



## Review of Poor States, Power and the Politics of IMF Reform

**Mark Hibben (2016) *Poor States, Power and the Politics of IMF Reform: Drivers of Change in the Post-Washington Consensus*. London: Palgrave Macmillan. 185 pages, ISBN 978-1-1375-7749-8 Cloth (\$129.00)**

The book examines the major policy initiatives and interventions of the International Monetary Fund (IMF) in Low-Income Developing Countries (LIDCs) in the post-Washington Consensus era. Hibben analyzes the driving factors of IMF LIDCs reforms, including stakeholder interests, and the policy tools that it has available to achieve its objectives. He examines scholarly debates regarding the IMF's post-Washington Consensus reforms on development policy and its ideological influence. Hibben underscores the degree of disagreement that exists among different actors—predominantly powerful states, LIDCs, NGOs and IMF staff—on the issue of macroeconomic policy and development. Unlike the Washington consensus period, notable for its “one size fits all” orthodoxy, the post-Washington Consensus period accommodates greater flexibility. The author reviews both policy changes and continuities between these two periods, particularly with regard to the IMF's engagement in the policy of LIDCs.

Following an overview of the IMF's history and organizational structure, Hibben considers the IMF's activities via three primary approaches to international political economy: Principal Agent, Constructivist, and Historical Structuralist (specifically, neo-Gramscian) theories. As a rational choice Principal Agents (PA) model would expect, IMF policy reforms in LIDCs mainly serve the interests of the powerful states (the principals), with IMF management and staff serving as agent. According to this perspective, the IMF's reforms and policy prescriptions are externally induced by the powerful states. However, as the author notes, this approach also views



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international organizations, including the IMF, as enjoying some degree of institutional and legal autonomy. Taking into consideration the assumptions of PA theory, Hibben explains that the disagreement *among* powerful states creates room for the agents to support or resist policy reforms in the IMF.

Unlike the PA model, Constructivist theory, which drives from sociology, argues that most policy and institutional reforms emanate indigenously from Fund management and staff (agents). The triggering factors of policy reforms for the Constructivist approach include prevailing policy failures, an institutional crisis of legitimacy, crises external to the fund, and widespread criticism of certain policies. Hence, the Constructivist theory contends that organizational culture, norms and the dynamics of the economy influence IMF policy reforms and decisions.

Hibben also attempts to highlight IMF policies and reforms for LIDCs by drawing on Historical Structural theory, which is enjoying a degree of influence in both international relations and international political economy. A neo-Gramscian approach examines the relations between ideas, institutions, material capabilities, historical contest, and cooperation among the world's physical and ideational forces. Accordingly, the author posits the IMF as an institutional tool designed by hegemonic powers to smoothly and consensually sustain the status quo of global capitalism. Similarly, from the neo-Gramscian perspective, the IMF is understood as an institution of global governance that is backed by global elites who facilitate reforms, such as inclusive growth and pro-poor policies, in order to shore up the prevailing order.

Moving on, Hibben reviews the major economic schools of thought influencing IMF policy choice and operation. From its inception in 1945 to the post-Washington Consensus period, the IMF has been influenced by different theories which justify and reflect the prevailing economic rationality of that time. From 1945 to the 1960s, Keynesianism influenced the IMF to advocate expansionary fiscal policy and distributive justice. In the late 1960s-1970s, it was guided by the neoclassical synthesis, which calls for countering recession with short-term interventions but in the context of long-term liberalization. Hibben also mentions the influence of the Monetarist approach, running from the late 1960s to the late 1980s, proposing a limited money supply and free markets as the keys to successful economic performance. The fourth school of thought which Hibben identifies as influential in IMF policy, from the late 1970s to the global economic recession of 2008, is the new classical economics, which advocates contractionary monetary and fiscal policy to adjust inflation. Finally, Hibben untangles the new Keynesianism as one of the influential schools of thoughts in the IMF policy response from the mid-1980s to 2008, which argues for the use of inflation targets and monetary and fiscal policy reforms to reduce market failure.

In his focused case studies, the author analyzes the Highly Indebted Poor Countries (HIPC) Initiative and the Enhanced Highly Indebted Poor Countries Initiative (HPIC II). In both cases, the role of individual IMF staff and NGOs are more visible than during previous IMF reforms. Hibben

contends that the HIPC and HIPC II initiatives, which aim to link debt relief with poverty reduction and growth, enjoy strong support from all stakeholders.

After reviewing the IMF's LIDC reforms, the author explores the motives of the IMF and other concerned groups in advocating this reform agenda. The reforms pursued in the wake of the 2008 global crisis, which neo-Gramscians call "inclusive neoliberalism" and the author describes as a "developmental model," is basically intended to undermine the critics of global capitalism, social movements, and counter-hegemonic social forces. Consequently, the IMF's strategic decision to integrate elites from LIDCs and certain elements of civil society into decision-making dialogues regarding concessionary lending and other policy reforms successfully absorbed resistance directed at the institution.

As a general principle to the IMF's institutional structure and specific to IMF LIDCs policy reform, Hibben categorizes stakeholder involvement in decision-making into two major tiers: "primary" and "secondary" actors. In the process of IMF LIDCs policy agenda and reforms, Hibben categorizes the managing director, powerful states, and IMF staff as "primary actors" and LIDCs, NGOs, the U.S. congress, and World Bank presidents as "secondary actors." He researched four cases of IMF LIDCs reform from 1996-2010: HIPC, HPIC II, Poverty Reductions and Growth Facilities (PRGF) and other credit facilities.

Hibben claims that the 2008 financial crisis led to the revival and reformation of the classical Keynesian approach of fiscal and monetary policy. The center-left position, which was inspired by the United Kingdom and France and challenged by the United States and Germany, backs the IMF managing director and its staff position on "pro-poor" concessionary lending arrangements and mitigating the adversity of global capitalism on the poor. Similarly, Hibben repeatedly affirms that policy reforms and adjustments within IMF LIDCs are highly influenced by IMF managing directors and its staff, apart from powerful states.

An historical review of the politics of loan conditionality in poor states is also offered by Hibben. During the Bretton Woods period, the IMF's policy towards LIDCs was marked by a tendency to ease loan conditionality requirements. According to neo-Gramscian scholars, the 1960s-1970s' "crisis of capitalism" resulted in a dramatic shift in political ideology and economic policies to the right. However, the author argues that the policies adopted in the wake of this rightward shift provoked resistance, subjecting the IMF to a "crisis of legitimacy."

Hibben emphasizes the IMF's ability to respond to moments of crisis. The broad-based critiques of the Washington Consensus by states, social movements, NGOs and elites led to a shift at the Fund from structural adjustment and market driven policies to "pro-poor" and participatory IMF LIDCs policies. The replacement of the Enhanced Structural Adjustment Facility (ESAF) by the Poverty Reduction and Growth Facility (PRGF) is presented by the author as a typical example of such a shift IMF policy. Hibben further highlights how the IMF replaced the PRGF in 2010

with three concessionary lending arrangements: the Extended Credit Facility (ECF), the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF). Even though the new lending packages are operationally tied to PRGF, this shift was a response to the global financial crisis (2008-2009) and the food and oil crisis of 2007-2008. Hibben convincingly contends that when it comes to loan conditionality, the Fund's current credit facilities and lending packages are more consensual than the earlier PRGF.

The author does an impressive job of concisely summarizing the three main theoretical frameworks and using them to explain IMF policy over time. In addition, he reviews the institutional structure of the IMF, the substance of key policy reforms, and the convergent and divergent interests among the main actors involved in these reforms. Yet Hibben fails to present the competing perspectives against the very IMF LIDCs policy reforms he reviews. Most notably, he does not present the perspectives of poor states that are critical of these reforms.

In conclusion, Mark Hibben examines IMF policy change in the post-Washington Consensus era using both mainstream and critical theories of IPE. As Hibben shows, the IMF draws fiscal and monetary policy frameworks from different theories, including neo-classical economics, monetarism, and new Keynesianism. The main contribution of this book lies in analyzing the IMF's work and its policy reforms towards LIDCs via three major approaches: PA, Constructivist, and Historical-Structural.

Through the PA framework, the author presents the cooptation and confrontation of interests among powerful states, LIDCs, NGOs and the IMF staff agents. Using the constructivist approach, Hibben explores how dynamic changes in economic ideas and development policy impact on LIDCs. And finally, through Gramscian perspectives, Hibben examines the "inclusive neoliberal" policy of the IMF towards LIDCs as a mechanism for buffering some of the consequences of global capitalism and thus undermining critiques of globalization and the IMF's role in particular. As the IMF's engagement with development policy and economic reforms increases, so too does the relevance of this work for both policymakers and scholars.

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