EVOLVING ISSUES IN INTERNATIONAL ECONOMIC GOVERNANCE

Introductory remarks

by

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Before turning the floor over to the speakers I should like to make some brief introductory remarks about the subject of international economic governance.

In principle, international economic governance includes: (1) the private law of international transactions; (2) national government law of international transactions; and (3) the law of international economic institutions. The first of these headings is largely beyond the scope of today's session, covering as it does contract law, insurance law, corporate law, maritime law and options for dispute resolution involving these subjects. It is with second two headings – national government regulation of international transactions and the law of international economic institutions, and the many interactions and the interdependence of the two headings – which I expect the speakers and subsequent debate to concentrate on today.

These two headings inevitably overlap substantially with other subjects covered by today's meeting – macroeconomics, exchange rates, international trade policy, the procedures and conditionality of lending by international financial institutions, external debt, development policies and strategies, and so on. Indeed, when I joined UNCTAD in 1977, I think that the consensus would have been that the coverage of international governance was largely co-extensive with these subjects.

More recently, owing to the enhanced importance of private as opposed to public actors and institutions in the functioning of the international economy since the 1970s and the more recent shift in relative global economic power and weight away from the United States and Western Europe towards Asia, the focus of discussion of international governance has broadened.

The changed configuration of economic power and weight has intensified debate over the representativeness of the multilateral institutions responsible for international economic governance. The enhanced importance of private actors and institutions has led to greatly increased attention in international governance to the operations and functioning of these actors and institutions. A notable early manifestation of this increased attention was the development of key international financial standards after the Asian financial crisis of 1997–1998. More recently, since the outbreak of the current financial crisis, the international economy is having to absorb what sometimes seems a tsunami of new rules and standards concerning financial markets and institutions and related parts of macroeconomics.

The design of a new architecture capable of reducing the likelihood of future global financial instability and of contributing more effectively to real economic activity and development – an architecture which has numerous connections to the model of international economic relations enticingly outlined in the Secretary-General's report to the forthcoming UNCTAD conference – the design of such an architecture poses difficult problems, concerning which

I think international consensus is still lacking, as to the appropriate balance between the scope of national policy and regulation, on the one hand, and international rules and standards, on the other. This balance is one of the subjects which I hope the speakers and other interveners will broach this afternoon.

Thank you for your attention. Now for our speakers.

Statement

by

Jomo Kwame Sundaram

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Reflections on UNCTAD annual review with an attitude

First, let me thank the organizers for this kind invitation. It is a great honour for me to be here to pay tribute to the *Trade and Development Report* which is a bit of a misnomer. It should be, in my view, the *Macro-financial, Trade and Development Report*, because in the hands of the leadership of the *Trade and Development Report*, this is what it has become. It has been extremely important for a variety of reasons. So, I would like to pay tribute to the men and women who are here and also to those who are no longer with us and some who are not here, but are still with us. It is very important for us to recognize that a sustained collective effort over three decades is a great achievement indeed.

It is also important for us to recognize the importance of leadership. I particularly want to take this opportunity to pay tribute to Yilmaz Akyüz because he demonstrated for me something which I did not quite appreciate until I saw him in action. When I first met him, he was a P-5 but simply by hard work, commitment, vision, initiative and working effectively with others, he exercised leadership in very important ways. Even though he was not Director for very long, he was effectively the leader of *TDR* for an extended period of time.

My engagement with the *TDR* has been mainly in the last half decade or so after I joined the UN seven years ago. I have also had the pleasure of working with the *TDR* team, in particular with Heiner Flassbeck and some of his colleagues, on some challenges, in particular, challenges posed by the current crisis which has also elevated the role and status of the *TDR*. In a very profound sense, it has been the *TDR*, together with colleagues working in New York, and the Bank of International Settlements under the leadership of William White, who consistently warned of the very dangerous features developing on the macro-financial front which culminated in the present crisis, and it is unfortunate for the world that we were ignored. I do not take pleasure in being right but ignored. The world has paid a very high price for ignoring this important work. But it is precisely because we did this work that there has been a belated recognition by the international community of the need for a second opinion.

American pundit James Carville once quipped that after he dies, he would like to return as the bond market because that is where real power truly lies today. We are living in a world where all too many leaders, including those in the G-20 group of major economies, are constantly looking over their shoulders at what financial markets will say about their policy changes. The resulting failure of leadership and weakness of international coordination at a time like this, when we are facing the prospect of protracted economic slowdown and its devastating consequences for billions of people, is a terrible indictment of the system.

We all know that the Bretton Woods conference in 1944 changed the world. Not all the problems of the financial system were satisfactorily resolved, but since the end of the Bretton Woods system in 1971, there has been ad-hocism instead, with no systemic reform to speak of. What we have had is an accretion of ad hoc reforms, and quite correctly, the Committee overseeing the IMF was called the Interim Committee for decades. In many ways, it was a reflection of the fact that all new arrangements were essentially ad hoc and occasional pretensions of being systemic were misleading; hence, Robert Triffin's 'non-system' characterization.

Very importantly, the Bretton Woods system was not just simply about the international monetary and financial system narrowly conceived. It was about creating the conditions for sustained growth, of output and job creation, post-war reconstruction and post-colonial development – as the official name of the World Bank implied. The stakes were high and the reforms were seen as absolutely necessary to avoid the kinds of social and political developments which led to the outbreak of the Second World War. The Bretton Woods conference was held just a few months following the Philadelphia Declaration which was a very important landmark for the ILO affirming the commitment to full employment. This needs to be re-emphasized because there is no other way to alleviate poverty in a sustained fashion if we do not create decent and productive jobs for the world's population. A lot of recent so-called 'silver bullets' from Washington have been essentially gimmicky with none able to alleviate poverty in a sustained fashion.

Empirical evidence, shown by Richard Kozul-Wright, who has been associated with the *TDR* for a very long time, demonstrates that financial globalization has been growing faster than trade integration, which is what we normally associate with globalization. As a consequence of this, we have seen significant transfers of financial resources, not from the North to the South, as promised by advocates of financial liberalization or globalization who promised massive transfers of financial resources from the capital rich economies to the capital poor economies. But what has actually happened has been the converse. The capital flows have been from the poor to the rich. The recent book of Leonce Ndikumana and James Boyce shows the flows of resources from Africa to the rich world. Half of these resources have gone to the United States of America for reasons we all know. One might think that this flow of resources across borders may have resulted in an elevated rate of investment, but this simply did not happen. The costs of funds have not been significantly reduced by financial globalization either. Also, very importantly, we have not seen a diminution of volatility and instability in the last few decades, especially affecting not only the so-called emerging market economies, but also some OECD economies.

Although the IMF was right in emphasizing the need for coordinated fiscal stimulus efforts to avert a global meltdown, its emphasis since early 2010 on fiscal consolidation has distracted attention away from the urgent need of sustaining recovery. The IMF's responses in other areas, especially before 2009, exacerbated the situation in different ways, by limiting policy space. The premature and unnecessary emphasis on fiscal consolidation quickly brought an end to the nascent fiscal stimuli and the welcome green shoots of recovery. A whole range of reforms are needed now, but there has to be better prioritization.

In the mid-1940s, the basic vote for all 44 members of the IMF accounted for 11.4 per cent of the total vote. By 2008, the basic vote had shrunk from 11.4 to 2.2 per cent shared among its 184 members. As the value of a basic vote diminished by over 95 per cent, smaller and poorer economies have effectively lost voice in the governance of the institution. Effective governance rights on the basis of 'one dollar one vote' are simply not consistent with the original intent to set up the IMF as an international financial cooperative. This basic founding principle has been undermined by the erosion of the weight of the basic vote over the decades. If the original weight of the basic vote had been retained, basic votes would account for almost half the votes today with the more than fourfold increase in membership from 44 to 185.

As many of you know, the 63rd President of the General Assembly set up a Commission chaired by Joseph Stiglitz. Rubens Ricupero, former Secretary-General of UNCTAD, was one of the members with Jan Kregel, a former member of the *TDR* team, serving as Chief Rapporteur. Unfortunately, many of its important and constructive proposals have been sidelined since, even at the United Nations in New York. The proposals were nuanced in addressing different types of derivatives, clearing house mechanisms, market mechanisms, global economic governance and regulations – all relevant to improving and enhancing international economic performance.

In the longer term, the long deferred problem of global imbalances needs to be addressed, but doing so should not stand in the way of urgent recovery efforts.

The reserve currency system needs to be addressed in this connection. Article 6, Section 3 of the Fund's Articles of Agreement is very unequivocal in ensuring all member countries the sovereign right to capital controls, but instead, we have seen Fund staff preaching the contrary for decades now. Although there are over 100 countries which have some type of capital control, many of them are in denial that they have capital controls for fear of adverse market perceptions in the current ideological climate. This basically deters national authorities from exercising rights which they have and which the IMF should enable them to exercise.

Another challenge highlighted by the current fiscal and related debt problems is the need for greater international tax cooperation. Some governments jealously guard their tax prerogatives in myopic ways, not appreciating the benefits for all from greater cooperation. Thankfully, there is now growing recognition of the need to enhance international cooperation because it is precisely in a much more globalized world that one can find a lot more tax evasion by taking advantage of the global interstices of the jigsaw of national arrangements. This has been exposed time and again, even before the crisis. In the current Greek crisis, for example, it has been estimated that the top 15,000 tax payers in Greece have avoided paying an average of 4 million Euros each, totaling over 60 billion Euros. Some claim that this has got to do with the terms and conditions on which the military decided to go back to the barracks in the 1970s. It is the developing countries which have the weakest government capacities, precisely because tax capacities are weak and consequently, other government capacities and capabilities need to be better developed.

There are many challenges we face in the international economic system. There should be a much stronger reform process taking place in response to this economic crisis. The G-7 and G-20 have failed. The G-7 has failed for reasons which we all know, which is why the G-20 was elevated to its current status. While there were promising beginnings with the G-20, particularly in the first half of 2009, with the April London Summit, there has been very little progress since then, whether in terms of international cooperation needed for strong and sustained recovery, or for bringing about the necessary reforms of the international financial system, important not only for achieving strong and sustained growth, but also for reducing the anarchy which exists in the financial world today. The London summit in April 2009 was probably the high point for the G-20, with tangible progress modest since then. In 2010, there were some initiatives by the Koreans which were good and friendly to development, but these have not been sustained. In 2011, a number of new issues were opened up by the French Presidency, which was very promising, but there is less to show for it, now in retrospect. Here, I need to compliment the role of UNCTAD, particularly the Division on Globalization and Development Strategies (DGDS), for doing most of the heavy lifting on several fronts. The question of commodity price increases was distinguished from the problem of commodity price volatility, and the relative roles of 'economic fundamentals' versus financialization were also unpacked in informed and important ways – as reflected in some UNCTAD documents and other writings by Jayati Ghosh and others. Unfortunately, there was strong resistance by some powerful G-20 members, so the final report was not as good.

Some G-20 successes have been double-edged. The main requirement for the banking system has been to raise capital requirements. Little has been done to address problems raised by the emergence of the shadow banking system although the Financial Stability Board may come up with some relevant proposals before too long.

From the macro-financial point of view, there is no way we are going to have strong sustained, balance and inclusive growth if we do not ensure that systemically, we have adequate counter-cyclical policies, institutions, instruments and mechanisms. This is of fundamental importance, and now is precisely the time when we need to push hard on these issues, building coalitions of support for such initiatives and reforms. There are a number of worthwhile French initiatives last year which may no longer be taken up in the G-20, but that does not preclude the UN system responding to those deemed worthwhile. Yet, there are a number of initiatives which the G-20 has developed that are well worth supporting, which underscores the utility and efficacy of a smaller forum, especially for discussion of complex new issues. One such matter being addressed by the current Mexican Presidency of the G-20 is the issue of financial inclusion.

On the other hand, some issues are being taken up in ways almost antagonistic to UN processes. For example, as negotiations proceed for the Rio+20 summit on sustainable development, to be held right after the G-20 summit in June 2012, the OECD is promoting a discussion on green growth in the G-20 which does not recognize the principles of sustainable development, thus unnecessarily antagonizing some G-20 members. Needless to say, these G-20 developing countries are resisting this type of discussion.

But relying on the G-20 to provide leadership out of the financial messes the world is in is problematic for a variety of institutional and other reasons. Some point to the absence of a permanent secretariat; but the existence of a secretariat is not going to make things better because, for all intents and purposes, right now, the IMF and the OECD serve many functions of a de facto secretariat. Being what it is, the kind of agenda the OECD brings to the table is considered hugely problematic by most G-20 emerging market economies not in the OECD. Developing countries have long been urging governance reforms for the Bretton Woods institutions. Governance reform has long lagged behind the changing shares of the world economy, especially following the rapid growth of some Asian economies and other emerging market economies which should have led to corresponding quota reforms by now.

The French-commissioned Bill Gates report on innovative development financing came up with useful ideas which could have opened up useful discussions, but the report has not received the attention and follow-up actions it deserves, suggesting that the ad hoc and arbitrary nature of G-20 work is problematic and less promising than expected. Initiatives arising from ad hoc arrangements may actually undermine existing institutional arrangements such as those of the IMF. Arturo O'Connell and I found ourselves trying to strengthen the IMF. A legitimate multilateral institution like the IMF has certain responsibilities which it should be able to undertake and fulfill instead of relying on ad hoc mechanisms proposed by others. Most importantly, of course, such ad hoc arrangements undermine the commitment to inclusive multilateralism, which the UN system represents, including the Bretton Woods institutions.

There have been many issues discussed in the context of the United Nations. One idea, which has been discussed many times, is the creation of a Global Economic Council, endorsed by Chancellor Angela Merkel and Prime Minister Manmohan Singh, which has gained some traction. I cannot imagine that any other forum can bring about this Global Economic Council besides the United Nations. It is important to keep this flame alive, considering the need for a much more legitimate body in terms of international economic governance than the G-20. But for obvious reasons, such an initiative is unlikely to be initiated by most G-20 Member States.

The debate on global economic governance seems unlikely to make ECOSOC more important. The proposal for an Economic Security Council is not going anywhere. The L-27 proposal by Kemal Dervis and others is unlikely to be implemented although it is quite promising. Choosing one instead of ECOSOC's two per UN constituency and meeting at the Leaders' level, the L-27's constituency-based system should ensure much more legitimacy than the G-20 arrangements while retaining most current G-20 members. Alternatively, the General Committee of the General Assembly, which meets once a year just before the General Debate opens in September every year is another avenue which could be explored. But we have not seen any serious discussion thus far, although such an initiative does not require charter change and could enable the UN to address concerns which need international attention at the highest level of the heads of Government.

One new proposal under discussion is alleviating the Commission for Sustainable Development into a Council for Sustainable Development. There seems to be growing support for this proposal which may well result in a summit outcome document in Rio in June to this effect. For this reason, it is important to consider how a Sustainable Development Council can strengthen the UN, especially ECOSOC, to ensure we go forward, not backward.

The other urgent issue, of course, is the need for international leadership, and the proposal which has come out from the UN system is for a new deal for our times. There are two elements which distinguish this proposal from the Roosevelt initiative of the mid-1930s. First, this must necessarily involve international cooperation. Some recent issues of the *World Economic Situation and Prospects* have contained some policy modeling work by Alex Izurieta highlighting the clear advantages for all of international cooperation and coordination, compared to non-cooperation. In the scenarios of international cooperation, everybody would be better off in a situation in which both developed and developing countries would benefit.

Clearly, a whole range of reform efforts are badly needed. Unfortunately, current reform efforts are unfinished and inadequate. Another element, which is very much of an UNCTAD issue, is the urgent need for a sovereign debt sustainability framework. There was a proposal some years ago from Anne Krueger, while she was at the IMF, for a sovereign debt restructuring mechanism (SDRM). UNCTAD has the mandate to make progress on this front.

At the risk of stating the obvious, critics of the existing international financial system are not suggesting that we do not need an international financial system, but rather one that better serves desirable investments and growth of the economy. In this regard, there currently is renewed attention to the need for new sources of infrastructure financing. There are a number of proposals (e.g. for a South Bank) which need to be revisited in this regard, and many lessons to be learned, for example, from the European Investment Bank and the former Andean Development Corporation (CAF), now called the Development Bank of Latin America. All these offer very important lessons. There is a proposal for an Asian Investment Bank and there are various other proposals which should be explored and developed, and certainly deserve the attention of UNCTAD.

In recent years, I have tried to work closely with the people responsible for the *TDR* to try to develop a 'second opinion' macroeconomic advisory capacity through the UN system. Unfortunately, the impact has been relatively modest because financial resources have been difficult to get. The existence of an alternative is especially important because one of the problems we face today is related to the theme of this session on international economic governance, namely the failure of leadership.

Although modest so far, the emergence of a UN system macroeconomic advisory capacity, offering an alternative perspective to that coming from Washington, is vital. Already, to be fair to the IMF, there has been a great deal of rethinking on some issues in recent years, and this has opened up some important policy space, but such pressure from analytical competition has to be greatly enhanced to become significant. We at the UN can claim some credit for this, precisely because we have offered such an alternative, and the *TDR* pioneered this in the UN three decades ago.

There are many issues which the *TDR* has been raising over the last three decades which still need to be addressed. I want to thank *TDR* and those responsible for putting these issues on the international agenda.

Statement

by

Arturo O'Connell

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Evolving issues in the institutional government of the international economy

The limelight on the institutional government of the international economy since the present-day crisis started – proximate date around 2007 but with roots into several decades past – has been dominated by the activity of the G-20. No doubt, widening the G7/G8 forum to include a few other advanced ones outside those chosen in the 1970s, plus a whole set of developing countries, looks like being a step in the right direction. But the limitations are too many. On the one hand, a "*forum*" even if complemented by dozens of working groups does not satisfactorily discharge the responsibilities of a true government.[1] "Peer-pressure" is no substitute for rules arrived to through some democratic process consecrated in an international organization. And the lack of a secretariat leads to the twin sins of a continuous stream of working group meetings – an exhausting experience for a small group of officials running around the world with the risk also of their principals losing control of developments coming up to ministerial or heads of State level without due political input – and the emergence of some very specific institution, e.g., the IMF as the de facto secretariat, not always representing a new vision of the tasks ahead, a circumstance that compounds the loosely controlled outcome of the working groups. [2]

There are a few other deficits in the G-20 experience. Although some efforts have been made towards introducing subjects other than those of finance and some areas of macroeconomics, the government of the international economy has to address issues as those of employment or food/hunger, all of them highly interconnected and important that have gone unheeded.

But most importantly, there is a serious democratic deficit with several dimensions. The first and obvious one, is that more than 150 countries are left aside with very few attempts to include them through at least roundabout ways. Paradoxically, it has become a feature of G-20 meetings, that businessmen, not necessarily very representative of those worst hit by the crisis neither of those from which much should be learned about new ways of governing the international economy, hold a meeting supposedly to advise the heads of Government and State.

At the same time, as with other international *fora*, influential politicians – parliamentarians or ex-heads of Government – have been left aside, as the whole exercise is monopolized by sections of the bureaucracies of their own countries, mainly central bankers and ministers of finance – an almost overlapping

* This presentation is offered on a strictly personal capacity and should not be construed as representing the opinions of either the Presidency of the Board of Governors of the Central Bank of the Republic of Argentina.

group of people only exceptionally not sharing the same views of the world. The exercise ends up in summit meetings that, as always, are not meant to debate anything that has not been agreed at lower levels dominated by such an "epistemic community".

That combination of deficits looks like having made of the G-20 less a representative instance of a wider section of the world's countries but rather a co-optation exercise by some of the more powerful countries to make the rest toe the line that – now that the best managed developing countries need not resort to IMF support – used to be the role of conditionality imposed under the Fund's programmes.

Paradoxically, the above limitations of the G-20 process coexist with two clear facts. The first one is that both figures and perceptions point to the developing countries having become the "locomotive" of the world economy; in fact in the period 2007–2011 three-quarters of world economic growth originated in this group of countries. And the second one, that some major, and not that major, developing countries have generated current account surpluses that do not seem to come to an end and have accumulated sizable foreign exchange reserves and "sovereign wealth funds" while the advanced countries deficits that have become habitual do not find easy sources of finance, leaving aside the "exorbitant privilege" of the international currency issuer. One is witnessing these days that developing countries with a GDP per head of only one-fifth of that of the Eurozone are being asked directly, or indirectly through the IMF, to come to the support of the Eurozone as it is undergoing a serious crisis.

Consequently, developing countries' capacity to sustain high activity levels spilling over into demand for goods, services and investment from – among others – advanced countries plus their, in principle, ability to help some advanced countries bridge their financial needs, should result in their playing a totally different role than a subordinate one.

That capacity to play a different role has mostly been built with the use of economic instruments quite different to the present-day dominating ideas in most advanced countries propagated through the IFIs and the WTO as well as through "peer-pressure" at the G-20. Briefly, it consists of a different combination of government and markets in handling their economic problems. While some of the European countries are dismantling welfare state institutions built over a century of struggle for more equitable and compassionate societies, some of the developing countries, granted from abysmally lower levels, have been able to reduce inequality in their societies. Still, and in spite of the lessons of the crisis, advanced countries and the international organizations dominated by them today are insistent in developing countries abandoning what are considered old ideas. If there was a time when today's advanced countries were fully protectionist, now that is unacceptable for their less developed brethren. Similarly, their financial systems – including the management of international flows – should not be structured in ways similar to those enacted not many decades ago by those now playing in the upper leagues.

There is no dearth of interesting and attractive proposals put forward to overcome the G-20 limitations and, more in general, the various deficits in the institutions governing the international economy. Legitimacy of representation still lies in the United Nations system. Therefore, besides merits on its own rights, special attention should be granted to the report issued by the Commission set up by the President of the UN's General Assembly, better known as the Stiglitz Commission.[3] It is suggested that a Global Economic Coordination Council should be set up plus a whole set of changes in the policies and government of IFIs and various suggestions to organize a different international monetary system as well as reforms to be introduced in international finance. UNCTAD via several of its *Trade and Development Reports* has for many years been suggesting reforms in many fields as well. Unfortunately, and as it has been the case in previous occasions, once panic was left behind – although it raises its head here and there – little progress along the necessary radical reform of the government of the international economy has been made.

The crux of the problem confronting the government of the international economy is that two combined issues have to be tackled. First and foremost is to leave behind outmoded ways of thought, the ones that have led to the present day crisis, started and reinforced by the deregulated, financially dominated advanced economies. In this sense, developing countries have to reaffirm their views and experiences that different but diverse ways of conducting economic affairs – not necessarily a single way but not that followed in the last quarter of a century in the advanced world – are needed, surely with a higher degree of public intervention and a privileged attention to the welfare of the majority of their populations.

The second issue would be to reclaim their due quota of power, of voting power. But more importantly, developing countries have to win the battle of ideas to achieve a consensus building power, under which the above ideas could flourish and become "natural"; they would differ from those propagated against scientific advance and the dramatic experience by the "Washington Consensus" in extreme forms that have gone beyond those exposed by Mr. Williamson in his well-known book. In comparison, the matter of creation of new institutions and/or of better coordination between the existing ones is truly a secondary one.

For that purpose we must revisit the stock of teachings that the *TDRs* have been disseminating for now 30 years, precisely when the name of the day was the opposite; in those years it was assumed that development would take place by itself by just letting "the markets" – increasingly big finance, to go back to the expressions of an era that confronted similar challenges – work. Those teachings have to be forcefully reinstated not just to enjoy the hubris of a "I told you so" exercise but to guide public opinion, leaders in all walks of life and the public at large that there is a different, and if you want, more "scientific", way to promote the wealth of nations.

Notes

1 In the words of Tommaso Padoa-Schioppa "The fact of the matter is that the thirty years of growing laissez-faire and globalization were also years of declining international cooperation. This was epitomized by the shift from international institutions to 'forums', from the strong, treaty-based, binding form invented in the mid-1940s to the soft, voluntary, and narcissistic form of periodic meetings of self-appointed groups, without the support of staff commitment to the 'interest of the world', and without any power to take binding decisions". See his "Markets and Government Before, During and After the 2007–20XX Crisis"; Per Jacobsson Lecture; Per Jacobsson Foundation, June 2010. In our opinion, however, international institutions run the risk of becoming too single-minded while in fact diversity in norms is decisive for an extremely varied world. For instance, Art. 4, sec. 3, b) of the IMF's Articles of Agreement prescribe that: "These principles (on member countries' exchange arrangements) shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members", a prescription not applied very frequently.

2 In the case of the IMF one should clearly distinguish between political decisions taken as part of the "United States Treasury-Wall-Street-Complex" (Jagdish Bhagwati expression paraphrasing President Eisenhower's farewell speech warning the American public against the "Military-Industrial Complex"; see Mr. Bhagwati's "The Capital Myth; The Difference between Trade in Widgets and Dollars", Foreign Affairs, vol.77, No.3, May-June 1998) and the work of its staff, particularly of its Research Department out of which, for instance, in 2003–2005, came a few key papers on the lack of effect of capital inflows on growth; in fact, one of them showed a negative effect on growth. On the other side, the "political" use of the IMF could be seen in how their report on the Argentine financial system under the FSAP scheme, right before the dramatic crisis at the end of 2001, was pointing to only some minor problems in the financial system that would collapse only a few weeks afterwards.

3 See "Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System", 21 September 2009.