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Assessing the Concept of Change in International Financial Institutions' Theories and Policies: The Example of Sub-Saharan African Countries

Alice Nicole Sindzingre¹

Abstract

Economic theories as well as global financial governance (international financial institutions such as the IMF and the World Bank) and public policies have been confronted with several global crises (e.g., the global financial crisis/GFC). Yet the question remains debated as to whether these crises have induced 'genuine' changes in economic theories, institutions and policies or as to whether the latter have remained 'broadly' unchanged. Such a question, however, requires a definition of the concept of change itself. Indeed, only large and visible shifts *à la* Kuhn may be qualified as changes. In contrast, in a Hirschmanian perspective, transformations may occur via small departures and innovations within a consensus, via 'partial, limited, and pragmatic responses' that may be erratic adjustments in institutions and policies: here, mainstream theories have evolved since the GFC towards more openness to non-mainstream concepts (e.g., instability). In addition, the observation of change depends on the time spans considered (long-term historical approaches perceiving types of inertia or change that differ from short-term ones). In this context, the paper argues that a consequentialist approach of the concept of change has a greater explanatory power: observable changes in outcomes and causal mechanisms 'prove' changes in theoretical paradigms, institutions and policies. The example of the mainstream theories that have been used in the analysis of Sub-Saharan African economies and the policy reforms applied to them shows that changes have been limited. Theoretical paradigms, financial governance institutions and the associated policies claim to have changed since the GFC. Behind 'innovations' in theories and policies, however, outcomes remain poor, and their underlying causal mechanisms are stable since the 1980s-90s 'lost decades': i.e. theories relying on irrefutability mechanisms and absorbing other theories that could induce changes, and cumulative constraints generated by 'externalisation' processes (commodity-based structures; conditional lending to policies that are identical across time and space). More than a Hirschmanian transformation through small changes, a consequentialist perspective – and, interestingly, consequentialism may precisely be viewed as a typical mainstream or IFI stance - suggests processes of lock-in and cumulative causation.

Keywords: concept of change; epistemology of economics; global financial governance, Sub-Saharan Africa

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1. Introduction

Economic theories as well as global financial governance (international financial institutions/IFIs such as the IMF and the World Bank) and public policies have been confronted with several global crises since the end of the 20th century (e.g., the Asian crisis and the global financial crisis/GFC). Yet the question remains debated as to whether these crises have induced ‘genuine’ changes in existing economic theories, institutions and policies or as to whether the latter have remained ‘broadly’ unchanged. Such a question, however, requires a definition of the concept of change itself. Indeed, only large and visible shifts *à la* Kuhn (in theoretical paradigms, institutions, policies) may be qualified as changes. In contrast, in a Hirschmanian perspective, transformations may occur via small departures and innovations within a consensus, via ‘partial, limited, and pragmatic responses’ that may be erratic adjustments in institutions and policies: here, mainstream theories have evolved since the GFC towards more openness to non-mainstream concepts (such as instability), and international financial institutions have given more policy space to emerging and developing countries. In addition, the observation of change may depend on the time spans considered, short-term or long-term, with long-term historical approaches better perceiving the inertia and stability of structures, be they conceptual frameworks, institutions or policies.

In this context, the paper argues that a consequentialist approach of the concept of change has a greater explanatory power: observable changes in outcomes and causal mechanisms ‘prove’ changes in theoretical paradigms, institutions and policies. In this approach, the example of the mainstream theories that have been used in the analysis of the growth trajectories of Sub-Saharan African economies and the policy reforms applied to them since their independence shows that changes have been limited. Theoretical paradigms, financial governance institutions and the associated policies claim to have changed since the GFC (e.g., in taking the ‘vulnerability’ of these economies into account). Behind ‘small changes’ and ‘innovations’ in theories and policies, however, outcomes remain poor (with even increasing divergence vis-à-vis rich economies), and their underlying causal mechanisms are stable since the ‘lost decades’ that followed independence: i.e. theories relying on irrefutability mechanisms and absorbing theories that could induce changes, and cumulative constraints generated by externalisation processes (commodity-based market structures; conditional lending by international financial institutions to policies that are identical across time and space). More than a Hirschmanian transformation through small changes, a consequentialist perspective suggests processes of lock-in and cumulative causation. Consequentialism (ideas or actions must be judged via their results) may precisely be viewed as a typical mainstream or IFI stance, and interestingly, this philosophical perspective allows for assessing the weaknesses of the claim for change of global financial governance – of theories, institutions and policies.

Critical assessments of global financial governance, and questions regarding as to whether it has changed, have been the subject of a vast literature, especially since the Global Financial Crisis. The contribution of this article is to focus on the concept of change itself and its different modalities as well as the role of language in its

perceptions: such a focus highlights processes that have been overlooked in the existing literature.

The article is structured as follows. Firstly, it briefly synthesises the debates on the evolutions of the IFIs since the GFC regarding the effectiveness of their change. Secondly, it shows that this question depends on the concept of change that is used. Thirdly, it underscores the importance of language and formulation of concepts and causalities in the perception of change. Fourthly, in this context, it highlights that a consequentialist perspective allows to escape the ambiguities inherent in the diversity of concepts of change as well as in language: taking Sub-Saharan African economies as a case in point, the consequences of IFIs policies have remain stable – i.e., as inefficient as in the past regarding the lifting of developing countries out of poverty.

2. The evolution of the International Financial Institutions since the Global Financial Crisis: a debated issue

International financial institutions (IFIs), their policies and the theoretical frameworks they have used are the matter of a vast literature, in particular since their policies gained international visibility (and became increasingly scrutinised) with their ‘policy-linked lending’ activities at the beginning of the 1980s, notably the programmes of stabilisation and structural adjustment launched in Sub-Saharan Africa (SSA) and more generally developing countries. Indeed, since its creation in 1944, the IMF has implemented projects and programmes in all member countries; similarly, the World Bank has implemented projects in all developing countries and in a large number of sectors (rural development, education, health, infrastructure, etc). Yet the fiscal crisis that affected SSA economies, and actually all developing countries from the 1980s onwards after the fall in commodity prices that occurred at the end of the 1970s and the mid-1980s (for oil) and after the international debt crisis of 1982, gave IFIs programmes an international visibility they did not have before.

The mixed effects of these programmes in the 1980s-90s have triggered an abundant literature, both in supportive and critical perspectives – these programmes have even been viewed by World Bank researchers as ‘lost decades in spite of policy reform’ (Easterly, 2001) regarding the growth of the economies that had been put under these programmes, notably in SSA. The so-called ‘Washington Consensus’ has been criticised from within (Stiglitz, 1998) and gave rise to ‘Post Washington Consensus’ or ‘new structural economics’ (Lin, 2011), both Stiglitz and Lin having been chief economists within the World Bank. Within mainstream thought, several studies underscored the mixed economic outcomes of IFIs programmes (Przeworski and Vreeland, 2000; Butkiewicz and Yanikkaya, 2005), and notably the inefficiency of the very device of conditional lending, e.g. via the concepts of moral hazard and adverse selection (e.g., the ‘Samaritan dilemma’ of donors) (Marchesi and Sabani, 2007; Dreher, 2009). For their part, heterodox views devoted a great number of studies since the 1980s to IFIs policies, as well as their detrimental consequences and theoretical flaws (Mkandawire and Olukoshi, 1995; Fine, 2001; UNCTAD, 2002).

2.1. The perspective of international financial institutions: claiming their capacity of change

The two IFIs – the IMF and the World Bank – cannot be viewed as identical entities, which could be interchangeable. Their mandates differ, and they may even disagree on particular issues. In its original mandate, the IMF addresses Balance of Payments/BoP problems, its goal is stabilisation, and it focuses on the demand side. The World Bank addresses structural problems, and it focuses on the supply side. Yet in developing countries, and in particular low-income ones, they jointly act and are complementary elements of global financial governance. Both institutions can therefore be referred to as IFIs under specific aspects.

The IFIs have always been able to react to the international environment, as well as academic studies or civil societies critiques, as they did, for example, in the 1990s in launching programmes centred on poverty in reaction to criticisms regarding the ‘lost decades’ associated with their policies in the 1980s. For example, during the same period, the World Bank presented itself as a supplier of ‘global public goods’ and a ‘knowledge bank’ that provides data and research.

Yet the Global financial crisis/GFC in 2007-08 and its devastating consequences at a global scale, especially in rich countries that thought they would not suffer economic shocks as developing countries, constituted a serious challenge to IFIs policies and theoretical assumptions.

Before the Global Financial Crisis/GFC, member countries of the IFIs were subjected to a series of arrangements. For low-income countries, the period of the first programmes – from the end-1970s onwards - has been that of stabilisation and adjustment with the Trust Fund, then the SAFs (Structural Adjustment Facility, 1986-87), then the ESAFs (Enhanced Structural Adjustment Facility, 1987-1999). Then the IFIs claimed that poverty has become their main focus and launched in 1999 the PRGF (Poverty Reduction and Growth Facility).

After the 2008 Global Financial Crisis/GFC, the IFIs have claimed to have been adaptive to the crisis and its global effects, and that they had changed their conceptual framework as well as the policies they recommended. For example, some IMF authors explained that instead of delivering growth, ‘neoliberal policies’ have increased inequality and ‘affected durable expansion’ (Ostry et al., 2016). Others have claimed that the IMF has evolved regarding the benefits of trade openness: for example, they claimed that trade may ‘hurt some unless policies redistribute benefits’ and that ‘trade can worsen the domestic income distribution, even making some people worse off in absolute terms’ (Obstfeld, 2016). Other authors have similarly defended new and more flexible positions on debt and its impact on growth (Blanchard, 2019). Likewise, some mainstream economists close to the IFIs have criticised the effects of ‘austerity’ policies (Alesina et al., 2019). In addition, the IFIs devised new facilities and affirmed that the latter offer developing countries more flexibility and that they better took into account the vulnerability of emerging and low-income countries to external shocks.

According to the IMF (2021a), low-income countries may borrow on concessional terms through facilities available under the Poverty Reduction and Growth Trust/PRGT at zero interest rates. Historically, for emerging and advanced market economies in crises, IMF assistance has been provided through Stand-By Arrangements/SBAs to

address short-term or potential balance of payments problems. The Standby Credit Facility/SCF serves a similar purpose for low-income countries.

The Extended Fund Facility/EFF and the corresponding Extended Credit Facility/ECF for low-income countries are the tools for medium-term support to countries facing balance of payments problems. The IMF recognises that their use has substantially increased since the global financial crisis, ‘reflecting the structural nature of some members’ balance of payments problems’. Indeed, the IMF has acknowledged that low-income countries may be affected by ‘structural’ problems, as is the case for non-mainstream approaches: however, heterodox approaches differ on policies that can solve these problems.

The IMF has also devised the Flexible Credit Line/FCL or the Precautionary and Liquidity Line/PLL in order to ‘prevent or mitigate crises and boost market confidence’ during periods of risks for members ‘with already strong policies’. The Rapid Financing Instrument/RFI and the corresponding Rapid Credit Facility/RCF for low-income countries provide ‘rapid assistance’ to countries with urgent problems in balance of payments, notably from commodity price shocks, natural disasters and ‘domestic fragilities’ (IMF, 2021a).

2.2. A claim of change also shared by critical scholars

Interestingly, heterodox scholars have developed arguments that global governance has improved after the GFC and with the rise of emerging countries during the 2000s. In particular, an argument has been that international financial institutions have changed their conceptual framework and policies (Roberts et al., 2018).

For example, after the GFC, the IMF would have become more attentive to the detrimental effects of global inequality, or would support a greater role for state intervention in the economy, e.g. under the form of a more progressive taxation (IMF, 2013). It has thus been argued that despite the powerful interests that control its governing structure, ‘new ideas’ found their way within the IMF after the GFC, leading the institution to ‘recalibrate policy orthodoxy’ (Ban and Gallagher, 2015). For Grabel (2017) for example, one must follow Hirschmanian views on the advantages of pragmatism and incrementalism regarding the concept of change: the latter is a complex process, it is fragmented, bottom-up rather than top-down.

3. A question that depends on the concept of change

3.1. Change as an event and its many possible conceptualisations

A key issue is that the concept of change may be defined according to different ways.

In evolutionary theory, for some scholars, evolution may sometimes take the form of ‘quantum’ jumps (‘saltism’) or thresholds, similar to phase transitions (a position envisaged by Darwin, and subsequently theorised by Stephen Jay Gould with the concept of ‘punctuated equilibria’ (Eldredge and Gould, 1972; 1977; Prochiantz, 1997; Simonet and Duchemin, 2010). For example, language and hence culture have induced radical change in the evolution of human species, e.g., in allowing for exponential

cumulating in comparison with other species coming from the same common ancestor. For other scholars, evolution is incremental, gradualist, and follows small variations.

In epistemology and social sciences, change may be viewed as a ‘revolution’ (for example, a ‘scientific revolution’), a change in paradigm as popularised by Kuhn (1962). Such conception may be contrasted with change conceived as a succession of small changes, small innovations, which incrementally advance and *in fine* result in substantial changes (as in the famous Escher painting). For Hirschman, transformations occur via small departures and innovations within a consensus, and incoherence of existing institutions and policies may in fact be ‘productive’ - incoherence being defined as a proliferation of ‘partial, limited, and pragmatic responses’ that may be inconsistent or erratic adjustments in institutions and policies; incoherence is more likely to induce development than grand top-down plans elaborated by experts (Hirschman, 1968; 1970; 1971).

The time frame of observation also induces different views of the concept of change. Changes may be of a long-term nature, and thus not observable in short-term periods. On the other hand, short-term periods may witness spectacular changes (as in the case of dramatic changes in policy, or of revolutions). As argued by Braudel (1996[1949]), history includes three temporalities: the long time, that of geography; the medium time, that of the economy, and the short time, that of politics. For example, changes in entities such as social norms and institutions, which evolve slowly, may not be perceived as may be changes in political events.

The scale of analysis also induces different conceptions of change. For example, theories that centre on modelling and give an important value to reductionism – to inherent ‘laws’ and causalities between variables - may be less likely to conceptualise change – the approach of reductionism having been criticised by Putnam (1975).

In contrast, other theoretical views insist on context and path dependence (David, 1985; 2000). The economics of complexity highlighted the importance of nonlinearities, thresholds, tipping points in all dynamic processes, where small changes generate bifurcations or phase transitions, and may induce large effects (Arthur, 1994; 2014).

In addition, the concept of change varies according to the object it is applied to. For example, whether the latter is a simple or a complex object, a composite entity, modifies the modalities of change, as some elements (necessary or contingent) may change but not others, which is typically the case for composite entities such as a theory, an institution, or a policy. For example, the assertion that an ‘institution’ changes may have an ambiguous meaning: an ‘institution’ is a composite entity, and hence different elements may change, and some elements may not change, etc.: e.g. in an institution, it may be its legal mission, its policies, its vested interests, etc.

The fact that there is change or no change may in fact not be the right question. There is a vast literature, especially a heterodox one on ill-devised mainstream models, theories, which would be unrealistic, or also on the power of IFIs, in disciplines such as International Relations, international political economy or political science.

3.2. Change as a perception: the key dimensions of language and concepts formulation

As famously argued by Orwell (1949), ‘newspeak’ is a language that allows to utter that ‘freedom is slavery’, ‘war is peace’, or ‘black is white’ – and moreover, for Orwell, to believe it. For example, ‘blackwhite’ means ‘the ability to believe that black is white, and more, to know that black is white, and to forget that one ever believed the contrary’. The key importance of the choice of given words in order to induce specific mental representations in the minds of listeners has also been underscored by Klemperer (2010 [1947]) regarding the words used by Nazis in Germany, which were carefully chosen in order to generate neutral or positive representations and references to phenomena that were sometimes radically different from reality.

In addition to the above-mentioned considerations on the concept of change regarding mainstream economic theories, international institutions, and policies, change is also a perception within a relationship, where one term of the relationship intentionally puts in place elements that induce the second term of the relationship to perceive that ‘change’ has occurred: here language, formulation of concepts and of the causalities between them constitute key elements of this ‘intentional’ and ‘convincing’, device. In particular, a ‘newspeak’-like language and the associated regime of persuasion and ‘soft’ power constitute mechanisms that efficiently convince that there have been changes - within global governance, institutions and their conceptual framework and policies, as well as in their consequences for poorer economies. Such a modality of language blurs the intrinsic asymmetry of financial capitalism, and notably the asymmetry of the credit relationship (the lender who owns capital vs. the borrower in need). Language, notably the formulation of concepts and of the causalities between them, constitute key elements of the perception that change has occurred – or has not occurred.

In this regard, the use by the IFIs of a ‘newspeak’-like linguistic device constitutes a powerful tool of persuasion regarding: i) the truth of their conceptual frameworks and causalities between economic aggregates – concepts such as growth, fiscal deficits, wages; mechanisms such as ‘adjustment’, ‘stabilisation’, ‘openness’, ‘liberalisation’, ‘sustainability’, etc; qualifications such as ‘structural’, ‘contingent’, etc; and ii) the effectiveness of the conditional policies as well as the fact that these have or not changed.

Examples of IFIs’ theoretical assertions and subsequent policy reforms are, e.g., that fiscal deficits, big governments, etc, are detrimental to growth, that pensions increase fiscal deficits and hinder growth, that minimal wages or the existence of unions constitute rigidities that are harmful for growth. In contrast, IFIs assertions and associated policies include that liberalisation, as well as trade openness, foster growth, that competition is good for consumers, that private ownership and management are more efficient for competitive segments of the economy. Typically, ‘privatisation is beneficial to consumers’ welfare’; laying off civil servants improves the fiscal balance; the flexibility of employment fosters growth; layoff is ‘safeguarding employment’; or ‘safety nets protect the poor’. Moreover, some among the words that are used by IFIs convey connotations that are also values, positive or negative: the connotation of the word ‘liberalisation’, being associated with those of liberty, liberation, etc, is likely to be positive, while the connotation of the word ‘rigidity’, being associated with those of obstacle, impediment, etc, is likely to be negative.

As asked by the Shakespearian question, ‘what is in a name?’, e.g., those of ‘liberalisation’, ‘rigidities’, ‘safety net’, ‘protection’ (on the words used in studies of austerity, Power et al., 2019). For example, at the policy level, IFIs affirm that reforms must be ‘structural’ in order to be ‘effective’: yet the word ‘structural’ means here that reforms affect all sectors of an economy, macro, meso and micro. Similarly, IFIs posit that some reforms are ‘prior’ conditions: this latter word means that these reforms are the toughest. Equally, as highlighted by Gründler and Potrafke (2019), ‘fiscal consolidation’ may be referred to as ‘austerity’ by other economists, and moreover, depending on how austerity is measured and how its measures are selected, inferences on its effects change.

In addition, the references of many of the names used by international financial institutions are inherently ambiguous and vary across time and space as well as contexts, though these contexts are crucial for these concepts to have a meaning. Their references are in fact ‘empty’ (Boyer, 2001). Such uses of language generate mechanisms of irrefutability. Precisely because their references are ‘empty’, such concepts can refer to multiplicity of objects, they are resilient and can be used in multiple contexts where they are always true and relevant: in this sense they intrinsically convey the power of the entity that uses them. Such mechanisms are recurrent in political language. ‘Empty’, ambiguous references enable concepts to be always true or relevant, and this is a key mechanism of power relationships (Sindzingre, 2015).

The emptiness of reference, ambiguity of meanings allowing for multiple interpretations, including that of change in policies and theoretical frameworks, have been supported by the capacity of the IFIs, and more generally mainstream economics, to absorb concepts elaborated by other social sciences since the establishment of the pre-eminence of the neoclassical framework from the 1980s onwards. Milestones have been the development of institutional economics, positive political economy, and more recently, of behavioural economics, presented by mainstream economics as an openness to other social sciences, though assumptions of neoclassical economics are conserved. World Bank World Development Reports/WDRs, which are flagship publications synthesising advanced conceptual frameworks on a particular topic illustrate this absorption of concepts within IFIs (e.g., the WDR on ‘mind, society and behaviour’, World Bank, 2015). Yet this absorption of concepts from other social sciences by definition changes the initial meaning of concepts, as these are built by a discipline as elements of specific nexuses of concepts (Sindzingre, 2016).

Power is conveyed by the mechanisms of irrefutability that is inherent in ‘newspeak’. In addition, power is also present in the relationships between producers of such utterances and the addressees. A ‘newspeak’ can last because the entity that imposes it has power – otherwise the recipient would say that it is not true.

Regarding global financial governance, this power stems from the asymmetry of the credit relationship, the asymmetry of lending or giving (‘donors’), which is inherently a power of the lender and creditor (the entity that dispose of loanable funds; the entity in situation of supply) over the borrower (the entity that is in need, in demand).

Indeed, what matters is not the semantic or the truth logic of utterances, but the pragmatics, notably the performativity, of the utterance, as utterances produced by IFIs inherently actualise the asymmetry of the credit/financial relationship between the IFIs

and borrowing countries. Hence, for example, an IFI country report can write whatever causalities and policies, in 1980s or in 2021, including causalities and policy recommendations that are identical across space and decades, e.g., ‘the country C exhibits an unsustainable deficit, which requires the privatisation of the firm F, etc’.

However, power is not enough for Orwellian mechanisms of language to persist. Assertions must be ‘true’, in the sense that it must be believed that they are true. For the asymmetric device (credit), i.e. the power device, to be accepted, for conditional lending policies to be accepted, it is crucial that these are presented as a ‘truth’, and particularly as scientific assertions. Hence the asymmetry in the relationship (conditional policies) cannot be dissociated from theories as truth devices. Indeed, recipients (borrowers) can contest power relationships: yet it is more difficult for them to contest a truth.

A variety of devices have been devised for establishing the truth of theoretical causalities of mainstream economics: i) for theories, mathematical models; ii) for policies, pragmatic and semantic mechanisms.

At the pragmatic level, the truth of utterances can be consolidated because both interlocutors use the same language: such a fact of the use of the same language stems from the abovementioned power relationship, i.e., the asymmetry of the credit relationship. An asymmetry in pragmatic situations stems from this asymmetry of the credit relationship and also from the subsequent asymmetry in the use of language and conversation (what defines pragmatics), i.e., in the offer by lenders of a given verbal paradigm to borrowers. E.g., the fact that IFIs staff or academics express themselves via a specific language, with specific words that establish specific causalities oblige their addressees (e.g., a developing country government, civil servant or academic) to answer in the same language, with the same words and concepts: this hugely constrains the thinking and assertive capacity of these individuals, as well as the policy space they can devise. For example, there are constraints on the possibility for a borrowing country’s civil servant to say to the IFI staff in mission: ‘this concept is false, this causality is irrelevant, I suggest this other causality’. Similarly, the positing by the IFIs of the verbal paradigm that can be used in local interactions during missions and in policy reports prevents for borrowing countries’ civil servants the use another level of reality suggested by, e.g., another social science, for example that of an anthropological or sociological analysis - interestingly political science is audible by mainstream economics, reminding the long-lasting relationship between the two disciplines and mainstream economists’ potential status as a prince’s counsellor (of the ones who ‘whisper to the ears of princes’, Roth, 1986): it is difficult for these civil servants to ‘get out of the framework’.

At the semantic level, the truth is that of the truth value of utterances. This is here why IFIs and more generally the global governance promoted by international financial institutions, multilateral banks, development finance institutions, among others, must work hand-in-hand with theories that are indisputably true: these theories constitute the body of what can be coined as ‘mainstream economics’. This truth is not dissociated from policymaking (Fourcade et al., 2015). Conversely mainstream economics must constantly strive to demonstrate it is ‘true’ vs. other critical theories that must be reputed to be false, non-rigorous, unscientific (Lazear, 1999), and maintained at the periphery of the ‘core orthodoxy’ (Davis, 2008). Mainstream economics must produce ‘true’ utterances (and a theoretical critique that would analyse these utterances as simply

‘fake’ would not weaken the consolidation mechanisms highlighted here²): the use of mathematical models constitute here a key device of enhancing the ‘truth-value’ of economic utterances produced by mainstream economics, as mathematical language may be viewed as the language that is the ‘closest’ one to truth (Sindzingre, 2021). The backing of utterances produced by IFIs by mainstream economic theory, as mainstream economic theory claims to be ‘scientific’, is here an additional semantic dimension, adding to the truth produced by Orwellian pragmatics (e.g., ‘black is white’).

4. A more accurate perspective for the understanding of change: consequentialism

In the context examined above regarding the many concepts of change and the possible traps induced by language, it is argued that a consequentialist view of the concept of change allows to escape the ambiguities inherent in the diversity of concepts referring to ‘change’ as well as in language. Observable changes in outcomes and causal mechanisms ‘prove’ changes in theoretical paradigms, policies and institutions, and symmetrically, lack of observable changes ‘prove’ lack of changes in underlying theories, policies and institutions.

Indeed, an examination of the consequences of IFIs policies shows that since the inception of their implementation in developing countries with the first stabilisation programmes in the 1980s, notably in SSA economies, these consequences have remained stable. This allows to infer the stability of policies and, going backwards, that of the underlying conceptual framework and institutions. Such a consequentialist approach contrasts with the claims of change made by the IFIs as well as Hirschmanian views of small changes – and interestingly, consequentialism (judging by results) is typically an approach that is defended by international financial institutions.

However, as underscored above, other conceptualisations of change that are based on time frame may be legitimately considered, for example those embracing long term time spans: here specific dynamics of change may be detected. For the World Bank for example, the policy-linked lending activities and their justification by a mix of macro-models and neoclassical concepts, which fully emerged from the 1980s onwards, as well as strengthened ties with the IMF for the promotion of ‘austerity’ policies, have represented significant changes vis-à-vis the first years at the end of the 1940s, which were devoted to the reconstruction of Europe after the WWII, and vis-à-vis the 1950s, where the World Bank acted as a development bank for development projects (Kapur et al., 1997). Indeed, it is only after the early-1950s that the World Bank centred its activities on development (Alacevich, 2009).

4.1. Stable – i.e., poor - economic outcomes of policies

In a consequentialist perspective – and within the time span of the four decades following the first IFIs reforms in developing countries in the 1980s, which corresponds

² Likewise, the fact that ‘truth’ may here be in fact a fiction may not weaken the general device that underlie the claim for a mainstream economics utterance to be true: Marx and later Polanyi insisted on the importance of fiction in power economic relationships.

to a definition of change in the short-term -, outcomes, and the causal mechanisms that have generated them, appear to be stable: i.e., economies are as poor as four decades before, and therefore the policies that are prescribed in the 2020s remain as questionable as in the 1980s.

This is shown by the stability across decades since the 1980s of the production and export structure of SSA economies, where primary commodities remain dominant (table 1), and by the subsequent vulnerability of SSA economies to external shocks. The IFIs acknowledge this vulnerability to shocks and the detrimental effects of output volatility (Loayza et al., 2007).

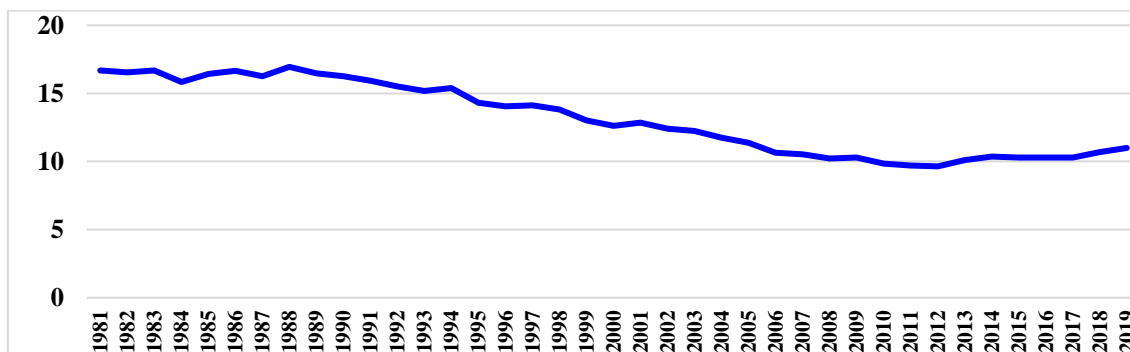
Table 1: Structure of merchandise exports, world, percentage of total exports

	Food		Agricultural raw materials		Fuels		Ores and metals		Manufactures	
	2000	2019	2000	2019	2000	2019	2000	2019	2000	2019
World	7.1	8.6	1.8	1.4	13.0	12.9	3.2	3.9	71.3	68.1
East Asia & Pacific	5.2	4.8	1.4	1.1	5.1	5.5	2.4	3.4	84.5	81.2
Europe & Central Asia	7.1	9.2	1.7	1.3	9.0	10.0	3.3	3.2	73.1	71.6
Latin America & Caribbean	19.6	25.2	3.0	2.8	15.8	10.1	9.0	11.5	51.3	45.2
Middle East & North Africa	1.9	4.2	0.4	0.2	80.2	68.4	1.6	2.2	13.8	22.5
North America	7.3	9.9	3.3	2.4	4.7	16.5	2.5	3.8	78.7	56.5
South Asia	12.5	11.3	1.4	1.1	2.9	12.7	2.3	3.5	79.1	71.3
Sub-Saharan Africa	14.3	12.3	5.3	2.4	42.9	49.3	7.9	15.0	25.6	26.1
Low income	..	..	..	..	..	..	..	..	..	..
Lower middle income	13.4	12.5	2.4	1.7	23.3	21.8	4.6	4.3	54.8	57.2
Upper middle income	7.5	9.8	1.9	1.5	18.3	13.1	4.0	4.5	66.0	67.5
High income	6.1	7.9	1.7	1.3	10.3	12.4	2.8	3.7	74.9	69.1

Source: World Bank World Development Indicators online, table 4.4, September 2016 and May 2021. <http://wdi.worldbank.org/table/4.4#>.

After four decades of programmes, since the 1980s, IFIs policy reforms have not improved the problems of SSA low-income countries. In particular, they have not improved these countries' low level of industrialisation and dependence on a limited number of primary commodities for their exports, balance of payments and fiscal revenues, which due to the inherent volatility of commodity prices, structurally generate fiscal deficits and unsustainable debt (Akyuz and Gore, 2001) (figure 1).

Figure 1: Sub-Saharan Africa, manufacturing, value added (% of GDP), 1981-2019

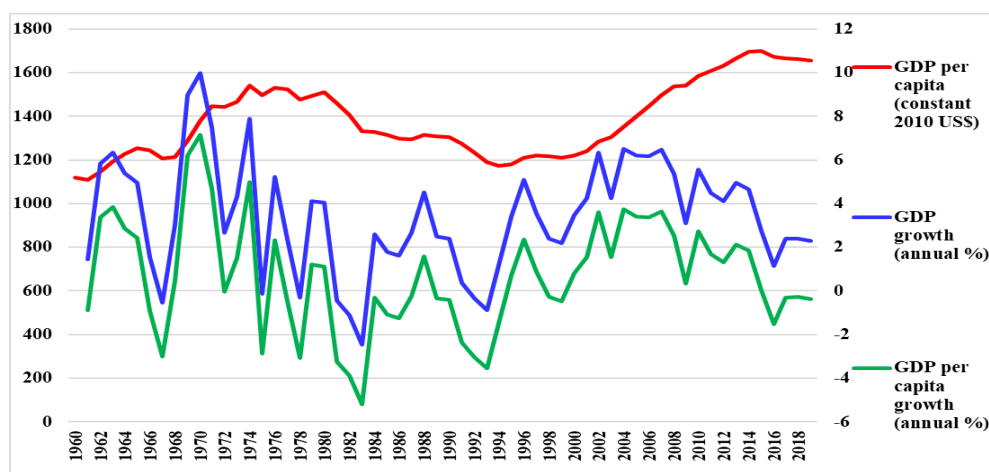


Source: World Bank, World Development Indicators database, May 2021.

The stability of outcomes is illustrated by the successive phases of growth of SSA economies since the 1980s. The phase of growth of the 2000s has been driven by China's growth and demand, and it has not been caused by implementation of IFIs policies. Indeed, the deceleration of China's growth in the 2010s has put most SSA economies back in their previous situation. The 2010s have witnessed price volatility, low levels of growth, and despite the IFIs debt relief initiatives for low-income countries of the 2000s (the HIPC and MDRI), debt is increasing in many SSA economies. In a vicious circle, this increase in debt levels has been fostered by the capacity to issue bonds in international financial markets due to the China-driven high commodity prices of the 2000s.

Even if 'SSA' refers to an excessively aggregated level, it may be noted that the many episodes of negative GDP per capita growth affect SSA economies according to similar patterns since the period of independences in the 1960s (figure 2).

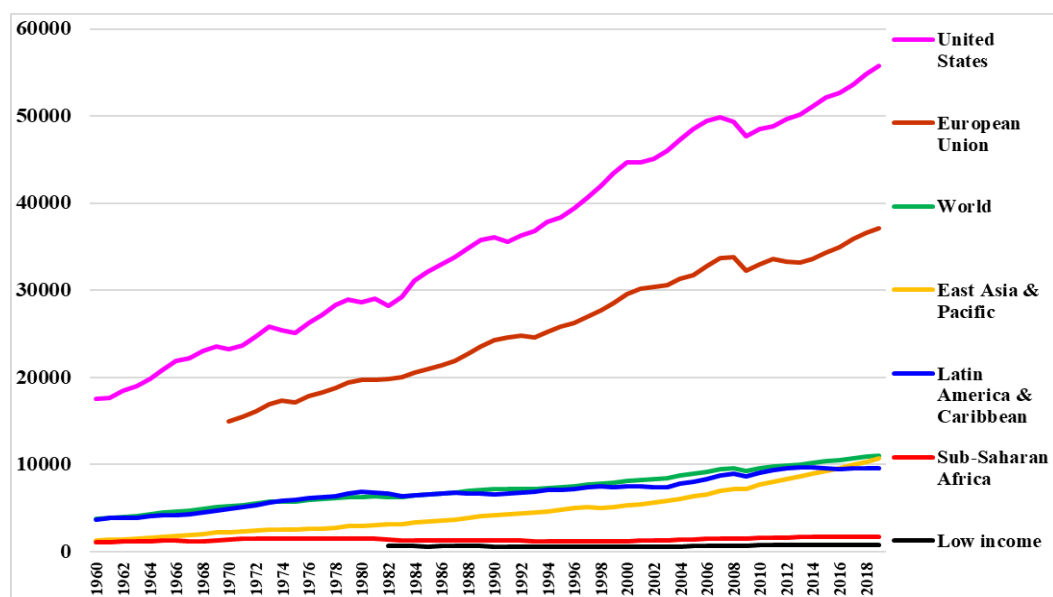
Figure 2: SSA, GDP per capita (constant 2010 US \$) (left axis), GDP growth and GDP per capita growth rates (right axis), 1960-2019



Source: World Bank World Development Indicators database, February 2021.

The stability of outcomes across decades of policy reforms is also illustrated by the stagnation of GDP per capita of SSA economies since the 1960s – while other parts of the world witnessed growth. This suggests not only the inefficiency of IFIs policies or other factors (global interest rates, external shocks) that IFIs policies have been unable to attenuate, but even trapping processes (figure 3).

Figure 3: GDP per capita, SSA, the world, other regions, 1960–2019 (constant 2010 US\$)



Source: World Bank, World Development Indicators database, February 2021.

4.2. Limited changes in the conditioned-to-policy lending and underlying theoretical framework

Within IFIs reform programmes, changes in the content of notions and causalities have been limited across time and space.

The policy framework has remained stable across time. For low-income countries, policy papers of, e.g., the 1980s and late-2010s may exhibit policy contents that are strikingly similar, though they are separated by decades, which have moreover included several global financial crises as well as recessions in borrowing countries. For SSA economies, the ESAFs/Enhanced Structural Adjustment Facility and the Policy Framework Papers/PFPs put in place in the 1980s include reforms that are comparable to those mentioned in the IMF facilities created after the 2008 global financial crisis.

For example, for Côte d'Ivoire, the disbursement of the Extended Credit Facility (ECF) arrangement and the extended arrangement under the Extended Fund Facility signed in December 2016 included the following conditions (IMF, 2019): *'the 2018 budget deficit target was met, and the authorities have reiterated their commitment to reach a budget deficit of 3 percent of GDP in 2019 and onwards, which will be critical for both domestic macroeconomic stability and regional external stability at the level of the West African Economic and Monetary Union. This can be achieved via additional tax*

revenue mobilization, which will create fiscal space to address socio-economic and infrastructure needs. While the authorities have embarked on revenue administration reforms to secure more tax revenue over the medium-term, broadening the tax base also offers currently untapped revenue potential. To preserve debt sustainability, prudent management of public debt needs to continue, including by limiting contingent liabilities. Borrowing policy carefully assessing the cost and benefits of new loans is required to keep Côte d'Ivoire's debt on a sustainable path. Structural reforms are ongoing and need to be sustained on all fronts. The authorities are implementing reforms to strengthen revenue administration and public financial management, consolidate banking sector stability, promote inclusive growth, improve the business climate and reinforce the statistical apparatus'.

For its part, the ESAF for Côte d'Ivoire included in 1995 the following conditions (IMF, 1995a), which are strikingly similar: *'the objectives were to bring inflation down to about 5% by the end of the period; (iii) reduce the external current account deficit, including official transfers, to 2.2 percent of GDP; and (iv) reduce the overall fiscal deficit by more than 2 percentage points to 5.5 percent of GDP. To achieve these objectives, the authorities are strengthening public finances. On the revenue side, the tax system will be rationalized, the tax base broadened, and the yield from existing taxes enhanced. As a result, reliance on coffee and cocoa export taxes will be reduced. On the expenditure side, current noninterest expenditure is programmed to decline by more than 1 percentage point to 15.4 percent of GDP in 1995. This will be accomplished by limiting the increase in the wage bill and by implementing measures to reduce the number of civil service employees by 2.4 percent. The authorities will continue reorienting public expenditure towards priority sectors such as primary health and education. They will also increase capital spending by 19 percent, based on a revised public investment program, to be presented to donors. Monetary policy, which will maintain the prudent stance followed in 1994, will limit domestic demand growth to a rate consistent with the currency peg. Structural Reforms: The authorities intend to strengthen and accelerate structural reforms in 1995, with a view to developing the private sector. The privatization program and the restructuring of the parapublic sector will be accelerated in 1995, price controls will be further reduced, in line with the elimination of some remaining non-tariff barriers, and far-reaching reforms will be launched in the agricultural sector. Government intervention in the cocoa and coffee sectors will be scaled down. Significant reforms of public administrations are also under way, notably to improve the budgeting process'.*

Change within reform programmes have been limited not only across time, but also across space and countries, though the latter are by definition heterogeneous. For example, the policies required from the Greek government in the mid-2010s and from SSA governments in the 1980s do not significantly differ.

For example, the Second Annual Loan for Senegal under the ESAF included the following conditions (IMF, 1995b): *'the objectives are to limit the rate of inflation to about 8 percent in 1995 and to less than 3 percent in 1996; and (iii) contain the external current account deficit To achieve these objectives, the authorities will reduce the overall fiscal deficit (excluding grants) to 2 percent of GDP through specific measures designed to increase government revenue by 1.5 percent of GDP, and to cut total expenditure by 2.2 percent of GDP The structural reforms focus on three main areas: (i) further price and trade liberalization, and modernization of the regulatory*

framework; (ii) strengthening reforms in the agricultural sector; and (iii) accelerating public enterprise reform’.

On the other hand, the Stand-By Arrangement for Greece (IMF, 2017) included the following conditions: *‘for the fiscal policy: The program focuses on rebalancing the budget toward more growth-friendly and socially-inclusive policies in the long run. A package of income tax and pension reforms—aimed at reducing exceptionally generous tax exemptions for the middle classes and unaffordably high pension spending—has been legislated. These measures help support the authorities’ ambitious medium-term primary surplus target of 3.5 percent of GDP; for the structural reforms: In addition to preserving the cornerstone labor market reforms during the program period, the program supports a reform of collective dismissals and implementation steps for ongoing reforms fostering competition, liberalizing Sunday trade and select closed professions, and facilitating investment’.*

Still at the policy level, the mechanisms of conditionality have remained stable, despite periodical internal reflections on conditionality within the IFIs since the 2000s. The IFIs have claimed that the device of conditionality has evolved. For example, ex ante conditionality would have been improved by the implementation of ex post conditionality, e.g., with World Bank ‘output-based aid’ – though it may be argued that the time structure of conditionality does not modify its very mechanism (Dixit, 2000).

However, the device of conditional lending, i.e., the ‘exchange of financing for policy reform’, the associated externalisation of the policies of borrowing countries to international financial institutions situated outside of them, and the intrinsic asymmetry of such a device, appear unchanged since the creation in 1944 of the Bretton Woods institutions. Since its creation, the organisation and objectives of an international institution such as the IMF, as embodied, e.g., in its Articles of Agreement, have put in place lending activities that are conditioned to the acceptance by borrowing countries of series of policy stances, e.g., open trade, and conditionality is thus a core of the financial activities of the IMF. The section 3 of the Article V of the IMF Articles of Agreement thus states³: a) *The Fund shall adopt policies on the use of its general resources, including policies on stand-by or similar arrangements, and may adopt special policies for special balance of payments problems, that will assist members to solve their balance of payments problems in a manner consistent with the provisions of this Agreement and that will establish adequate safeguards for the temporary use of the general resources of the Fund.* b) (i) *the member's use of the general resources of the Fund would be in accordance with the provisions of this Agreement and the policies adopted under them.*

Over time, for the IMF, the organisation of conditions has been deepened. Conditions thus include ‘prior actions’, ‘quantitative performance criteria’, ‘indicative targets’ and ‘structural benchmarks’ (IMF, 2021b). In particular, structural conditions go beyond macro-financial domains and cover the whole of an economy – the macro, meso, micro economic levels, and institutional issues. In particular, the Debt Sustainability Assessments/DSAs jointly managed by the IMF and the World Bank remain based on the Country Policy and Institutional Assessment/CPIA of a given country. This

³ Source: Articles of Agreement of the International Monetary Fund, March 2020. <https://www.imf.org/external/pubs/ft/aa/index.htm#a4s1>

assessment exhibits a particularly comprehensive set of required reforms, which encompass all dimensions of a country's economic activity (table 2).

Table 2: The Country Policy and Institutional Assessment (CPIA) criteria

A. Economic Management

1. Monetary and Exchange Rate Policies
2. Fiscal Policy
3. Debt Policy and Management

B. Structural Policies

4. Trade
5. Financial Sector
6. Business Regulatory Environment

C. Policies for Social Inclusion/Equity

7. Gender Equality
8. Equity of Public Resource Use
9. Building Human Resources
10. Social Protection and Labor
11. Policies and Institutions for Environmental Sustainability

D. Public Sector Management and Institutions

12. Property Rights and Rule-based Governance
13. Quality of Budgetary and Financial Management
14. Efficiency of Revenue Mobilization
15. Quality of Public Administration
16. Transparency, Accountability, and Corruption in the Public Sector

Source: World Bank. <http://pubdocs.worldbank.org/en/203511467141304327/CPIA-Criteria-2017v1.pdf>. There are 6 rating levels for each of the 16 criteria.

Moreover, some studies show that the number of conditions has increased over the 2000s: starting from very low levels in the mid-1980s, such policies expanded rapidly and peaked at about 16 structural conditions on average in 1998-99 (Kentikelenis et al., 2016). The average number of IMF structural conditions per loan has increased from 19.5 in 2011-13 to 26.8 in 2016-17, and out of 26 programmes examined, 23 conditioned loans on fiscal 'consolidation' – a formulation that in fact means the reduction in spending and/or the increasing in taxes (Brunswijck, 2018).

At the theoretical level, the theories that constitute the background of IFIs operations have witnessed limited change since the 'neoclassical counter-revolution' of the 1980s (Toye, 1987) and the marginalisation of post-Keynesian approaches. For the IMF, one of them has been the Monetary Approach of the Balance of Payment – the so-called 'Polak model' (Polak, 1997; Easterly, 2006), which is still relevant even if it has been modified over time. The IMF monetary model consists in macroeconomic accounting identities that link growth, inflation, money supply, current account, and budget deficit, with intermediate policy targets (e.g., domestic credit to the private sector, reserve accumulation) designed to be consistent with macroeconomic targets like growth, current account adjustment, and inflation. Models elaborated by the IMF have shifted from 'Keynesian' models in the 1970s to DSGE models in the 2000s (Boughton, 2001; Bayoumi, 2004; Sergi, 2019). The World Bank relies on variants of the 'two-gaps' growth model, which have also evolved with time. For its macroeconomic projections

and policies, the World Bank has emphasised the relationships among savings, foreign capital inflows, investment and growth (Khan et al., 1990; Agenor, 2004). Importantly, the commitment of the World Bank to genuine research activities has been questioned (Deaton et al., 2006).

Likewise, the institutional organisation and governance that underlie policies and their theoretical background may be viewed as having incurred limited changes. The governance and organisation of the IFIs remain based on an executive board, quotas and voting power that reflect the levels of wealth of member countries. As stated by the IMF, it is ‘*a quota-based institution. Quotas are the building blocks of the IMF’s financial and governance structure. An individual member country’s quota broadly reflects its relative position in the world economy*’⁴. The IMF Board include 24 ‘constituencies’ (24 directors), which gather countries and groups of countries. Some countries have a ‘chair’ for themselves: the US, Japan, China, Germany, France, UK, Saudi Arabia, while the two SSA directors have 2.97% and 1.62% of the total voting power respectively⁵. Reforms have been implemented in the 2010s, in particular in view of China’s growth and the rebalancing of global wealth. Yet the reality of these changes in the general governance of the IFI remains questioned (Vestergaard and Wade, 2014; Cao, 2019).

In sum, the poor economies that have been subjected to the policy reforms driven by the international financial institutions appear to be caught in processes of lock-in and cumulative causation. More than Hirschmanian transformations through small changes, a consequentialist perspective suggests that since the series of global shocks that affected developing countries from the 1970s onwards, the marginalisation of Keynesianism and the rise of the neoclassical ‘counter-revolution’ in economics, changes have been limited in the global governance, policies and associated theories that relate to poor economies. Such an outcome of the application of a consequentialist perspective is particularly interesting as consequentialism (causalities must be judged by their results) may be viewed as an approach that the IFIs and more generally mainstream economics typically put forward as the most relevant one in theory and policy evaluation.

In fine, a question remains that has not been addressed here, i.e., the causes of this stability of policies, and that of their underlying theoretical frameworks and modes of governance over four decades. This must be analysed in depth in another study, but one can observe that as long as international conditions, notably financialisation, do not dramatically change – and the GFC has not changed the global process of financialisation that has taken place since the end of the 20th century –, mainstream economics remains the dominant paradigm within academia and donor agencies; major stakeholders and their interests remain identical; and drivers of change for IFIs policies remain limited, even more so as ‘ever-true’ language devices significantly consolidate existing balances of power relationships.

⁴ Source: IMF Quotas, 4 March 2021.
<https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>

⁵ Source: IMF Executive Directors and Voting Power, 17 June 2021.
<https://www.imf.org/external/np/sec/memdir/eds.aspx>

5. Conclusion

This article has examined the process of change within global financial governance, under its modalities of international financial institutions, mainstream economic theories and the associated policies.

Its original contribution is to have shown that to address such a question, the very concept of change must be critically analysed as it may refer to different phenomena, and therefore depending on the definitions, change may or not be observed. A contribution has also been the consideration of language as a key element in the process of change, as certain types of linguistic devices may consolidate change or in contrast stability - such as the use of utterances that are ‘ever-true’ throughout time.

The article has applied to global financial governance, theories and policies, the conceptual framework of consequentialism, which is precisely typically valued by IFIs and mainstream economics. Such a framework has shown that despite claims of the contrary, the series of crisis and shocks that have affected the world from the 1970s onwards have not significantly changed global financial governance and its associated theories and policies. This has been illustrated by the poor developing countries of SSA, which since the 1980s appear to remain caught in poverty traps.

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