

The IMF's New Balancing Act



As *Global Finance* was going to press this month, it emerged that the International Monetary Fund had agreed to a sweeping change in its role. Recognizing the dramatic shifts that have taken place in global markets recently, the IMF is switching its focus from crisis management to crisis prevention. Instead of waiting on the sidelines ready to ride to the rescue of individual economies in distress, the IMF wants to take a much more central, proactive role in maintaining balance and fairness in an increasingly complex and interdependent global economy.

According to Gordon Brown, the UK's finance minister and chairman of the IMF committee, central to the IMF's vision of its reborn self is its ability to monitor "more deeply not just country policies but the linkages and spillover effects of one country's policies on others in the global economy." Where it detects imbalance or unfairness, the IMF will attempt to bring together the countries involved and help them find ways to resolve their differences without resorting to trade wars or other damaging disputes.

This is a noble goal and one that an organization such as the IMF is well placed to fulfill. It is also timely, particularly for the IMF itself. There is no doubt that reform of the IMF was long overdue. Even its supporters were beginning to agree that the fund had become ineffectual and was in danger of becoming irrelevant. Harsher critics have argued that the IMF's involvement has often actually harmed developing countries, slowing their recovery from financial crises. But while the change in emphasis is entirely appropriate, it is far from certain that the IMF will become any more effective in its new balancing act. With no tools at its disposal to force changes on countries that do not cooperate, there is a very real danger that the new IMF will become just another talking shop.

The key to its success, therefore, will not be whether it has the muscle to strong-arm countries into changing their economic ways. Rather, the reformed IMF's success or failure will be founded on whether it has the vision and the integrity to propose genuinely fair and workable solutions to complex and often politically charged problems that confront the global economy.

Until next month,

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