Assessing the IMF Conditionality Programs: Implications for Governance of International Finance

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Assessing the IMF Conditionality Programs:
Implications for Governance of International Finance

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This paper focuses on the IMF in order to assess the degree to which international financial institutions can meet increasing expectations to stabilize the international financial system. To do so, this paper reviews prior studies of the IMF to examine how political factors affect the IMF’s decision making and policy implementation of IMF programs. The IMF is not free from political interference. This paper also analyzes the IMF from two theoretical perspectives: the IMF as a bureaucratic organization and principal-agent relationships and the IMF. While the IMF makes various reform efforts, balancing the trade-offs between effectiveness and representation remains a difficult task given the sequential principal-agent relationships.

KEYWORDS: IMF, International Financial Stability, Global Financial Crisis, Global Public Goods

1. Introduction

According to Kaul et al. (2003), global public goods are defined as “goods whose benefits extend to all countries, people, and generations” (Kaul et al., 2003: 95). The global financial crisis that was triggered by the sub-prime mortgage loan crisis in the US can be understood as a situation in which international financial stability as a global public good is undersupplied due to negative externality. Ordinary citizens are suffering from the deterioration in the real economy due to the global financial crisis which has been caused by lax regulations over various financial institutions and instruments such as hedge funds, credit rating companies, and credit default swaps. Hence, it is important to note that it is imperative to provide international financial stability for all countries, people, and generations. However, the question arises of how such international financial stability can be achieved.

In this paper, I define achieving the international financial stability via the efficient prevention of excess financial volatility through financial efficiency and enough prudent regulations by international and national policy makers as a global public good. Under the condition that a world government does not exist, how can we provide international financial stability as a global public good? Specifically, can existing international financial institutions such as the International Monetary Fund (IMF or Fund) meet the demand to create better global financial governance in order to achieve international financial stability and prevent another global financial crisis in the future? This study focuses on the IMF as one of the most powerful international financial institutions. Approaching this topic from the viewpoint of international public policy, the study aims to analyze the extent to which the IMF can create better global financial governance and prevent another financial crisis.

The primary purpose of the IMF is to ensure the stability of the international monetary and financial system. In order to promote economic and financial stability, the Fund regularly monitors international and national economic policies. The IMF staffs discuss national economic policies with national authorities (known as Article VI consultation). The Fund also provides technical assistance in such areas as monetary and financial policies, fiscal policy management, statistical data management, and economic and financial legislation. In addition, in order to mitigate the balance of payment difficulties that member countries face, the IMF provides financial support to member countries. IMF financing is usually conditional upon the progress of economic policy reforms (known as conditionality programs). Because of the important impact of IMF conditionality programs on developing countries, the IMF tends to be heavily criticized by a range of researchers including both anti- and pro-neoliberal economic reformers.

One criticism, for instance, is the argument that the weighted voting system that the Fund adopts in making decisions lacks accountability (Woods, 2004; Stiglitz, 2003). In addition, Rodrick (2006) claims that applying similar conditionality programs to a wide variety of countries without regard for each country’s peculiar situation has not produced the expected economic outcome for debtor countries. The IMF conditionality programs in the Asian financial crisis were particularly condemned by researchers because these programs themselves aggravated the crisis situation in recipient countries (Radelet and Sachs, 2001). Moreover, capital account liberalization which had been long advocated by the IMF had a destabilizing effect on the international financial system (Stiglitz, 2004).
On the other hand, researchers who prefer more effective management of the IMF criticize the Fund because IMF conditionality programs have been too greatly expanded. For instance, these critiques argue that the IMF should confine their conditionality programs to the policy areas in which the IMF’s core competency lies (Meltzer Commission, 2000). It is also pointed out that the IMF causes a moral hazard (Vaubel, 1983).

Therefore, it is worth examining prior research on the IMF in the field of international political economy (IPE) in order to assess the extent to which international financial institutions such as the IMF can fulfill their responsibility to provide international public goods in global financial governance. That is, to what degree can they contribute to stability of the international financial system via creating a better international regulatory framework and monitoring the progress to provide a better framework? The next section of this paper reviews prior studies of the effects of IMF conditionality programs on macroeconomic outcome. The third section examines political factors affecting the IMF’s decision making and the implementation of IMF conditionality programs. In the fourth section, I analyze the IMF from two perspectives: the IMF as a bureaucratic organization and the IMF from a perspective of principal-agent relationship. In the last section, I discuss how international financial institutions can contribute to creating better global financial governance to prevent another global financial crisis in the future.

2. The Impact of IMF Conditionality Programs on Macroeconomic Outcome

How can we assess the impact of IMF conditionality programs on macroeconomic policy outcome? Conventional quantitative studies by economists and political economists remain divided about this question. For example, Conway (1994) examined conditionality programs from 1976 to 1986 and showed that IMF programs had no effect on inflation, credit creation, or government expenditure. He also demonstrated that economic growth was reduced in the year of program implementation but significantly increased in the year following program implementation (Conway, 1994). On the other hand, upon analyzing monthly data from January 1990 to December 1999, Stone (2002) reports that the IMF programs were effective in reducing inflation in post-communist East European countries.

The IMF claims that economic growth is one of the prominent purposes of the Fund. However, in examining data from 135 countries from 1951 to 1999, Prezeworski and Vreeland (2000) have shown that economic growth was significantly lower in countries that implemented IMF conditionality programs. Furthermore, they report that lower economic growth continued even after the graduation of IMF programs compared with the countries that did not implement IMF programs (Prezeworski and Vreeland, 2000). Vreeland (2003) also demonstrates that IMF programs not only did not deter a country’s economic growth but also worsen income inequality. Thus, the existing literature remains inconclusive concerning the effects of the IMF on macroeconomic outcomes. It is important to note that these results concerning the impact of IMF conditionality programs are affected by the following two factors: 1) the influence of political factors that affect the IMF’s formulation of conditionality programs and decisions on disbursement of money and 2) the influence of political factors that affect recipient countries’ implementation of conditionality programs.

3. The Political Economy of IMF Conditionality Programs

The IMF plays a role not only in providing credits via conditionality programs but also in influencing decisions of other private banks or regional and international organizations regarding rescheduling debts or financing new loans and thus ensuring financial flows from other organizations as well. That is, IMF loans work as a certificate for other banks and international organizations to ensure that the country will commit to reforms through IMF programs and pay back their loans, thereby sending a signal of credible commitment to the market (Bird, 2003). Having said this, can we assume that the IMF makes decisions based on a purely economic and apolitical rationale? Or should we rather assume that the IMF’s decisions and policy implementation of conditionality programs are influenced by political factors? I look at two strands of research on: 1) political factors that affect the IMF’s decision making in conditionality programs and 2) political factors that affect policy implementation of IMF conditionality programs in recipient countries.

3.1 Political factors that affect the IMF’s decision making

According to the weighted voting system that the IMF uses, the voting power of the US alone accounts for 16.8% of total voting power and voting power of the top five countries reaches 38.4%. Based on this, as mentioned before, the decision making processes based on the weighted voting system are criticized as lacking accountability (Woods, 2004; Stiglitz, 2003). Further, despite the IMF’s claim that its decisions are apolitical and independent, quantitative studies by IPE researchers demonstrate that the IMF’s decision making is influenced by major states, especially the US.

For instance, Thacker (1999) analyzed the data of 87 countries from 1985 to 1994 and found that after the period of the Cold War (after 1990), the IMF was more likely to give loans to the countries whose preferences were close to the US, which was measured by UN voting behavior. Furthermore, Kang (2007) examined 398 conditionality programs during 1985 and 1997 and found that if a country is located in the same region as the top five countries of voting power or was colonized by these five countries in the past, then significantly fewer number of conditionality programs is likely to be assigned to the country. Kang also shows that if a country’s UN voting behavior is closer to the US, the country is more likely to be assigned fewer number of conditions after 1990 (Kang, 2007).
In addition, Stone (2008) studies the data of 96 countries from 1992 to 2002 and shows that as the country receives more US foreign aid, they are more likely to obtain the approval of the IMF loans. Moreover, using the aforementioned monthly data of East European countries, Stone (2002) shows that the country that obtains a loan approval from the United States Agency for International Development (USAID) is more likely to obtain the IMF’s approval to resume its loan disbursement when disbursement of money is interrupted compared with the country that does not obtain a loan approval from the USAID (Stone, 2002: 63). Likewise, Stone observes the same impact of the USAID’s approval on resuming the IMF loan disbursement in the data of 53 African countries from 1990 to 2000 (Stone, 2004). These studies indicate that the US exerts pressures on the IMF’s decisions to resume loans if a country is important to the US. Thus, major states—especially the US—affect IMF decision making regarding not only policy formulation in designing IMF conditionality programs but also decisions to provide and resume IMF loans.

Furthermore, in examining voting behavior on four bills in the US House of Representatives that determines whether the US would support IMF quota increases, Broz and Hawes (2006) report that politicians who obtain more campaign contributions from internationally operated US banks in their constituencies are more likely to support these bills. Hence, their study empirically demonstrates that when the US exerts pressure on the IMF, such pressure may actually represent the interests of the US banks.

3.2 Political factors that affect policy implementation in recipient countries

As mentioned, major states, especially the US, affect decisions about providing and resuming IMF conditionality programs. In addition to these major countries’ influence on the IMF programs, it is important to note that recipient countries’ political conditions also affect the policy implementation stage of IMF conditionality programs. For instance, Stone (2004) finds that as elections in recipient countries come closer, the IMF is more likely to approve resumption of the interrupted loans. In addition, he shows that as the number of political parties within the coalition government increases in a debtor country, IMF programs are more likely to be interrupted (Stone, 2002).4

Further, by comparing democracies and non-democracies during the period from 1980 to 2000, Nooruddin and Simmons (2006) show that democratic countries are more likely to use their budgets for health and education than non-democratic countries if they are not under IMF programs and more likely than non-democratic counterparts to reduce such social spending if they are under IMF programs. According to Nooruddin and Simmons, this is because democratic governments tend to selectively reduce social spending for the poor if necessary since the poor are less organized than the rich (Nooruddin and Simmons, 2006). Thus, it can be said that political conditions in debtor countries affect the implementation stage of IMF conditionality programs while political intentions of creditor countries mainly affect the policy formulation stage of IMF conditionality programs.

4. Analyzing the IMF from Two Theoretical Perspectives

Though the IMF has been the center of critique for a long period of time, it is noteworthy that the IMF has committed to various reforms. For instance, a range of documents including country reports have gradually been made public since 1994 yet the documents are only made public upon each country’s consent; thus, transparency has been enhanced (IMF, 2005).5

Moreover, after 1997 the enhancement of the regulatory and supervisory framework over the financial sector was prioritized in IMF conditionality programs as a part of financial sector reforms. This was recognized as an urgent policy task after the Asian financial crisis (IMF IEO, 2007: 17). In order to assess the risks of the financial system and achieve financial stability, the Financial Stability Assessment Program (FSAP) was started in 1999 in collaboration with the World Bank. Under the FSAP, a country is tested concerning the degree to which its regulatory authorities over the financial sector meet international regulatory and supervisory standards. Although whether the FSAP reports are made available to the public still depends upon the country’s consent, many countries allow the information to be open to the public.

Furthermore, the Independent Evaluation Office (IEO), which is composed of the external independent experts, was established in 2001, and evaluation reports in such areas as IMF conditionality programs and the governance of the IMF have been published.6 In addition, on May 1, 2009, following the global financial crisis, the IMF started a new lending facility, the Flexible Credit Line (FCL), by which the IMF provides loans without conditionality programs for those countries with particularly strong macroeconomic fundamentals and sound policy frameworks.7 Structural performance criteria were abolished in all lending facilities, which was announced on March 24, 2009, and instead structural reforms are monitored through program reviews (IMF, 2009).

Taking these IMF reforms and the aforementioned critiques of the IMF into account, is it possible for the IMF and other international financial institutions to respond to increasing expectations after the global financial crisis? How should we enhance the global financial governance to provide international public goods? In order to answer these questions, I next analyze the IMF from two theoretical perspectives: the IMF as a bureaucratic organization and principal-agent relationships and the IMF.
4.1 The IMF as a bureaucratic organization

Dreher and Vaubel (2004) argue that the IMF has incentives to maximize quota, budget, and staff size as a bureaucratic organization. Accordingly, they conclude that it is impossible for the IMF to rationalize conditionality programs because the Fund seeks the expansion of the provision of loans. In fact, IMF conditionality programs have gradually increased in number since the 1990s. In 1987, the average number of conditions per program was two; the average increased to seven by 1994 and reached 14 during the period of 1997 and 1999 (IMF, 2001). Under these circumstances, facing the critique of the IMF especially after the Asian financial crisis, the Fund made efforts to streamline conditionality programs. In order to rationalize conditionality programs, the Fund aimed to confine them to the policy areas in which the IMF’s core competency lies (i.e., tax policy, financial sector reform, exchange and monetary policies etc.) and tried to limit the conditions to only the most important ones (IMF, 2000; IMF, 2002).

However, according to the IEO’s evaluation report (IMF IEO, 2007), these streamlining efforts proved difficult to achieve. In examining 216 programs in 94 countries from 1995 to 2004, the IEO reported that the average number of conditions remained 17. Hence, there were no significant differences concerning the number of conditions between the pre-streamlining period of 1995 to 2000 and the post-streamlining period of 2001 to 2004, though the contents of conditionality programs shifted from such policies as privatization and state-owned enterprise reforms to the IMF’s core policy areas. Therefore, despite the IMF’s streamlining efforts after 2001, the IEO revealed that the number of structural conditions had not changed. These results correspond to Dreher and Vaubel’s argument that the IMF is a bureaucratic organization (2004); the difficulties in reducing the number of conditions would attributable to the bureaucratic organizational character of the IMF.

The IMF is a highly centralized hierarchical organization, and the IMF staff maintains an ethos of highly disciplined professionalism, which is vital to preserving neutrality and maximizing efficiency in crisis situations in which urgent and effective responses are required. However, Woods (2006: 55) has also pointed out that the Fund staff tends to lack local knowledge particular to the interacting country. Accordingly, in diagnosing necessary responses to crises, the IMF mission team tends to rely on a template that is already pre-determined rather than taking into account local knowledge that is acquired through the mission (Woods 2006: 63). The Fund staff is less likely to take a risk as their own responsibility, but rather designing and formulating IMF programs becomes part of standard operating procedures for them. Currently the IMF does not demand structural reforms as a criterion of structural performance. However, it is still important to continuously observe the degree to which the contents of structural reforms in IMF programs that are monitored via reviews respect the ownership of debtor countries.

4.2 Principal-agent relationships and the IMF

Next, I analyze the IMF from the perspective of principal-agent relationships. According to Vreeland (2003), a series of seven principal-agent relationships exists to implement IMF programs in which principals and agents tend to be multiple actors (Vreeland, 2003: 157):

1. 185 member constituencies → their governments
2. these governments → the Board of Governors
3. the Board of Governors → the Executive Board
4. the Executive Board → the IMF Managing Director
5. the IMF Managing Director → the IMF staff
6. the IMF staff → a government signing agreement
7. this government → domestic policy makers

In the seven sequential principal-agent relationships above, both the Board of Governors (which is delegated to make important decisions such as the admittance and the compulsory withdrawal of members) (2) and the Executive Board (consisting of 24 members who are delegated to conduct the daily business of the Fund) (3) are organizations in which the weighted voting system is adopted in decision making. In addition, through the delegation to the IMF Managing Director who supervises the IMF staff (4), the Executive Board indirectly delegates to the IMF staff the task of formulating IMF programs and monitoring policy implementation in member countries (5). Then the IMF staff delegates each country’s representative to formulate IMF programs (6) and finally, domestic policy makers delegated by the government are responsible for policy implementation (7). Many of these processes include multiple principals and multiple agents. Thus, a series of sequential principal-agent relationships exist in the policy processes of IMF conditionality programs. The theory of the principal-agent problem assumes that difficulties arise when the agent has discretion and power and acts independently beyond the intention of the principal. The question arises: to what degree does the principal-agent problem occur under IMF policy processes?

As mentioned before, IMF decisions are not free from political interference. Each of the 185 member countries cannot equally delegate their will to the Board of Governors. Rather, the IMF plays the role of agent to creditor countries, particularly to the US. On the other hand, the Fund staff has expertise and privileged access to a great deal of information and knowledge through a mission and has discretionary power to some extent in formulating conditionality programs with recipient countries. In addition, the staff also has agenda-setting power, which allows them to determine the contents of the reports that will be submitted to the Executive Board (Martin, 2006). Therefore, the IMF staff can be
assumed to have discretionary power, which may cause the principal-agent problem. However, at the same time, the IMF staff must always be concerned about whether their reports or programs will be approved by the Executive Board.

In terms of the relationship between the IMF and recipient countries (6, 7), despite the fact that country representatives and domestic policy makers are delegated as agents to implement conditionality programs by the IMF, they may not necessarily comply with conditionality programs once loans have been disbursed. Thus, the principal-agent problem exists between the IMF and recipient countries once access to the IMF loans is ensured.\textsuperscript{10} In this vein, the same problem can occur in the IMF’s other roles besides lending, such as country surveillance (known as the Article VI consultations) and the FSAP (which examines the degree of compliance with international regulatory and supervisory standards). That is, the Fund can only play a limited role when a country is not the one to which the IMF lends.\textsuperscript{11} In particular, the IMF would have an apparent limitation in terms of monitoring developed countries, as the agents cannot effectively monitor the principals by whom the agents are delegated.

### 5. Global Financial Governance after the Global Financial Crisis

The global financial crisis, which began as the subprime mortgage loan problems in the US, spread around the globe after the triggering event of the bankruptcy of Lehman Brothers on September 15, 2008. Facing the worldwide contraction of the real economy, the G20 London Summit, which was held on April 2, 2009, discussed how to coordinate fiscal stimulus plans in order to restore economic growth. They also discussed how to strengthen the international financial regulatory framework as well as international financial institutions, including the IMF. G20 leaders agreed to spend 5 trillion dollars by the end of 2010 and to pursue competitive devaluation. The G20 also agreed to strengthen the international financial regulatory framework. In order to do so, the Financial Stability Forum (FSF) was re-established as the Financial Stability Board (FSB) with a broader membership including all G20 countries, FSF members, Spain, and the EU. In addition, supervisory regulations would be extended to cover all important financial institutions, financial instruments, and the markets in which important hedge funds will be included for the first time. Credit rating agencies would be also covered by regulatory supervision. G20 leaders also agreed that sanctions would be imposed against tax heavens. The IMF and FSB will monitor the progress of these various regulatory measures to be implemented by each national government (The Global Plan).

Furthermore, the G20 targeted strengthening the international financial institutions as a primary task. The IMF will increase the lending capacity to $750 billion through financing from members: Japan has already contributed and the EU agreed to contribute $100 billion each via bilateral agreements. The IMF will also commit to providing an additional $6 billion in concessional loans to the poorest countries in the next two to three years. In addition, the G20 expressed commitment to the IMF governance reforms that were agreed upon in April 2008, to increase the quota as well as the voices of emerging markets. They also agreed to review the IMF quota by January 2011 (The Global Plan).

Moreover, the IMF has conducted a series of reforms of lending facilities including the creation of the aforementioned new lending facility, the FCL. Likewise, structural performance criteria have been abolished in all conditionality programs (with macroeconomic performance criteria continuing). The IMF now monitors implementation of structural reforms via program reviews rather than structural conditionality, which required the formal submission of a waiver of tranche when the country was not able to meet the target date of structural performance criteria (Anderson 2009). These reform measures are all welcomed by G20 members (The Global Plan).

The FSB thus promotes coordination among club types of intergovernmental organizations (IGOs) and international organizations, which set the international standards and supervisory regulatory frameworks related to the international financial system (Table 1). The Fund is a member of the FSB and provides necessary input to it. The primary actor responsible for implementing these international standards is each national government. The Fund monitors each government’s implementation through Article VI consultations and the FSAP. Furthermore, the Fund and the FSB provide an early warning system by which the IMF assesses macro-financial risks and systemic vulnerabilities, whereas the FSB assesses financial system vulnerabilities. Upon necessity, the IMF and FSB would conduct a joint risk assessment (Financial Stability Forum, 2009).

These moves suggest that with respect to future global governance of international financial regulatory frameworks, the national supervisory and regulatory agency in each country acts as the primary agency that supervises the financial sector in each country. The G20 would not aim to establish an international supervisory and regulatory institution though France once insisted that such an organization should be established. Rather each major national government sets up the international regulatory standard as a member of key club IGOs such as the Basel Committee on Banking Supervision and the G20. The FSB tries to facilitate coordination of these regulatory frameworks while the IMF monitors each national government’s implementation of policy.

“The IMF is back!” announced Dominique Strauss Kahn, the IMF Managing Director at the press conference after the G20 London Summit. Given that emerging economies had accumulated foreign reserves since the Asian financial crisis, the IMF had seemed to merely work as a research institute, except for loans to low income countries. However, the global financial crisis heightened the importance of the Fund. The financial base of the Fund will be significantly boosted as the expected role of the Fund expands. Indeed, the IMF seems to overcome a range of critiques of the Fund by making various reform efforts. However, although the abolishment of structural performance criteria may enhance
national ownership in designing structural reforms in debtor countries, it may also increase the probability that a country will not commit to structural reforms, given that there is now no linkage between disbursement of money and progress in structural reforms. This may aggravate moral hazard problems. In addition, monitoring the progress of structural reforms through program reviews would increase the discretional space for the IMF’s staff, given that there are now no clear criteria to measure the progress of structural reforms, which may cause a principal-agent problem.

Moreover, in terms of the effectiveness of monitoring, it is unclear to what extent the IMF can effectively monitor the progress of financial restructuring and policy implementation in developed countries, including the US, by means of the Article VI consultations and the FSAP. Criticizing the most important principal is too challenging a task for the agent. Furthermore, given that the Fund is criticized due to its failure to predict the global financial crisis, enhancing the capability of the early warning system of the Fund will also be a strenuous task. In fact, Vaubel (2009) notes that the IMF is not necessarily competent in early warning systems because the IMF’s expertise is in developing countries. He shows that private firms and the OECD have been more competent in forecasting than the Fund because the OECD has more expertise in developed countries than the Fund (Vaubel, 2009).

Moreover, although it is noteworthy that the establishment of the FSB has enhanced its representativeness by enlarging its membership to the G20, the FSB is still not the formal international institution by which international treaties must abide. Hence, if major countries are unable to reach the agreements that are effective and prudent enough to prevent another financial crisis in the future, there will be no means to bind these powerful governments to strengthen the international supervisory and regulatory frameworks.

6. Conclusion

This study has focused on the IMF in order to assess the degree to which international financial institutions can meet increasing expectations to stabilize the international financial system. To this end, this paper reviewed prior studies of the IMF and analyzed the IMF from two theoretical perspectives: the IMF as a bureaucratic organization and the IMF and principal-agent relationships. On May 27, 2009, the EU Commission adopted an ambitious reform plan to establish
the EU-wide supervisory authorities that consist of two new supervisory councils (European Commission, 2009). Should we aspire towards the establishment of a new international financial organization for better global governance? It would be advantageous if a new international supervisory organization could be independent from political interference like Germany’s central bank, Bundesbank.

However, if the new international financial organization were similar to the World Trade Organization (WTO), in which each state has one vote and the WTO makes decisions unanimously, a new international financial organization would be unable to respond to a financial crisis effectively: we can see this from the WTO’s prolonged negotiations of the Doha Round, which lasted more than seven years. In addition, an individual country’s supervisory capability over the financial sector would be affected by its level of economic development. Hence, the international regulatory framework may become lax if all emerging and low income countries need to agree unanimously in setting the international standard.

On the other hand, if a weighted voting system is allowed, a new international financial organization will not be able to escape the influence of major states and thus will not work effectively in financial crises that originate in developed countries. Furthermore, to establish an effective independent international organization means to create a strong new bureaucratic organization with democratic deficits. Therefore, we need to balance the trade-offs between representation and effectiveness in order to provide international financial stability as a global public good. This remains a difficult task given the intricate and multiple principal-agent relationships of international financial institutions.

In this vein, even if equal participation by national leaders in decision making processes in international financial organizations and country’s ownership in formulating international financial policies are ensured, the main actors determining these policies are still international and national policy elites. Hence, international and national policy decisions may not necessarily represent the will of ordinary constituencies. Thus, providing international financial stability via assuring fair representation, including representation at the level of ordinary constituencies, would be a more arduous task than providing international financial stability via the coordination of international and national policy elites. Despite these difficulties, not only achieving the effective prevention of excess financial volatility via elite coordination but also seeking the provision of international financial stability via fair representation of constituencies would remain as vital tasks in creating a new architecture of better global financial governance.

Notes
1 Although in this paper I mainly focus on policy makers at the international and national levels as the main actors, I admit that this analysis limits the possibility of providing international financial stability via fair representation at the citizens’ level. Nevertheless, I fully admit the importance of achieving international financial stability via fair representation as well as via effective prevention.
2 For a review of various studies concerning the IMF’s impact, see Stone (2002, 41–45).
3 The top five countries are the United States (16.8%), Japan (6.0%), Germany (5.9%), France (4.9%), and the United Kingdom (4.9%). As 85% approval of the total voting power is necessary in order to change the IMF quota, the US alone has de facto veto power over the IMF’s voice reforms.
4 See also Omori (2007).
5 According to the IMF’s investigation, 77% of the information in country staff reports was published from July 2003 to February 2005. However, one third of the documents include deleted information. For details, see IMF (2005).
6 As of May 2009, the IEO have published 15 evaluation reports.
7 As of May 2009, under FCL arrangements, the IMF has provided 47 billion US dollars to Mexico (April 17, 2009), 20.58 billion US dollars to Poland (May 6, 2009), and 10.5 billion US dollars to Columbia (May 11, 2009).
8 One IMF staff member also acknowledged that they have not had enough time to study each individual country’s history, language and culture because of the increasing business since the 1990s (anonymous interview with a IMF staff in December 2003).
9 Vreeland lists 5 principal-agent relationships without 2 and 3. But he admits that seven relationships exist (Vreeland, 2003: 157, see footnote 7).
10 In fact, the implementation rate of conditionality programs remains low. The IMF examined the 43 IMF programs, including 906 conditions, from 1993 to 2003, and reported that only 54% of conditions had been implemented (IMF IEO, 2007).
11 Since China and the US did not take part in the FSAP, the IEO implicitly criticized these “systematically important countries” which had not taken part in the FSAP in the evaluation report (IMF IEO, 2006: 91).
12 New European Supervisory Authorities would consist of a new European Systemic Risk Council and a European System of Financial Supervisors. The bill to set up these new institutions would be proposed in autumn 2009.

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