direction of free capital mobility (Soederberg 2004: 133–6). IMF Managing Director Michel Camdessus saw the crisis as a 'blessing in disguise' that created room for introducing substantial policy changes in exchange for financial assistance that national governments would not otherwise have adopted. Blaming crony capitalism and the structural weakness of the economies of the region, the Fund took the opportunity to demand floating exchange rates, fiscal and monetary discipline, trade openness and financial liberalization (Medley 2000: 381).

The IMF's role was central to the strategy crafted by the US Treasury and the Federal Reserve, bringing together the G7, the Asian Development Bank

and the World Bank to rule out a regional alternative of the creation of an Asian Monetary Fund which had been mooted by Japan, and which the US especially saw as a threat to the Fund's capacity to enforce conditionality and financial discipline (Riesenhuber 2001: 126). Even more than its previous interventions, the Fund's performance in the East Asian crisis fuelled intense debates. The US Congress initially refused to increase the US quota to the IMF on the grounds that it was handing 'good money to bad people', but it soon relented, mollified by US Treasury Secretary Larry Summers' reassurances that the IMF was 'the cheapest and most effective way' to promote the American interest in world-wide financial stability (Riesenhuber 2001: 125).

Yet the crises also triggered the IMF's own recognition of the problems associated with the process of liberalization. New emergency facilities to assist countries affected by international crises were created, and the New International Financial Architecture (NIFA) process was launched at the 1995 G7 summit in Halifax. It was decided that IMF surveillance would be expanded beyond a given country's macroeconomic position or its foreign exchange reserves to include the financial structure (especially the debt and foreign debt ratios) of their major companies and banks (Harris 1999: 207–8). The IMF established standards of 'good practices' and used its leverage to encourage all countries to adhere to the General Data Dissemination Standard to provide information on economic, fiscal, financial, external and socio-demographic issues following specific guidelines that guarantee its quality, periodicity and timeliness. Participation in this would be 'voluntary' but non-participation would have a significant impact on countries' access to financial markets. In addition, the Fund, in conjunction with the World Bank, started compiling Reports on the Observance of Standards and Codes (ROSCs) that assess the national level of implementation of information codes and standards (Langley 2004b). Moreover, the IMF instituted a new series of Press Information Notices (PINs) through which its assessment of a member country may be made known to the public. 'In this way the Fund's dissatisfaction with a country's progress in adhering to the Fund's principles of "good governance" can be a very credible threat and result in capital flight or investment strikes' (Soederberg 2001: 859).

At the same time, some crucial institutional and political dimensions of structural reforms came into focus when the IMF decided that assistance would be withheld from countries with poor 'governance' (e.g. ad hoc decision-making, rent seeking, preferential treatment of individuals and organizations). In what seemed to be a recognition of the social costs of 'disembedded liberalism', Managing Director Horst Köhler not only spoke of the need to alleviate the costs of globalization and to fight global poverty, but also advanced a new form of conditionality in which agreements between the IMF and client countries should be based on the domestic 'ownership' of the reforms. This meant that governments should assume responsibility for adjustment programmes and civil society should support

such structural reforms. In Fine's (2001: 12) blunt terms, ownership means 'doing what the World Bank/IMF would do but also appearing to do it by yourself and willingly'. This has translated into the widely advertised debt-relief initiative for Heavily Indebted Poor Countries (HIPC) implemented through the Poverty Reduction Strategy Papers (PRSPs) tailored to the specific circumstances of each country (Lee 2002; Peet 2003: 95–7). The IMF's emphasis on governance and institutional arrangements and more recently on ownership and poverty alleviation involves the acknowledgement of the limitations of universal recipes and of the importance of recognizing the specific situation of any given country. However, as Best (2003: 374) suggests, national variations seem to be treated as 'temporary deviations from the true direction of the international regime – the universal liberalization of finance'.

Nevertheless, not only left-wing but also right-wing critics have increasingly raised their voices against the IMF in this context. The Meltzer Report authored by the US Congress International Financial Institution Advisory Commission criticized the IMF's excessive lending, declaring it responsible for aggravating situations of moral hazard, and proposed its transformation into a short-term lender for countries that had already qualified for assistance. The Clinton administration rejected the conclusions of the report and only favoured minor changes that would not alter the role of the Fund in the governance of the international financial system (Langley 2004b: 79). On the other hand, the new Bush administration favoured a narrower role for the institution concentrated on early intervention for crisis prevention, streamlined conditionality and the fight against money laundering (Munk 2001: 405; Lee 2002: 290). The Bush administration's unwillingness to back IMF assistance to Argentina in order to avoid default on its sovereign debt in 2001 was an important expression of this new approach. The hostility to IMF bail-outs and the preference for 'market solutions' to crisis provided the discursive context in which the Fund adopted a more aggressive style in the negotiations.

The search for a new sense of mission in line with this 'streamlined' agenda underlay Managing Director Rodrigo de Rato's call to define a clear focus on surveillance and financial assistance for the Fund after a decade of being 'pulled in too many new directions' (IMF 2005: 2). Rato's successor, Dominique Strauss Kahn, has made gestures to restore the confidence of peripheral countries in the IMF in a context in which the relevance of the institution seemed to be at stake as several middle-income countries made efforts to free themselves from conditionality, and as East Asian countries amassed large amounts of reserves so as to deal with a potential crisis without the Fund's assistance (Woods 2006: 2). Similarly, several Latin American countries cancelled their debt with the IMF in advance, which freed them from the policy conditions and surveillance associated with its lending programmes. These decisions not only weakened the IMF's leverage but also

deprived it of loan charges and interest from large borrowers that constitute a major source of its income (Kapur and Webb 2006: 14).

This historical account has revealed an institution that has overcome previous crises and has recently helped to translate neoliberal globalization into concrete blueprints for structural reform which redirect the potentially disruptive effects of financial turmoil away from creditors and financial actors towards workers and the poor in peripheral countries. It has also revealed why it is that any purely institutional history does not suffice to explain the role of the IMF: the adaptation to diverse historical situations and the IMF's changing roles and power have depended on economic scenarios and political dynamics that go far beyond the boundaries of the institution itself and have everything to do with US global power.

The World Bank: the successive strategies of social engineering

Unlike the IMF, the International Bank for Reconstruction and Development (IBRD) – the agency in charge of financing reconstruction and development – did not receive much attention at Bretton Woods. It was mostly a US creation meant to facilitate the flow of private investment to finance European reconstruction. Development goals were included in its Articles of Agreement mainly so that Latin American countries would agree to join the IMF – which was made a condition of qualifying for development loans (Williams 1994: 103). In its six decades of existence, the World Bank Group that emerged from the IBRD would gradually grow into an ambitious institutional complex providing technical assistance and policy advice to governments, financing private investments, offering guarantees to investors in peripheral countries and facilitating the settlement of investment disputes between governments and foreign investors. Its own lending capacity has come to exceed by far that of other IFIs, and its intellectual production has become central to the academic and political development agenda (Stone and Wright 2006: 2).

The governing and organizational structures of the Bank are similar to those of the IMF in that the shares of each country determine its voting power.[5] Decisions about the rules that regulate its activities required a special majority of 80 per cent, which gave the US, with more than 20 per cent of the votes, a veto power; in 1989 when the US share fell to 17 per cent, the majority required for amendment was increased to 85 per cent (Gilbert and Vines 2000: 20). As the IBRD's ability to float bonds depended on Wall Street when it was created, it was decided that a US citizen chosen by the US government should lead it, and with only a few exceptions the World Bank's presidents have been chosen from the private financial sector (Kahler 2001: 43). Since the 1960s, the number of Bank officials from developing countries has grown but approximately 80 per cent of its economists have been trained in the UK or North America (Berger and Beeson 1998: 493).

Beyond these formal mechanisms of control, US influence is exercised in several informal ways. First, the Bank staff have rarely advanced loans and promoted policies that were not backed by the US for consideration to the Board (Woods 2000b: 134). In addition, the US is the only Bank member to check all loan proposals in detail and Treasury officials are in daily contact not only with the US executive director but also with other Bank officials. More generally, US influence is grounded in the Bank's dependence on world financial markets, New York's central position as a global financial centre, and the close alignment of the interests of key financial actors with those of US foreign policy (Berger and Beeson 1998: 493).

The IBRD quickly became entwined in the power relations of the Cold War. US government aid through the Marshall Plan rather than Bank lending became the main source of financial assistance for reconstruction. This left the Bank lacking quality projects to be financed and unable to offer good investment opportunities. In 1948, after gaining the confidence of the US financial market under the leadership of its second president, John McCloy, a Wall Street lawyer (Rich 1994: 68), the Bank began lending to Latin America. It further positioned itself as a source of development financing in the 1950s when the process of decolonization created a new group of clients with an agenda of rapid growth and development (Gilbert and Vines 2000: 14). In this context, its financial assistance was a critical instrument in drawing the decolonizing third world into the logic of a bipolar world order. Reflecting the Keynesian and Cold War consensus on liberal developmentalism (expressed in the rise of classical modernization theory), its lending concentrated on infrastructure, transportation and energy projects that would foster industrialization, import substitution and exports (Berger and Beeson 1998: 488). Its intervention was conceived in terms of addressing capital market failures and overcoming the tension between the short-term horizon of private financing and the long-term horizon of infrastructure investments (Gilbert and Vines 2000: 15).

During the 1950s the IBRD began to collaborate with governments in identifying projects – or, as Rich (1994: 74) puts it, it worked to create the demand for development financing. To build up technical and planning skills among its potential borrowers, in 1956 it created the Economic Development Institute (EDI) that served to train administrators from peripheral countries in the formulation of development plans.[6] With considerable financial support from the Ford and Rockefeller Foundations, the EDI offered courses in the theory and practice of development for senior officials from borrowing countries. It later also ran training programmes on World Bank project appraisal and country programming. In the words of its first director, Sir Alexander Cairncross, students at the EDI 'would carry with them ideas that were more congenial to the Bank when they went back to their own country'. He added that by the late 1970s, 'EDI graduates "more or less ran" South Korea, and in Pakistan there were "a great many ex-EDI men who quite consciously

were pulling together and having an influence on development"' (Berger and Beeson 1998: 492–3).

The Bank's pursuit of a universal model of development based on the assumptions of modernization theory did not prevent US strategic interests from becoming a deciding factor in the Bank's lending policies. While Yugoslavia received loans in 1948 after its break with the Soviet bloc, loan applications from post-war Poland and Czechoslovakia were turned down when the US made it clear to the staff that it would vote against such loans if presented to the Executive Board. Similarly, negotiations for a World Bank loan to build the Aswan Dam in Egypt were suspended when US Secretary of State John Foster Dulles decided to refuse financing for the project. Conversely, Somoza's Nicaragua and the Shah's Iran – both seen as especially helpful anti-communist allies to the US – obtained a disproportionate number of loans (Payer 1982: 42–3; Kapur et al. 1997: 500; Woods, 2003: 105).

From the beginning of the 1960s, amidst growing concerns that poor peripheral countries would succumb to communist ideology, the International Development Agency (IDA) (in charge of concessional lending for basic social services in the poorest countries) was established. Positioning the struggle against poverty as its main focus, the World Bank justified its lending more and more in terms of the requirements of the development process rather than capital market failures (Gilbert and Vines 2000: 15). In this context, Robert McNamara, former Ford CEO and US Defence Secretary under Kennedy and Johnson, reformulated the Bank's notion of development, taking the position that poverty could be eradicated through direct policy intervention and that managerial competence was more important than ownership. This translated in a greater role for governments in development (Peet 2003: 118–20). Lending grew at unprecedented rates and was redirected towards projects of rural development, urban infrastructure, education and health that were said to target the needs of the poor (Pieper and Taylor 1998: 40; Gilbert and Vines 2000: 15). This major shift was accompanied by a process of institutional expansion in which research and long-term planning gained in importance (Rich 1994: 84–5).

The focus on poverty and the creation of the IDA produced frictions between the Bank and the Nixon administration. But even so, there was no major departure from the US's geopolitical priorities. The Bank refused to lend to the democratically elected governments of Goulart in Brazil and Allende in Chile but did lend to the subsequent dictatorships in both countries. Similarly, it had not lent to Indonesia during Sukarno but it did lend to Suharto after the anti-communist bloodbath he perpetrated (Rich 1994: 103). Also Turkey, Mexico, Iran and the Philippines, among other countries with a record of corruption, human rights violations and failure to meet the conditions associated with loans, received 'close and generous treatment from the World Bank' with the support of the US Treasury and the State Department (Woods 2000b: 146). But even in this geopolitical context,

the failure to alleviate world poverty to any significant extent, and changes in development thinking that generally weakened US support for foreign aid, increasingly put in jeopardy the Bank's new agenda and soon led to a reversion to its more traditional areas of action (Gwin 1994; Peet 2003: 120).

The shift to structural adjustment lending

When the prospects of development and modernization were thrown into question by the international economic slowdown of the 1970s, private banks needing to recycle large amounts of liquid funds took the lead in extending loans to several peripheral countries, thereby creating the conditions for the accelerated growth of their external debt. This coincided with the declining importance of official financing in peripheral countries and with US calls for their governments to focus on inflation, the reduction of the external deficit and the adjustment of economic policies in line with market forces. This was an inauspicious context for the World Bank's efforts to increase lending.

The Bank was slow to recognize and respond to the changes. Only after the second oil shock in 1979–80 did it begin to issue public warnings about the limited ability of the international financial system to recycle funds sufficient to maintain import levels and economic growth rates in peripheral countries. Also, the deflationary policies implemented by neoconservative governments in core countries were responsible for its more pessimistic assessment of growth prospects. The Bank responded by prioritizing macroeconomic intervention over its traditional project lending (Chahoud 1991: 35). Debt management and 'adjustment with growth' policies in middle-income indebted countries became its new priorities. Structural adjustment lending (SAL) – previously seen as an instrument only used in exceptional situations – now became common. By making loans conditional on the implementation of structural reforms, the Bank expected it would be able to persuade governments to change their economic policies so as 'to put their houses in good economic order' (Mosley et al. 1995: 33).

The appointment of the former president of the Bank of America, Alden Clausen, as the World Bank's president in 1981 marked the virtual elimination of the fight against poverty from its agenda and a decisive turn to neoliberalism. The Bank's goals were now about ensuring efficient prices, reducing tariffs and subsidies, eliminating regulations and barriers to financial activities, deregulating labour markets, privatizing public assets and reducing state intervention (Pieper and Taylor 1998: 44–5). This shift occurred in the context of pressures from the Reagan administration to reduce multilateral aid and to make US support to the IFIs conditional on the implementation of policies aimed at advancing market-oriented reforms. While the Bank assumed that adjustment required substantial financing, the US – with the Treasury explicitly threatening to withhold support for capital increases and IDA replenishments – made it clear that it wanted the Bank to serve as a lender

of last resort and pushed for a reduction in its lending levels (Gwin 1994: 62–3).

Although the Bank had focused on sustaining the payment position of indebted countries and preventing default since the early stages of the debt crisis, it was only after US Treasury Secretary James Baker launched his proposal for debt restructuring that the Bank developed a comprehensive strategy and took on a key role in debt management (Williams 1994: 117; Gilbert and Vines 2000: 16). The US administration in this context came to see the World Bank's structural adjustment lending as a useful instrument, one that could respond to the debt crisis and advance market liberalization at the same time, and one that could give a multilateral appearance to a strategy essentially framed by the US Treasury. This reversed the US opposition to a capital increase for the Bank and to replenishments for the IDA (Gwin 1994: 42–3; Williams 1994: 120).

But the Baker plan failed either to solve the debt crisis or to deliver on its promise of 'adjustment with growth'. As structural adjustment lending came under attack for its destabilizing consequences the World Bank's shift from project financing to policy-based lending and closer collaboration with the IMF began to draw considerable criticism. Under Clausen's successor, Barber Conable, poverty alleviation, distributional issues and governance would become central objectives of the Bank's lending activity (Kapur et al. 1997). This was accompanied by an institutional reorganization in which the Research Department (where a group of neoliberal ideologues had congregated during the 1980s) was eliminated (Berger and Beeson 1998: 491). The gradual incorporation of the political and social dimensions of adjustment and the relaxation of the rigid neoclassical orthodoxy of the 1980s paved the way for an apparent revolution in the World Bank's thinking and lending policies and for heated debates about its role in the tumultuous international developments of the mid-1990s.

A 'post-neoliberal' agenda?

The substitution of non-performing loans with the so-called Brady bonds during the early 1990s provided a new rationale for World Bank interventions. When the US Treasury changed its debt management strategy, the Bank's research into debt relief helped to define the new orientation (Woods 2000b: 142). In spite of serious objections from major shareholders, it also contributed resources to support debt reductions (Gwin 1994: 45). When private lending resumed, the Bank's interventions were justified in terms of the need to create the appropriate environments for capital and to ensure that investments contributed to growth and poverty reduction (Gilbert and Vines 2000: 18). The Bank thus came to play a major role in the development debate of the 1990s regarding the institutional underpinnings of globalizing markets. Recognizing that structural adjustment had been only partly successful even on its own terms, and that neoliberal reforms needed legitimacy and had

to be protected from social pressures, the anti-state view of the 1980s gave way to prescriptions regarding the proper role of the state in market-oriented economies.

The World Bank's 'rediscovery' of the state was widely interpreted as a break with the neoliberal era. But the consolidation of a consensus on the free-market orientation of development made the new concessions in the direction of state intervention relatively harmless politically. Moreover, the Bank's new institutionalist arguments did not alter the rational-choice foundations of its understanding of development, which resulted in what Berger and Beeson (1998: 481) describe as 'a highly mechanistic approach to the dynamics of political and economic change in the various countries which the researchers at the Bank sought to understand'.

The 1994 crisis in Mexico occurred in spite of its faithful adherence to neoliberal prescriptions. This was especially remarkable when set alongside the fact that the 'Asian miracle' had been based on a strategy that departed from such prescriptions, and this dealt a major blow to the World Bank's premises for reform and development. When President Lewis Preston resigned in 1995, the US Treasury, the State Department and the White House joined forces in the search for a candidate who could define a new role for the Bank and rebuild its legitimacy (Kahler 2001: 46). The new President, James Wolfensohn, accompanied by Chief Economist Joseph Stiglitz, led a theoretical renewal that further stressed the non-economic dimensions of development, articulated a positive role for the state in orienting and regulating markets, and raised new concerns about sustainability, equity and accountability. This set the stage for the expanded intervention of the Bank in member countries through projects aimed at strengthening institutions, fighting poverty, and empowering civil society actors through training, consultation and technology transfers – all aimed at creating reliable political actors in borrowing countries. The definition of new areas for the World Bank's intervention was formalized in new guidelines for financial assistance that sought to replace conditionality with the domestic 'ownership' of the reforms – the Comprehensive Development Framework (CDF) launched in 1999. Countries were now required to show their record of good policies and institutional environments to be eligible for financial aid (Pender 2001: 408).

This World Bank response to the tensions associated with neoliberal reforms was incorporated into its lending, policy advice and intellectual production, with the purpose of remoulding economies, institutions and societies in a more coherent fashion. This was straightforwardly expressed in the 1999–2000 *World Development Report*, which encouraged countries to create national regulatory structures designed to attract foreign capital; reduce the potential for financial crises by controlling short-term capital movements most likely to destabilize the economy; hold sufficient foreign reserves; and establish an orderly liberalization of the capital account

(Coleman 2002: 509). Likewise, the turn towards a 'social vocabulary' and domestic 'ownership' has been part of an attempt to make local conditions compatible with the Bank's own comprehensive operational standards (Woods 2006: 3) as well as to depoliticize social and distributional issues (Hatcher 2006: 202). The inclusion of political and social dimensions of reforms and the emphasis on ownership helped to reshape the World Bank's image as a partner engaged in dialogue and exchange of ideas with client countries (Harrison 2001: 540; Pender 2001: 409). This was reinforced by the priority given, under Wolfensohn's leadership, to the systematic production, collection and diffusion of knowledge about development (Gilbert et al. 1999: 608–10).

In the wake of the crises of the 1990s, the Bank's renewed agendas have sparked intense academic debates and political controversies. As in the case of the IMF, criticism has not just come from the left and social movements; mainstream commentators have also criticized World Bank intervention (Stone and Wright 2006: 5; Vetterlein 2006: 127). In what may be interpreted as a response to these criticisms as well as a realignment with the new Bush administration's agenda, the Bank stressed the idea in its 2003 Annual Review of Development Effectiveness that lending should be limited or postponed in the absence of a good policy environment (Hatcher 2006: 194–5). The appointment of the former US Defence Secretary Paul Wolfowitz as World Bank President was accompanied by a wave of 'self-criticism' and by efforts to redefine the scope of intervention in more modest terms. The Bank's internal evaluation of its institutional performance resulted in a very critical assessment of the poor quality of its research, to the chagrin of many of its staff. The rapid ouster of Wolfowitz after a corruption scandal that further damaged the Bank's reputation has left its future role more uncertain than ever.

Conclusion: does Argentina foretell the future of the IFIs?

In the context of the institutional crisis that had enveloped both the Bank and the IMF by the turn of the century, the fact that many blamed the IFIs for the economic and social turmoil that affected Argentina in 2001 (which culminated in the Argentinian state's default on its debt) was bound to shake both institutions to their core. The new government's subsequent decision to pay off the entire debt with the IMF drew further international attention and triggered intense debates about the possible 'demonstration effect' of the Argentinian strategy and the future of the IFIs. These concerns have been reinforced by proposals for coordinated regional financial arrangements in Latin America that are explicitly designed as an alternative to the IFIs' tendency to privilege the interests of external creditors and that celebrate the Argentinian decision as a remarkable break with the neoliberal past. Mainstream analyses

have also accepted that the IFIs' earlier role in enforcing neoliberal reforms in Argentina has severely damaged their reputation, effectiveness and prospects but view the rift between the Argentinian state and the IFIs as an alarming sign of a resurgent populism.

However, Argentina's adoption of the neoliberal strategy of development and international integration has been a highly complex process that goes far beyond the 'mistakes' or even the 'evil nature' of the IFIs. The decision to pay off the debt with the IMF cannot simply be understood as an unambiguous act of emancipation on the part of the Argentinian government or as a clear sign of the loss of authority and reputation of the IFIs. Whether other countries will follow in Argentina's footsteps cannot be deduced from the institutional links between countries and the IFIs but depends, among other things, on the broader picture of their economic policies, their location within the global economy, their relation to the American empire, and the constellation of domestic and international social forces still marked by the effects of neoliberal reforms.

In the early 1990s, Argentina emerged from a long crisis to become the 'poster child' of neoliberalism for its audacious process of state restructuring and macroeconomic stabilization. As those reforms translated into lower rates of inflation and massive capital inflows, the IFIs began to see the country as the showcase of the effectiveness of the neoliberal reforms. Their blessing was expressed in technical, financial and political support (under the Brady plan, among other projects) for the further privatization of public assets, the deregulation of the economy, the reform of public administration and the restructuring of the country's public debt.

But the combination of financial deregulation and a macroeconomic stabilization scheme based on a fixed exchange rate regime gradually eroded Argentina's international competitiveness and made the country extremely vulnerable to the international financial crises of the 1990s. For several years, lending from the IMF and the World Bank helped the government to compensate for capital outflows, to finance budget deficits and to respond to growing social demands – in exchange for a commitment to deepen fiscal discipline and expand the neoliberal reforms to a wide range of areas of state action. The country recovered from the Mexican and the Asian crisis but was hit hard by the recession that followed the Russian and Brazilian crises of 1998. The Fund disbursed several emergency loans to improve the international financial position of the country, while blaming the Argentinian government for its lack of political will to deepen the reforms and enforce fiscal discipline. The government committed itself to meeting the IMF's requirements, maintaining its fixed exchange rate regime and honouring the public debt. By the turn of the century, this led to an explosive combination of economic depression, uncontrollable growth of the public debt, social unrest and loss of international confidence in the Argentinian economy.

Even though IMF staff began to express doubts about the effectiveness of multilateral lending in addressing the crisis, financial assistance was maintained, helping to postpone the explosion of this crisis and giving economic actors time to transfer enormous amounts of money out of the country. This lasted until late 2001 when, in line with the hostility of the Bush administration towards international bail-outs, the IMF put an end to its leniency with regard to the non-fulfilment of conditions associated with its assistance programme. The IMF thus cancelled its disbursements to Argentina, expecting that this would enforce a restructuring of the public debt. Without the support of the Fund, the government renewed its efforts to reduce public spending and meet its financial commitments but failed to prevent or contain the explosion of political and social unrest that led to the resignation of the President, the announcement of unilateral default on the public debt and the abandonment of the fixed exchange rate regime in a context of growing economic instability.

These measures were followed by fierce struggles over the distribution of the costs of the crisis. The IMF actively intervened to prevent the reversal of the reforms and to protect the interests of international investors and creditors. Arguing that assistance should not precede but follow sound policies, it demanded an orthodox fiscal adjustment and further structural reforms without releasing new loans. At the same time, Managing Director Köhler pleaded guilty to not having paid enough attention to the institutional and fiscal weaknesses of the country, and justified the refusal to give additional financial assistance by asserting that 'the roots of the evil are in Argentina, therefore, if Argentina does not do anything about it the IMF cannot do it' (Zaiat 2002).

After months of unsuccessful negotiations with the Fund, by late 2002 the Argentinian government started to challenge some of the orthodox policies demanded by the institution. A combination of capital controls, taxes on exports and regulation of the exchange rate created the conditions for a gradual recovery of the economy. In this context, Néstor Kirchner won the presidential election and took power in May 2003. His discourse blamed neoliberalism for the crisis and rejected the pressures from the IMF, the World Bank and the G7 to deepen structural adjustment and to prioritize debt payment over growth. Amidst hostile negotiations and mutual accusations, an agreement with the IMF was reached in September 2003 with the support of the US, but against the opposition of the Europeans and Japanese who saw the agreement as excessively lenient. The government announced a restructuring of the defaulted debt that proceeded without the support of the IFIs and the G7 and was concluded in early 2005 with a high rate of acceptance among bondholders. Unlike the debt with private creditors that suffered a 'haircut', the debt with the IMF and the World Bank was not restructured, in an unsuccessful attempt to gain their support. In August 2004, the Fund cancelled its assistance programme on the grounds that the country had

not made any progress with the necessary reforms. Since then, the government has not attempted to negotiate a new assistance programme. By late 2005, after more than three years of sustained growth and very favourable external and fiscal balances, Kirchner announced the decision to pay off the entire debt owed to the Fund to free the country from external discipline and surveillance. Likewise, the number of active programmes and the debt with the World Bank were considerably reduced and the government has rejected the Fund's offer to mediate in the debt negotiations between Argentina and the Paris Club of creditor states.

The Argentinian government's rejection of the IMF's deflationary blueprint and the demands of international creditors were key to its economic recovery. This in turn strengthened the official discourse that blamed neoliberalism and the IFIs for the previous crisis. This was the context in which the government took its controversial decision to fully repay the debt with the IMF. On the one hand, the IMF was aiming at reducing its exposure in Argentina, expecting to see the entire debt repaid by 2011 (Nudler 2004). This casts doubt on the Argentinian government's presentation of its decision as a bold assertion of its sovereignty. Critics have also argued that fiscal surpluses could have been, but were not, used to alleviate the situation of a huge mass of impoverished people in the country. On the other hand, the break with the Fund effectively gave the Argentinian state more room to regulate several macroeconomic variables and intervene in the economy in a way that would have been unthinkable in the context of traditional IMF programmes. The state has actively manipulated the exchange rate to improve the competitiveness of Argentinian exports, controlled the prices of privatized public utilities and refused to meet the demands of the public debt 'holdouts' – all this in the face of IMF antipathy to these forms of state activism and against the interests of capitalist fractions fiercely defended by the Fund. The government has also rejected the IMF's recommendations to prioritize the fight against inflation over growth.

Undoubtedly, Argentina has gained a degree of autonomy to make decisions about the use of its public resources, but this does not necessarily constitute a reversal of the previous structural transformation of the state and economy and of the patterns of distribution of power and wealth associated with it. Rather, the Argentinian government's antagonism towards the IMF and the World Bank should be located within a political strategy that centres on restoring the legitimacy of the political system while enlarging the room for manoeuvre for the state to recreate the conditions for capitalist accumulation. The strategy has paid off: as President Kirchner put it during a state visit to Germany, 'there is life after the IMF and it is a very good life' (Kirchner, 2005, quoted by González 2005). GDP has been growing at impressive rates, the 'endemic' fiscal and external deficits have been reversed and foreign currency reserves are at record levels after having plummeted in 2002. Yet, the recovery of profitability and competitiveness has been based on the

revival of exports and has been premised on low wages (whose purchasing power has been further eroded by inflation), precarious labour relations, the persistence of high levels of poverty and inequality, and the maintenance of a regressive tax structure. Even though the Argentinian government has been highly vocal in its criticisms of the IFIs and neoliberalism, it has maintained fiscal discipline and hoarded large amounts of foreign reserves to respond to financial problems in the future. Ultimately, these safeguards are aimed at protecting the system in the event of a financial crisis rather than challenging the interests of its dominant groups (Katz 2007).

But the effects of the clash between Argentina and the IMF have heady international implications. The debt with the IMF was cancelled in the context of a growing social rejection of neoliberalism in Latin America, the coming to power of progressive, centre-left or left political forces in several of the region's countries, and new regional political and economic alliances that could grow into alternative regional financial institutions. Venezuela has backed Argentina's financial position by buying its public bonds (Swann 2007) and both countries, together with Brazil, Bolivia, Ecuador, Paraguay and Uruguay, have agreed on the creation of the regional Bank of the South, which will initially finance regional infrastructure projects. The new institution is intended to at least partly supplant international lenders and avoid their policy conditions. Some countries have announced a more radical break with the IFIs. In May 2007, Bolivia, Venezuela and Nicaragua withdrew from the World Bank's International Centre for the Settlement of Investment Disputes (ICSID), arguing that this institution, in charge of solving conflicts between countries and international private investors, favours the interests of transnational capital over the sovereignty of countries. Also, Venezuela announced its decision to leave the IMF and the World Bank, which (in the words of Venezuelan Finance Minister, Rodrigo Cabezas, quoted by BBC Mundo on 14 April 2007) 'are controlled by US hawks'.

These political initiatives have emerged in an international context marked by the ample availability of liquidity and high market prices for the commodities exported by Latin American countries; both of these factors have made them less dependent on lending from the IFIs. The question is whether this will be a lasting trend catalyzing development strategies independent from the IFIs or if, when external circumstances take a turn for the worse, countries will again agree to conditionality in order to get financial assistance. Alternative regional financial institutions, if realized, might play a role in guaranteeing credits and offering rapid-disbursement loans but their success or failure will ultimately depend on which of these broader political choices prevails. Without changes in the subordinated integration of the countries that make up these new Latin American initiatives within the global capitalist hierarchy, regional institutions will hardly be able to replace the IMF whose effectiveness is based on its capacity to reassure global investors by strengthening the accountability of borrowing countries. To put it differently, the fate

of an alternative regional financial architecture will depend on the transformation of the historical forms of global integration that are at the origin of the recurrent crises in Latin America.

As for the IFIs, their capacity to adapt themselves to changing conditions has not only neutralized some critical views but has also given them more refined tools to expand and sustain their historical agendas. Notwithstanding this adaptability and the important differences between the modernization view of the 1950s and 1960s, the radical anti-statism of the 1980s and the more recent concern about the institutional, social and political dimensions of global capitalism, their tendency to locate the source of development problems in the domestic features of countries rather than in their position in the hierarchy of the international capitalist economy has remained unchanged.

When the IFIs came into existence, they were able to frame their policies in technical terms. But as early as the 1960s, the differential treatment of core and peripheral countries and the alignment with the Cold War cleavages raised questions about the IFIs' presentation of their programmes in neutral, technocratic terms. Later, the end of the fixed exchange rate drastically changed the nature of the environment in which the IFIs operated. Initially, both the IMF and the World Bank seemed to lose their purpose and became marginalized from the transformation of the international economy. The hostility of the US administration was crucial in this apparent loss of significance. But it was also one of the key factors behind the IFIs' repositioning with the neoliberal revolution. On the one hand, the IFIs very openly aligned themselves with the US by committing themselves to the imposition of economic discipline after the Volcker shock. On the other hand, the debt crisis led the Reagan administration to relax its initial preference for strictly market-based solutions to crises, thereby creating new opportunities for the IFIs to act as enforcers of discipline. In the process of bringing about neoliberal adjustments in indebted countries, they polished and repolished theoretical frameworks and technical instruments to respond to changing situations and to the 'secondary effects' of their own intervention. In this trial-and-error adaptation process, the IFIs have effectively translated the initiatives of the US Treasury into operational blueprints and procedures for domestic reform.

Although their involvement in the debt crisis and structural reform was effective in containing the damage to the international financial system, the serious economic and social impacts of adjustment meant that the IFIs became targets of social anger. Growing criticism, as well as the emergence of an awareness that the expansion of neoliberal globalization requires international and domestic institutional networks, has fuelled reformulations of the orthodox neoliberal recipes for reform and widened the scope for intervention by the IFIs under the banner of good governance, market imperfections and domestic 'ownership' of reforms (Fine 2001: 12). The IFIs' policies in the international financial crises of the 1990s and the disruptive consequences of their intervention in many peripheral countries damaged their legitimacy

world-wide. The Argentinian default, followed by its successful restructuring of its public debt, has thrown into question the conventional neoliberal premise that indebted countries are powerless vis-à-vis international capital (Cooper and Momani 2005: 309-13), although it is still very much an open question as to whether the moves that have been made by some Latin American countries under recent conditions of ample international liquidity and relative regional prosperity will be sustained or amount to a really substantial challenge to the IFIs.

Recent years have also seen many proposals to reform the IFIs by strengthening their social accountability and creating space for peripheral countries to secure a more equitable participation in their decision-making bodies and for more pluralist views to be expressed in the research that backs IFI interventions. Undoubtedly, these social demands have forced the IFIs to search for new forms of legitimacy and have limited some of the most disruptive effects of their programmes. But many of these proposals have tended to assume that civil society actors in core and peripheral countries and governments in borrowing countries share a straightforward agenda for the democratic reform of the IFIs. Moreover, the very idea of democratic reform is based on assumptions about the nature of the multilateral institutions, and the possibility of altering the hierarchy of the international economy through institutional reform, that cannot be taken for granted. The complex networks of international and domestic forces which have historically embedded the actions of the IFIs in the American imperial project of global neoliberalism still remain firmly in place today.

Notes

1. Around 45 per cent of the shares are held by the G7 countries, which gives them the strongest voice in determining the Fund's policies. The highest decision-making body is the Board of Governors, comprising the finance ministers and central bank governors of all member countries. But most of its powers are delegated to the Executive Board comprising 24 Executive Directors appointed by its five major shareholders (the US, Japan, Germany, France and the UK) or elected by groups of countries according to their quotas.
2. The IMF's Managing Director is always a European citizen. But when the post of Deputy Managing Director was created in 1949 it was accepted that the position would be filled by a US Treasury nominee, which ensured a close watch on IMF operations by the US (Kahler 2001). While the staff have very diverse national backgrounds, they have mostly been trained in US, British or Canadian universities (Woods 2003: 109).
3. Helleiner (1994: 96–7) explains that Jacobson's initiative changed the long-term interpretation of the IMF's Articles of Agreement that prevented it from lending to offset capital movements. However, the IMF's decision-making procedures made the quick disbursement of large sums to respond to speculative flows difficult. The

more flexible Bank for International Settlements became the preferred institutional setting to organize the response to speculative attacks.

4. The countries involved were Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Ivory Coast, Jamaica, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia.
5. The highest formal decision-making body is the Board of Governors composed of the finance ministers of its member countries. Most of its powers are delegated to the Executive Board. The five largest shareholders appoint one director each and another 19 are elected by groups of countries. The Executive Board is chaired by the President, who is also the chief of the staff.
6. Also in 1956, the International Financial Corporation (IFC) was created to support potential private investors in developing countries. Complementing its lending, the IFC also gives technical assistance, encourages business alliances and gives advice to governments with regards to the creation of a sound environment for private investment, the formation of capital markets, direct private investments and privatizations.