

Divergence and Convergence Between the IMF and the World Banks' Conceptions of Development During the 1990s.

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Abstract.

This paper concerns the IMF and the World Bank's changing perceptions of development, and in particular, their changing views of the relation between economic growth and democracy. The views of these two international institutions -- which are responsible for development -- are illustrated in their official publications and speeches of their officials in the 1990s. Analysis reveals both convergence and divergence between these institutions' views over this period. The paper focuses on how these institutions' sought to explain the development phenomenon of Asia's Newly Industrialising Countries (NICs). The central argument is that the political imperatives of liberalism -- political democracy and certain requirements for a functional system of government -- were marginalised in these institutions during the NICs period of rapid growth, while the recent economic crisis caused their reconsideration of this position.

Introduction.

Establishing exactly what is the appropriate relation between economic growth and democracy with which to facilitate development has always been a highly contested issue. There is no consensus on which economic policies and what type of political system will promote development; nor is there a widely acceptable definition of development itself. However, at the Bretton Woods agreement (1944) two international institutions -- the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank) -- were established whose purpose became over time deeply interlinked with the promotion of development. These institutions' conceptions of development are constantly changing, and they have drawn widespread criticism for their various approaches in the post-war era (Rashish 1988: 21). The crucial role that these institutions' play in promoting development means however that their perceptions of economic and political development, and the development policies that they consequently promote, are particularly important, with implications for what is legitimised in economic and political development more widely. It is important therefore to understand how their conceptions of development have changed in the 1990s.

To achieve this understanding, the paper focuses on these institutions' explanations of development in Asia's Newly Industrialising Countries (NICs). This paper will follow the lead of the IMF and the World Bank in treating development in Asia's NICs as a regional phenomenon -- the "East Asian miracle" (World Bank 1993). Analysis is divided into two main sections, the period of rapid economic growth, and that of the economic crisis which struck around September 1997. The IMF and the World Bank's explanations of the NICs rapid economic growth are especially important because this is the only recent example of extremely successful development (Stiglitz 1998a; Camdessus 1997b). As the development experience of Asia's NICs significantly affected these institutions' conceptions of development, this analysis serves to elucidate their overall framework for understanding development in this decade. Any explanation of the process of development in Asia however implicitly or explicitly posits a relation between economic growth and democracy. Explanations emanating from the IMF and the World Bank are no different in this regard, and are of particular interest given the influence of these institutions, and the controversial nature of the political systems that accompanied Asia's rapid economic growth. This analysis therefore enables an understanding of these institutions' changing perceptions of the relation between economic growth and democracy in development in the 1990s.

Changing Conceptions of Development in the 1990s.

Although their views concerning exactly which economic policies promote economic growth have changed constantly since their inception, the World Bank and the IMF have always held an economic growth centred conception of development from which political, cultural and sociological aspects of development follow (Reader 1997: 91-2). By 1990, changes in these institutions' conceptions of development had resulted in a recognisable convergence in their development policies, particularly in regard to policies that promote economic growth (Dale 1988: 18; Rashish 1988: 25). These economic policies were the neo-liberal policy prescriptions of the Washington consensus (Stiglitz 1998a; Williamson 1990; 1993: 1329). The neo-liberal takeover of mainstream public policy and development discourse in the late 1970s and 1980s is therefore a crucial factor in this policy convergence (Reader 1997: 97). The economic policies of neo-liberalism are those of *laissez-faire*, free market capitalism, which holds that government intervention in economic processes should be limited to those functions appropriate to the "night-watchman state", as elucidated in the work of Milton Friedman and F. A. Hayek, and R. Nozick (Nozick 1974; Friedman 1962; Hayek 1944). These functions are limited to the provision and enforcement of the rule of law and stable property rights, and ensuring competitive markets (Friedman 1962: 2; Hayek 1944: 72).

"The Washington consensus held that good economic performance required liberalised trade, macroeconomic stability, and getting the prices right... Once the government dealt with these issues -- essentially, once the government "got out of the way" -- private markets would allocate resources efficiently and generate robust growth" (Stiglitz 1998a).

The 1990s witnessed the emergence of the discourse of globalisation, a reflection of the impact of cumulative structural changes in the post-war international political economy (Beeson 1998: 487). This discourse justified the neo-liberal economic policies of the Washington consensus as central to the claims of globalisation was the idea that these policies were as a result of globalising changes more likely to promote economic growth than any alternative (Strange 1995: 299). This globalisation hypothesis is highly contested (Weiss 1998: 170-87). Nevertheless, it became an important justification of World Bank and IMF policy prescriptions in the 1990s, particularly those calling for the liberalisation of international capital flows (Camdessus 1997c; World Bank 1993: 25).

"Globalisation is with us: the availability of massive amounts of private capital has opened new opportunities for investment and growth to an even

larger number of developing countries, allowing many to develop more rapidly than would otherwise be possible" (Camdessus 1997c).

This depiction of the policies of the Washington consensus closely resembles the theoretical system advocated by Friedman and Hayek, except in the fact that it does not require political democracy. These theorists make a strong case for the necessity of liberal political systems or governmental design for a properly functioning market economy, and vice-versa (Friedman 1962: 8-9; Hayek 1944: 70). Such a system requires political democracy -- parliamentary institutions, representative democracy, freedom of speech and association, regular elections with a multi-party system, and the formal recognition of civil and human rights (Friedman 1962: 27; Hayek 1944: 71). The argument that liberal governmental design is a functional prerequisite for a capitalist market economy introduces the claims which this paper will term the political imperatives of liberalism. For the purposes of this paper, I argue that the political imperatives of liberalism embody two distinct claims. The first is a claim for political democracy in the liberal sense, a minimalist model for which is found in the work of Schumpeter, and which is consistent with the requirements for political democracy made by Nozick, Friedman and Hayek (Schumpeter 1950: 269-72). The second claim is for other aspects of liberal governmental design -- such as the rule of law, stable property rights and a competent and non-corrupt beaurocracy -- which are functional for a capitalist market economy but do not necessitate or require political democracy. This claim has already been shown to be integral to the work of Friedman and Hayek. I argue that if either of these claims are being excluded from analysis, then the political imperatives of liberalism are being marginalised.

The policies of the Washington consensus embody neither of the claims of the political imperatives of liberalism. One possible explanation for this is that these institutions' Articles of Agreement forbid them from being explicitly political in their development policy prescriptions (Camdessus 1997d; Currie 1996: 788). A second explanation is that the expectations of modernisation theory -- which was also grounded in a growth-centred conception of development -- were that the promotion of economic growth would, if successful, cause associated forms of development such as those embodied by the political imperatives of liberalism (Fukuyama 1995: 21). This conception of development therefore suggests that the policies of the Washington consensus implicitly promote both claims of the political imperatives of liberalism, even though this contradicts the theoretical arguments put forward by Friedman and Hayek.

The 1990s however saw the emergence of a second new discourse, that of good governance. This discourse allowed the IMF and the World Bank to integrate the

economic policies of the Washington consensus with the claims of the political imperatives of liberalism in a manner consistent with the neo-liberal theories of Friedman and Hayek. These institutions' concern with governance began with the findings of the World Bank's 1989 report *Sub-Saharan Africa* (World Bank 1989). In the mid-1990s, the IMF also began to consider good governance to be of crucial importance in promoting economic growth and development (Camdessus 1997d). Analysts of these institutions' concern with governance in the early to mid 1990s argued that the fundamental proposition of governance was that liberal governmental design was an essential prerequisite for successful economic development (Leftwich 1993: 605). The theoretical basis of governance was to be found in the neo-liberal theory of the state, as elucidated in rational choice theory, and by Schumpeter, Friedman, Hayek and Nozick (Williams 1994: 91; Leftwich 1994: 368-9). The theory of governance which began to permeate development discourse in this period therefore embodied both claims of the political imperatives of liberalism as prerequisites for successful economic development.

"...'democratic good governance' refers generally to a political regime based on the model of a liberal-democratic polity, which protects human and civil rights, combined with a competent, non-corrupt and accountable public administration. Such political systems, the argument goes, are functional for competitive, free market economies, and vice-versa" (Leftwich 1993: 605).

The Period of Rapid Growth in Asia's Newly Industrialising Countries (NICs).

The World Bank and the IMF sought to explain the rapid economic growth of Asia's NICs with reference to the economic policies which they were promoting in this period (Stiglitz 1998a; Camdessus 1996; World Bank 1993: 5). Globalisation was an important part of World Bank and IMF discourse concerning the period of rapid growth in Asia, as was the role of the liberalisation of international capital flows (Camdessus 1997a; World Bank 1993: 25). This explanation of NIC economic policies had its counterpart in the attempt by the World Bank to show that the Asian NICs also exemplified good governance (Beeson 1998: 497-500). This argument ensured that the NICs rapid growth appeared to conform to the expectations of these institutions in this period, and was explicable by the broader neo-liberal development framework embodied in their discourse. By portraying the rapid economic growth in Asia as being a result of the policies they promoted, these institutions' sought to make their policies more attractive to other developing states (Camdessus 1996; World Bank 1993: 347).

However, some analysts in this period argued that the rapid growth in Asia occurred without good governance, and through deliberate rejection of the policies of the Washington consensus. These analysts argued that the economic policy of the Asian NICs revolved around state intervention in the economy, an elite bureaucracy deciding economic policy, and the extensive coordination of relations between business, government, academia, and banking and financial intermediaries to implement these policies (Leftwich 1994: 378-80). This explanation of economic growth in Asia's NICs focused on the need for a strong state -- termed the developmental state -- which could promote economic development in the national interest (Lim 1998: 26). The developmental state analysis intimated therefore that authoritarian-style governments were compatible with, or even favourable for, strong and continued economic growth, which constituted a rejection of neo-liberal theory (Lim 1998: 27; Huang 1996: 19; Krugman 1994: 62). The relation between governmental design and economic policy in Asia's NICs was according to these analysts crucial to generating their rapid economic growth, yet this relation clearly embodied an alternative conception of development to the neo-liberal approach of the World Bank and the IMF (Leftwich 1994: 381).

"...the "developmental state" -- focused on promoting economic development in the national interest -- and statist industrial policy -- government protection and subsidies targeted at developing specific strategic industrial sectors -- have been essential to the rapid industrialisation of the East Asian newly industrialised economies" (Lim 1998: 26).

The IMF and the World Bank found it difficult to reconcile their explanation of the NICs rapid growth with the developmental state. The World Bank initially took recourse in the argument that there were empirical problems with establishing exactly which explanation for Asia's rapid economic growth was the most accurate (World Bank 1993: 6). The World Bank's *The East Asian Miracle* (1993), however, is significant as despite its emphasis on the neo-liberal economic policies of the Washington consensus, it gave credence to the idea that government intervention had made a significant contribution towards generating rapid economic growth (Beeson 1998: 495-7; Stiglitz 1998a; World Bank 1993: 5-6). With the publication of *The State in a Changing World* (1997), the World Bank began to explicitly elucidate the view that an effective state was necessary for successful development, and to endorse the idea that state intervention in the economy was important to successful economic development (Stiglitz 1998a; World Bank 1997: 24). Clearly, the position which the World Bank held in the late 1990s contradicted the policy prescriptions of the Washington consensus, which the IMF continued to promote. This indicates that divergence on economic policy began to occur between these institutions in the mid 1990s.

This alternative conception of appropriate forms of governmental design to promote economic growth contradicted neo-liberal theory and therefore threatened to undermine, both normatively and theoretically, the development framework which the IMF and the World Bank had been promoting (Beeson 1998: 495; Amsden 1993: 325). However, the World Bank and the IMF were able to reconcile these forms of governmental design with the discourse of good governance. They were able to do this because good governance was defined in a technical, narrow and administrative manner which embodied only the second of the two claims of the political imperatives of liberalism, while marginalising the claim for political democracy (Beeson 1998: 497; Camdessus 1997d; Leftwich 1993: 611). This technical conception of governance is reconcilable with governmental design in Asia's NICs because it is identical to a recognisable model of liberal authoritarianism and economic constitutionalism developed in Germany before World War II (Jayasuriya 1999: 7-12). The focus of both the narrow definition of good governance, and this liberal authoritarianism, is on a regulatory framework and rule of law not subject to interference from the results of political democracy (Jayasuriya 1999: 8-9). Clearly, this embodies the second claim of the political imperatives of liberalism while excluding the first.

The political imperatives of liberalism were therefore marginalised in the discourse of IMF and the World Bank in regard to their interpretations of the Asian NICs period of rapid growth. From 1993, with *The East Asian Miracle*, and even more clearly in 1997, with *The State in a Changing World*, until the economic crisis, the World Bank sought to integrate the experience of the Asian NICs with the discourse of good governance even if this meant the marginalisation of the political imperatives of liberalism. Furthermore, the NICs economic success might be considered to validate the forms of governmental design that accompanied it, as it had legitimised authoritarianism at the domestic and regional level to some degree. The World Bank therefore, in both marginalising the claim for political democracy through their technical definition of governance, and explicitly endorsing the role of state intervention in the economy in Asia's NICs, implicitly endorsed authoritarianism.

"...the World Bank's 1997 report defines an 'effective state' in a way which bypasses the wider social context and the social impact of the developmental state in the region... the conception of an effective state in East Asia presented in *The State in a Changing World* is grounded in an elite-centred approach to political and economic change which implicitly, if not explicitly, endorses authoritarianism" (Beeson 1998: 500).

The IMF in this period did not address the contradiction between the structures of governmental design that accompanied the rapid growth in Asia and the political imperatives of liberalism, and remained silent on issues relating to political democratisation in Asia's NICs. It continued to promote the economic policies of the Washington consensus but with a technical form of governance -- transparent and accountable governments that follow the rule of law and protect property rights -- yet this analysis was not central to the IMF's understanding of Asia's NICs (Camdessus 1996). This concern with the second claim of the political imperatives of liberalism is not matched with concern for the claim for political democracy, and so the IMF's discourse, prior to the crisis, also implicitly endorsed authoritarianism. The political imperatives of liberalism were therefore also marginalised in the IMF's discourse in this period of rapid economic growth in Asia, through the exclusion of the claim for political democracy.

The Asian Economic Crisis.

Broad agreement exists that the financial market liberalisation which the NICs had undergone in the last decade or so had occurred without there being sufficient regulatory capacity to manage them (Lim 1998: 28-9; Sugisaki 1998; Stiglitz 1998c). It is argued that this resulted in the irrational herding of international investors, from "irrational exuberance" before the crisis, which resulted in overvaluations and inadequate risk assessment, to the "irrational pessimism" and severe undervaluations which characterised the crisis (Stiglitz 1998b; Ouattara 1998c). This agreement however generated very different analyses of the real causes of, and appropriate solutions to, the economic crisis in the IMF and the World Bank. The crisis therefore represents a watershed not only in the changing conceptions of development of these institutions in the 1990s, but also in divergence between these institutions' understanding of the relation between economic growth and the political imperatives of liberalism.

The IMF's explanations of the crisis centred around the argument that the behaviour of international investors was not the cause of the Asian economic crisis, but was symptomatic of the deeper, underlying causes (Ouattara 1998b; Boorman 1998; Camdessus 1997e). These underlying causes were argued to be a result of the lack of good governance in the Asian NICs (Camdessus 1998a; Sugisaki 1998; Ouattara 1998a). This was manifested in a lack of transparency -- meaning that the market failure information asymmetry had occurred -- which caused the seemingly irrational behaviour of investors (Fischer 1998a; Ouattara 1998a; Sugisaki 1998; Camdessus 1997e). The IMF therefore remained adamant that liberalisation of capital flows in the international political economy was a good -- a global public good -- but without good governance

and transparency the "risks of globalisation" could easily manifest themselves as they had in Asia's NICs (Fischer 1998b; Camdessus 1997e). The corollary of this argument is that to mitigate the risks of globalisation, and maximise global welfare, states were required to have good governance. Transparency therefore became the IMF's new "golden rule" for a globalised political economy (Camdessus 1998d).

"Market doubts were compounded by a general lack of transparency -- about the extent of government and central bank liabilities; about the underlying health of the financial sectors and about the links between banks, industry and the government and their possible impact on economic policy" (Camdessus 1997f).

Any lingering doubts about liberalisation were dispelled by the IMF with the argument that the Asian NICs had not liberalised in an "appropriate" manner, that is, in an orderly and well-sequenced manner ensuring provision of sufficient regulatory capacity (Camdessus 1998d; Ouattara 1998c; Fischer 1998d; Boorman 1998; Sugisaki 1999). The IMF furthermore declared that a "consensus" existed which held that capital controls are not effective tools except as temporary expedients (Camdessus 1999b). The IMF of course needed to justify its pre-crisis position in favour of liberalisation, which was at least partially responsible for the rapid liberalisation without adequate regulation which had occurred in Asia's NICs. Furthermore, the IMF made an almost irreversible commitment to the Washington consensus policy of complete liberalisation of capital flows when it moved in 1997 -- as the crisis struck -- to amend its Articles of Agreement to make liberalisation one of the purposes of the Fund (Camdessus 1999b).

The lack of transparency in Asia's NICs was symbolised for the IMF by the cooperative relations between business and government (Camdessus 1997e). These relations were recast as "crony capitalism", and held responsible for the widespread corruption and nepotism that further contributed to the lack of good governance (Camdessus 1999b). The IMF also argued that excessive government intervention in the market -- through these relations of crony capitalism -- was responsible to some extent for the lack of good governance and transparency, and therefore for the economic crisis (Sugisaki 1998; Camdessus 1999b). The senior management of the IMF was united in promoting this interpretation of the Asian economic crisis (Camdessus 1998d; Sugisaki 1998; Ouattara 1998a; Heller 1999; Saito 1998; Fischer 1998a; Boorman 1998).

"...countries must take great care to ensure that their affairs are conducted in an irreproachable and transparent manner and that all forms of corruption, nepotism, and favoritism are shunned; yet, over time in Asia, these afflictions

took hold and overpowered systems that were otherwise remarkably successful"
(Camdessus 1998d).

These aspects of the NICs political economies that the IMF isolated as responsible for the crisis are, obviously, those which did not conform to the political and economic framework which they had advocated prior to the crisis -- those aspects which defined the developmental state (Beeson 1998: 500; Lim 1998: 31-2). Governance provided the IMF not only with an analysis which could explain the crisis and justify the IMF's pre-crisis position, but also with solutions to the crisis -- the policy prescriptions of the Washington consensus and the policies suggested by their technical interpretation of good governance. Furthermore, while governance immediately became the centrepiece of the IMF's criticism of Asia's NICs, very few of the lessons of the Asian crisis were related to the first claim of the political imperatives of liberalism, that of political democracy. Rather, they related to the second claim as embodied in the technical definition of governance. In regard to political democracy, the IMF limited itself to the observation -- as an aside -- that democratic changes of government in Korea and Thailand had assisted the process of economic reform (Fischer 1998c).

The IMF is unique in the international political economy, as it can implement its solutions to problems it perceives through the mechanism of structural adjustment loans. As a consequence of the crisis, the IMF was required to provide liquidity loans to Malaysia, Indonesia, Thailand, and the Republic of Korea. In the course of the 1990s IMF structural adjustment loans had evolved such that the conditions attached to them became more stringent, as a result, it is argued, of the collapse of communism in Eastern Europe, and importantly, in the mid to late 1990s, of the IMF's recognition of the importance of good governance (Leftwich 1994: 369; Beeson 1998: 492; Feldstein 1998: 21-2). The IMF in fact undertook a series of amendments to standard structural adjustment loan procedures designed to take governance considerations into account (Camdessus 1997d). The IMF's approach to the crisis therefore was to utilise its new governance oriented structural adjustment loans. The conditionalities attached to these loans entailed an ambitious and comprehensive list of structural reforms requiring changes in these states' governance to ensure transparency and end corruption and nepotism, as well as the further liberalisation of international capital and investment flows (Camdessus 1998b; Feldstein 1998: 24). Even the IMF recognised that the nature of these programs was a significant departure from previous approaches (Camdessus 1998b).

The IMF therefore has continued to advocate the policies of the Washington consensus, arguing that the causes of the Asian economic crisis validated their approach to

economic policy and to development. The IMF, furthermore, applied their technical interpretation of good governance to Asia's NICs in their analysis of the crisis. The crisis is therefore of crucial importance to understanding the IMF's changing conception of development in the 1990s, such that their continued support for the economic policies of the Washington consensus was combined with a technical definition of governance in this period. As the IMF recognised, the crisis represented an opportunity for them to make the discourse of governance central to their analysis of Asia's NICs, and to make good governance NIC policy through the conditionalities attached to structural adjustment loans (Heller 1999). The IMF's attack on the developmental state -- both through discourse and the loan conditionalities -- is critical because the developmental state represented an alternative normative and theoretical development framework to that which the IMF promoted. Furthermore, analysis of the IMF's approach to the crisis, particularly the immediate centrality of the good governance discourse, helps explain the pre-crisis marginalisation of the political imperatives of liberalism in the IMF's discourse.

Clearly, the ability of the IMF to utilise its structural power in the international political economy through its structural adjustment loans indicates that the period of rapid growth significantly constrained the IMF in regard to its activities in Asia. Although the IMF may have disagreed with the model of the developmental state, during the pre-crisis period it was relegated to the role of an interpreter of the rapid growth like other analysts. This may have resulted in the paucity of IMF criticism of the NICs governmental system, in particular their lack of political democracy, the first claim of the political imperatives of liberalism. Furthermore, while the second of the claims of the political imperatives of liberalism were raised by the IMF in their analysis of pre-crisis Asia, these claims were not central to their analysis. This suggests -- and the IMF recognises -- that the very fact of rapid economic growth in Asia may have marginalised both of the claims of the political imperatives of liberalism in the IMF's analysis of Asia's NICs, though the first claim was marginalised more completely (Camdessus 1998c).

However, it is clear that the IMF's explanations of the Asian economic crisis isolates aspects of the Asian NICs developmental states which the World Bank had recently recognised as having contributed to their economic success. If the World Bank agreed with the IMF's interpretation, this would create problems for the continued integration of these aspects of the developmental state into the World Bank's broader conception of development. The World Bank, rather than contradict the position they had recently endorsed, was critical of the view -- elucidated by the IMF -- that the role that government intervention in the market played in the NICs political economies was

somehow responsible for the crisis (Stiglitz 1998a). The World Bank, while agreeing that problems with governance and transparency existed in the Asian NICs, questioned whether these caused or can explain the scope, timing or severity of the crisis (Wolfensohn 1999; Stiglitz 1998b). Furthermore, the World Bank argued that the crisis might have occurred even if these governance problems had not existed (Stiglitz 1998b).

Some analysts argue that the rapid financial liberalisation of the NICs was the major causal factor leading to the crisis (Lim 1998: 28). This analysis brings into question a fundamental proposition of the Washington consensus, as rapid liberalisation severely limited the capacity of NIC governments to intervene and control capital flows (Lim 1998: 29-30). This analysis is important because the role the NICs governments' played in controlling and directing capital in the pre-crisis period was recognised by the World Bank as an important aspect of the NICs developmental state, which contributed to their economic success. This led the World Bank to highlight the lack of effective government regulation of capital and investment flows as the cause of the crisis, and reject the argument -- made by the IMF -- that too much or misguided government interference was to blame (Stiglitz 1998b). The World Bank therefore rejected the Washington consensus position favouring financial liberalisation on the grounds that this position was not supported by either empirical evidence or recent economic theory, and argued that without this liberalisation the crisis may have been avoided (Stiglitz 1998b; 1998d). The World Bank's analysis, which is significantly divergent from the IMF's, resulted in its move to support forms of capital controls, taxes, regulations, or restraints -- such as the Tobin tax or the Chilean model of dampening short-term capital flows -- especially for small, open economies (Stiglitz 1998b; 1998d).

Furthermore, the World Bank moved to break explicitly with the Washington consensus. The World Bank's recognition of the positive role of the state in Asia's period of rapid growth contradicted the basic aim of Washington consensus policies, that is, to reduce the scope, size and power of the state. The World Bank therefore saw the rejection of the Washington consensus as a logical extension of their analysis of the period of rapid growth (Stiglitz 1998a). In its place, the World Bank proposed a "post-Washington consensus", which was argued to embody a greater understanding of how to promote economic growth, and a conception of development which had expanded to include broader socio-political goals -- sustainable, egalitarian and democratic development (Stiglitz 1998a). The overall conception of development that the World Bank is currently promoting is called by the current President, J. Wolfensohn, the "comprehensive development framework" (Stiglitz 1999; Wolfensohn 1998).

This comprehensive development framework elucidated by the World Bank embodies the second claim of the political imperatives of liberalism, the need for rule of law, transparency, and secure property rights (Stiglitz 1999; Wolfensohn 1999). Furthermore, this framework also meets the requirement of the first claim of the political imperatives of liberalism, political democracy, and thereby conforms with the minimum theoretical requirements for a liberal democratic system of government as elucidated by Friedman, Hayek and Schumpeter. Voting -- implying regular, competitive, open, and multi-party elections -- must however in this conception be supplemented by "open dialogue" and "active civil engagement" to allow citizens a voice in the decision-making processes of their society (Stiglitz 1999; Wolfensohn 1998). This implies that the kind of democracy the World Bank is advocating is in fact "thicker" than the minimalist model of liberal democracy, and embodies some of claims of civic republicanism and deliberative or discursive democracy (Habermas 1994). The World Bank, which had implicitly endorsed Asia's authoritarian style of government prior to the crisis, therefore sought to reconcile its conception of development with the political imperatives of liberalism by explicitly rejecting authoritarianism.

Conclusion.

The World Bank's conception of development at the end of the 1990s -- the post-Washington consensus or comprehensive development framework -- has therefore re-introduced the political imperatives of liberalism into its discourse. However, this has occurred in a significantly different model to that of the IMF's, with a "thicker" conception of democracy that still embodies both claims of the political imperatives of liberalism, combined with a more pragmatic approach to economic policy. While this economic policy is not consistent with the neo-liberal theory of Friedman, Nozick, and Hayek, it is with forms of economic policy -- such as Keynesianism -- which were integral to "embedded liberalism" and therefore do not contradict liberalism in the broader sense. The IMF has continued to promote a technical view of governance, which only hints at supports the first claim of the political imperatives of liberalism -- and clearly in a Schumpeterian version of political democracy -- combined with the more orthodox liberal economic policies of the Washington consensus. The IMF has also hinted of its general support for the comprehensive development framework of the World Bank, but has not addressed the actual points of divergence between these two institutions in its post-crisis discourse (Camdessus 1999a; Fischer 1999).

This paper has raised the question of exactly why the political imperatives of liberalism were marginalised in these institutions' discourse in this period. One explanation already broached is that the IMF and World Bank needed a technical interpretation of

governance issues because their Articles of Agreement forbid them from using explicitly political criteria when making judgements (Camdessus 1997d; Wolfensohn 1999). However, the speed with which good governance and the political imperatives of liberalism became central to these institutions' discourse when the economic crisis occurred suggests other reasons. The World Bank and IMF's pre-crisis discourse -- which marginalised the political imperatives of liberalism -- might indicate that the fact that rapid economic growth in Asia contradicted governance theory was difficult for these institutions to address. Another possibility already raised is that the very existence of rapid growth in Asia obscured or rendered political and governmental considerations irrelevant in the pre-crisis period. An adjunct to this argument is that the structural power of these international institutions is manifested most clearly in times of economic crisis, through the mechanism of structural adjustment loans.

This analysis therefore serves to establish the central argument, as not only were the political imperatives of liberalism clearly marginalised in the discourse of these institutions' during the NICs period of rapid economic growth, but also that the economic crisis caused these institutions' to reconsider their position. Furthermore, analysis has revealed that significant divergence between these institutions' conceptions of development has occurred in the 1990s, and that they continue to diverge at the end of this decade. This paper can suggest therefore that convergence and divergence in the interpretations and perceptions of the IMF and the World Bank will continue to be influential in changing the way development is understood and approached in the near future. Finally, it is clear that the exact relation between economic growth and democracy, political systems, or governmental design remains an important area of debate in the field of development studies. Analysis of the international institutions of development -- the IMF and the World Bank -- in the 1990s may not resolve questions raised in the course of this long-running debate, but is revealing as to the form this debate takes in mainstream and contemporary development discourse.

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