

Economics Department
Economics Working Papers

The University of Auckland

Year 2002

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International Economic Organizations:
Illustrations from the World Bank, IMF
and OECD

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The Shaping of Research Agendas in International Economic Organizations:

Illustrations from the World Bank, IMF and OECD

A.M. Endres and G.A. Fleming*

Abstract

We investigate the determinants, development, character and distinctiveness of research programmes in international economic organisations (IEOs). In the twentieth century, IEOs emerged as another domain - in addition to government, business and academia - in which economists demonstrated the value of their intellectual constructs. What were the forces shaping economic thought in IEOs? How does the incorporation of new ideas in IEO research affect policy prescriptions emanating from IEOs? We offer illustrations from the IMF, OECD, and World Bank drawn from work in the late 1960s to the early 1980s. We view the subject matter as a variant of Schumpeterian ‘political economy’ rather than pure analytical economics. Economic research in IEOs enabled economists to assume positions as critical intellectual actors in IEO policy formation. Key determinants of economic thought in IEOs included the rationale for the existence of a particular organisation as expressed in formal charters or constitutions; contemporary ideas disseminated from academic economic analysis, and pressures applied by member governments to research and advise on specific policy questions either as events or operational functions demanded. We consider the World Bank as a purveyor of development strategies, in particular the concept of “structural adjustment” in the 1980s; the self-styled monetary approach to the balance of payments prosecuted at the IMF from the 1960s to the 1980s, and the OECD policy line on economic policy reform in developed industrialised countries in the late 1970s. IEO research agendas were predominantly aimed at problems resulting from international economic interdependencies. We conclude that, for an IEO, international political economy was more likely to sway national policymakers if it employed a discourse - together with carefully chosen metaphors - turning on operational imperatives and articulating ruling policy concepts framed as part of eclectic, applicable models. We find little support for the public choice view of IEO research (and researchers) as involving bureaucratic and research budget maximization and strict research independence. Economic thought in IEOs is demand-driven though not completely demand-determined.

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I Introduction

International organizations, that is, supranational institutions such as those purposefully created in the 1930s and 1940s to deal with economic problems (the Bank for International Settlements (BIS), International Monetary Fund (IMF), United Nations (UN), and International Bank for Reconstruction and Development) typically function to effect cooperation on policy matters. Sometimes these organizations have set in motion regimes of international cooperation on given issues based on principles, norms, rules, modes of consultation and decision-making processes around which the views of member nations converge. The vast array of international organizations created in the twentieth century take for granted some degree of international interdependence which must be managed for the good of all members of the international community. Furthermore, some policy coordination and harmonization is assumed; some international organizations have embodied a public goods aspect without strictly entailing international government. The creation of peace through international treaty organizations, or enhancing public health status and agricultural production through the WHO and FAO respectively; the establishment of international trade and payments systems, freedom of the seas and regimes for exploiting common resources are all examples of “international public goods without international government” (Kindleberger 1986). Of course not all instances of cooperation through international organizations need to be successful or enduring. For example, full macroeconomic policy coordination promoted through the OECD or the IMF may be possible episodically, though conflicts between national and international obligations and imperatives may arise because of either divergent economic cycles or differential political pressures.

The determinants, development, character and distinctiveness of research agendas in specific international organizations involved with international economic policy is the subject of this essay. In the twentieth century, international economic organizations (IEOs) emerged as another domain in which economists were able to demonstrate the value of their intellectual apparatuses. It has been asserted that the single most valuable apparatus made available by economists – a “natural benchmark” for thinking about international economic interdependencies and interactions – envisages “a world in which markets for goods, services and factors of production are perfectly integrated” (Rodrik 2000: 178). The evidence up to 1950 and beyond points to other core economic constructs as well which do not require that outcomes should exclusively be assessed against the operation of free market processes. Instead economists have relied on principles of collective action implying significant governmental functions for the purposes of increasing international policy harmonization and/or supporting only lower-level policy cooperation.¹ Without intending to be exhaustive, we cite inter-governmental cooperation and financing of economic development and infrastructure projects; policy integration on matters of law, property rights, labor standards and migration; international monetary stabilization and currency regulation; multilateral economic surveillance; and establishing agreed rules for trade protection and trade policy (Endres and Fleming 2002).

What are the forces shaping economic thought in IEOs? How does the incorporation of new ideas in IEO research affect policy advice? We offer illustrations from the World Bank, IMF, and OECD. Since the nature of research under

¹ Tinbergen (1954: 95) was to formalize this problem as follows: international economic integration was defined as a problem requiring “the creation of the most desirable structure of international economy...introducing all desirable elements of coordination and unification. The problem of integration therefore forms part of a more general problem, namely that of the optimum economic policy”.

consideration is policy-oriented it is useful to view the subject as a variant of Schumpeterian “political economy” rather than pure, analytic economics. Following Schumpeter (1954: 38) and adjusting for the international dimension, the study (and dissemination) of international political economy is concerned with “economic policies that the author advocates on the strength of certain unifying principles”. The principles exposted will be normative in the sense that the proponents of certain policy prescriptions had not only formulated these under the imprimatur of an IEO; economists actively advocated policies by indicating preferred lines of action to member governments – they were rarely just technical analysts.² Their research agendas enabled them to take positions as “intellectual actors” in their activities as economists. They were active in extending the boundaries for applying their discipline, stimulating policy analysis within IEOs, disseminating and promoting ideas to member countries and applying economic theory to international economic problems (Stern and Ferreira 1997: 525). However there was by no means consistency as to what constituted the primary function of economists within IEOs over time.

Economists engaged by IEOs as employees, advisers and consultants constructed economic research agendas and produced research reports under the following key influences:

- (i) in accordance with their conception of the rationale for the existence of a particular organization – conceptions formed either by consideration of formal articles of agreement enshrined in an organization’s charter or constitution or through long experience of its operational functions;
- (ii) in response to contemporary ideas in academic economics; and

² For parallel arguments on the “political economy” of international organizations, especially as represented in day-to-day operational activities rather than ideational contributions *per se*, see Swedberg (1986) and Henning (1986).

- (iii) in response to the pressures exerted by member governments to research and advise on a specific issue as either events or operational functions of the organization demanded.

Under (i) research has taken a myriad of forms. Many research agendas may variously be consistent with ‘collective interest’ or ‘public good’ functions of IEOs, their club-like nature or their enjoyment of specific international economies of scale (for example in information gathering and dissemination)(Fратиanni and Pattison 1982). The evidence provided in the secondary literature is too copious to mention here, though several key studies stand out: De Marchi (1991) on the League of Nations; Lee (1994) on the ILO; Krueger (1998) on the IMF and World Bank and Simmons (1993) on the BIS. Alternatively, research agendas and key policy-related outputs can be justified and explained by public choice theory and the associated economic theory of bureaucracy. In this view, IEOs “are farther removed from democratic control than most national government bureaucracies, and since their staff is recruited from highly diverse backgrounds, there is little else they can agree on...[so] they try to maximise their budget, their staff and their independence” (Vaubel 1996: 195; also Frey 1997). Further, a “methodological eclecticism” may permeate research as a way of incorporating different world views: the value of such a strategy being positively associated with the size and diversity of the organization’s membership or responsibilities (Fратиanni and Pattison 1991: 105). The research output and policy recommendations may not easily be tested in such an environment. For example, if they emphasised policy orientations containing conditions for economic adjustment and stabilization (consequent, say, upon a loan from the World Bank or IMF) or containing suggestions for international monetary and fiscal policy coordination, evaluation would be problematic if the policies were highly

discretionary as opposed rule-based. Discretionary policy packages hedged about by contingencies and qualifications making concessions to all variations in time and place and to all national policy permutations, protect the organization's work from the charge of inapplicability, or ineffectiveness.

Under influence (ii), questions arise as to the originality, creativity and uniqueness of the ideas presented and patterns in the dissemination of ideas to or from IEOs. The doctrinal forces shaping policy perspectives contributed within the loci of IEOs are relevant and may be apprehended at one remove from key economic and political events. Here, the economists whose work is under consideration may be recruited as representatives of some broad 'school' such as Keynesianism (old and new), monetarism, or new classical economics. Alternatively, enduring microeconomic principles may be identified in their work, for example on the causes of international capital market failure; the repercussions of negative spillover effects resulting from international economic interactions (e.g. business cycle transmission, financial crises and bailouts). Underlying normative notions might be expected to pervade the published work of IEOs. Some work might favour a general market failure perspective or exhibit a preference for market process solutions. There is no reason to expect that the latter bias would involve economists arguing themselves out of work in an IEO since it may be seen to have a tutelage function. More usually a policy line favouring market processes may be viewed as a shift in emphasis from previous work – perhaps one preferred by a hegemonic member government – rather than a complete dismissal of market imperfections.

As for influence (iii), the delegated functions of an IEO can be to reflect on, and provide supportive research relating to, policy choices faced by member governments, especially policies that impinge on international obligations. In that case

there may be a tendency to supply research framed in a manner that accords with a particular rhetorical form. Moreover, a distinctive genre of economic knowledge could be forthcoming. The knowledge production process in international organizations is generated within circles of practitioners each of which has a particular discourse (Keohane 1988: 244-45; Klammer and Meehan 1999). The implied, predominant audience matters, therefore, in determining the character and method for delivering research in IEOs. A discount is therefore placed upon technique because “the mechanical, instrumental and abstract mode of reasoning...does not allow for identification by the actors” (Klammer and Meehan 1999: 83). Again, adopting a public choice perspective, the substantive economic work of IEOs could be supply – determined in the sense that researchers will “take any work they can get, however unpleasant...it may be” and in whatever form it will need to be framed to suit the chosen audience (Vaubel 1991: 36). In addition, an audience selection problem faces the utility maximising bureaucrat when specializing in doing ‘dirty work’. National governments have an incentive to delegate unpleasant research work to IEOs; they consider it necessary to cater to domestic interest groups promoting a policy line consistent with the work of an IEO yet do not wish to take direct responsibility because costs may be borne by other government supporters resenting that policy stance. Internationalist ideals or imperatives explicitly or tacitly under-writing economic policy analysis conducted by IEOs can immunize national governments (if they adhere to them) from public criticism. Such ideals can provide an aura of legitimacy to research and policy analysis and any national actions taken as a consequence; they may also reduce the costs to national governments of satisfying domestic pressure groups. Overall, therefore, economic work in IEOs is expected to

diverge in form, character and substance both from official, national research and policy advice and from pure academic economics.

II The World Bank as a Purveyor of Development Strategies: The Concept of ‘Structural Adjustment’ in the 1980s

In the evolution of ideas on development at the World Bank (WB) since the 1940s three generalisations seem pertinent. The WB:

- (i) is the “single most important source of ideas and advice to developing-country policymakers”;
- (ii) has provided “ideas about development” although these have “changed over time” and
- (iii) sets priorities facing developing-country policymakers in the context of “particular sets of ideas” about what constitutes development (Gavin and Rodrik 1995: 332).

Here we take the growth oriented “structural adjustment” approach used at the WB from 1979-82 as an illustration.

The WB research agenda on structural adjustment was formulated in an iterative feedback process between economic thought and policy application, that is, within and through a specific operational initiative (i.e. the policy conditions associated with ‘structural adjustment loans’ (SALs) amounting to 25% of all WB lending in the 1980s, De Vries 1996: 229). The Bank’s Operational Manual defines structural adjustment as a set of “programs of policy and institutional change necessary to modify the structure of an economy so that it can maintain both its growth rate and the viability of its balance of payments in the medium term” (Manual,

Statement No. 3.58, Annex II November 1982). Structural adjustment was distinguished from macroeconomic stabilization by the inclusion of microeconomic factors: institutional changes, industry policy reforms, public sector expenditure reforms and trade liberalization measures. Underwriting WB consideration of these matters was an international political economy (in the Schumpeterian sense) emphasising a pro-market, incentive-based program of economic reform.

Instead of focusing on the short-term process of directly correcting economic aggregates – a serious and persistent balance-of-payments deficit on current account, a large unsustainable foreign debt, fiscal deficit or an accelerating inflation rate – the WB concentrated on removing obstacles to efficient market resource allocation at the micro-level. That concentration would, it was thought, produce policies and responses conducive to economic development. In this, the WB became an “intellectual leader”, or less sympathetically a proselytizer, for a doctrine having long pedigree in the literature applying neoclassical price theory to a range of economic issues in less developed countries (Stern and Ferreira 1997: 539). The essence of this doctrine was that markets should be allowed, or made, to work more effectively.

WB loan conditions as well as supporting research emphasised the need to increase price flexibility and supply-side responsiveness while permitting market-based incentives to operate freely where possible throughout the economy.³ In an operational sense the foregoing theme in WB research was highlighted by some practical objectives that became part of any SAL performance evaluation: shifting factor supplies into the production of tradeable goods and services; making policy changes at the micro-level that would encourage more foreign direct investment and higher domestic investment; making policy changes that would reduce internal fiscal

³ This generalization should be tempered by the fact that in the structural adjustment discussion, as in other matters investigated by WB researchers, “the Bank is not a monolith and differences in emphasis exist even among major documents” on the subject (Stern and Ferreira 1997: 542).

deficits and improve the efficiency of the public sector. It was considered that improving microeconomic efficiency and supply-side responsiveness in particular would automatically transform the structure of an economy and assist ultimately in restoring macroeconomic equilibrium.

In respect of the application of economic ideas to policy questions, WB research on structural adjustment undertaken in conjunction with SALS (to 21 countries up to 1986), offered an economy-wide perspective not usually found in contemporary development economics literature. Indeed, “the Bank was attempting something which had not been closely analysed in the profession, namely coordination of the various macroeconomic, sectoral and microeconomic elements into a single program with a view to immediate application” (Stern and Ferreira 1997: 543). The structural adjustment work produced at the WB is too voluminous fully to cite here though most notably, the World Development Reports and WB researcher Bela Balassa published key deliberations on the subject whereas contemporaneously pure academic sources of similar ideas may be traced to Bhagwati, Corden, Krueger and Little. Policy measures connected to supply side loan conditionality were abetted by WB research. Extensive quantitative modelling and forecasting invariably predicted, with confidence, that higher output growth in recipient countries would accompany compliance with WB policy recommendations (Mosley 1987, Table 4: 8). Exceptions were rare; only agricultural marketing and advisory assistance and price controls on inputs for specific industry sub-sectors implied an increase in governmental activity.

Table 1

Types of Policy Measure Requested in Return for SAL Finance, 1980-October 1986

Measure	Percentage of SALs Subject to Conditions in this Area
Trade policy:	
Remove import quotas	57
Cut tariffs	24
Improve export incentives and institutional support	76
Resource mobilization:	
Reform budget or taxes	70
Reform interest-rate policy	49
Strengthen management of external borrowings	49
Improve financial performance by public enterprise	73
Efficient use of resources:	
Revise priorities of public investment program	59
Revise agricultural prices	73
Dissolve or reduce powers of state marketing boards	14
Reduce or eliminate some agricultural input subsidies	27
Revise energy prices	49
Introduce energy conservation measures	35
Develop indigenous energy sources	24
Revise industry incentive system	68
Institutional reforms:	
Strengthen capacity to formulate and implement public investment program	86
Increase efficiency of public enterprises	57
Improve support for agriculture (marketing, etc)	57
Improve support for industry and sub-sectors (including price controls)	49

Source: Mosley (1987: 5)

Descriptions in the “Measures” column mask a liberal-market bias. For “Remove”, “Cut”, “Improve”, “Revise”, “Reform” and “Dissolve” in Table 1, read: allow always for change in the direction of freer markets. The assertion by WB economists that no standard package of policy changes was imposed on all loan recipients is correct as far as it goes. Most loans were offered in order to strengthen recipients’ balance of payments over a 5 to 10 year period without “Unnecessarily” retarding “economic and social development” (Landell-Mills 1981: 17). In fact, policy measures were based on an orthodoxy of benign neglect: supply-side adjustments would be made when market processes filled the vacuum left by removal of government involvement.

What differentiated WB research? First, it was not an originator of ideas. As in previous decades the WB acted as a purveyor of ideas (Adler 1972); it was an innovator when applying the structural adjustment idea to operational activities. Secondly, WB reports had a strong, applied orientation: they were able extensively to reflect on the vicissitudes encountered in real cases where attempts were being made (and monitored) to effect genuine sectoral and structural reforms. Often such attempts were made in the midst of macroeconomic, financial and debt crises, in situations where serious external shocks had supervened or where internal climatic shocks or political upheavals were evident. Thirdly, WB research on structural adjustment would not be complete without considering how a country was to make the transition from an earlier set of policies to one consistent with market-oriented structural reforms. The institutional constraints must here be given a greater sense of proportion than they may have been in formal academic models based on neoclassical foundations. Notwithstanding greater institutional awareness, WB research on this matter in the early 1980s only demonstrated token concern for equity issues.⁴

⁴ Poverty focussed SALS did not take hold until the mid-1990s. See WB (1996) Annex B: 62-67.

The WB reflected some contemporary developments in the discipline of economics, especially growing disillusionment with government-backed development planning; it also took an operational lead in actively promoting policies implied or suggested by academic work. The practical application of the structural adjustment notion was given amplification by being attached to capital assistance from the Bank; it ramified through loan conditionality agreements and had tangible and sometimes severe impacts on human well-being (living standards, health and educational status and so forth) in developing countries. To be sure, loans were thought of as support for structural reforms not substitutes for them.

WB loan activities integrating structural adjustment based on market processes could have intellectual effectiveness the more so when economists in developing countries came under the tutelage of the Bank.⁵ Some spectacular practical successes were also reported (WB 1990; Krueger 1998: 1992-1993). Nonetheless, frustration was registered when it was revealed that reforms may take years to come to fruition – immediately higher growth rates were not assured. Given the context following oil price shocks in the late 1970s, the structural adjustment approach would only go so far. It was a necessary though not sufficient condition for higher, sustainable growth. Difficulties in constructing testable counterfactuals probably made it easier for WB economists to prosecute ‘growth through structural adjustment’ as a ruling policy concept. According to Corbo and Fischer (1995: 2852):

By the beginning of the 1990s, the structural adjustment model had to an extraordinary extent become the accepted approach to reform with erstwhile critics increasingly accepting the general approach while attempting to soften the rigors of its application.

⁵ The Economic Development Institute (at the Bank) provided formal training to help build a cadre in national ministries familiar with the WB’s policy line (De Vries 1996: 239).

An ideational consensus formed at the Bank around the approach and discursive practices changed accordingly; for example, it influenced perceived dimensions of the economic imbalances requiring structural adjustment. Flow concepts dominated the research and policy advice agenda: imbalances occur and cumulate over time so that formulation and implementation of adjustment policies are time-consuming. The scale of the original imbalance and the timeliness of the adjustment response are critical, intricately associated issues in both a real policymaking and monitoring context. Structural adjustment was a ruling concept appropriate for the times (immediately post-oil price shocks) and it also brought to developing countries an economic coherence not readily available in contemporary economic thought. As well, it offered something new compared with earlier development doctrines promoted by the Bank – it was certainly a more market-based approach less directly or immediately attending to poverty alleviation and it contrasted with the ‘redistribution with growth’ idea predominant in Bank research and policy advice during the 1970s (e.g. Chenery 1974; Adler 1977).

While economic thought at the WB in the early 1980s was not originaive it was innovative; it took a lead in applying, observing and reporting on the results from real experiences in the application of an idea. For Gavin and Rodrik (1995: 333), it “is difficult to pinpoint a single important idea or method in development economics that has its origin in the World Bank”. Perhaps so as far as ‘origin’ is concerned; for the ‘growth through structural adjustment’ idea likely had its origins in classical economics. In any policymaking application, an operational activity cannot be suspended, pending more appropriate formal analytical developments, for the latter may accept a bias toward technical rigor rather than relevance. The WB gave structural adjustment wide dissemination; greater operational content and associated

the idea with policy reforms necessary for responding to irrevocable economic changes and consistent with an environment more favourable to the operation of market processes.

III Eclecticism at the IMF: A Monetary Approach to the Balance of Payments

Since its inception in the late 1940s, the IMF has always retained financial responsibilities in the international economy. Its mandate to circa 1980 was to assist in financing temporary balance of payments deficits among member countries in an international economic regime dominated by controls on capital mobility and fixed, adjustable exchange rates. Following the Bretton Woods meetings, the IMF articles of agreement established that some IMF assistance, policy monitoring and advice was required to avoid frequent currency changes and effect adjustment in short run balance of payments imbalances (whereas ‘fundamental’ imbalances required more drastic policy changes at the national level – again assisted by IMF advice). Therefore, IMF researchers had to articulate a model, however rudimentary, linking available policy instruments in any nation to external balance, that is, to desired balance of payments outcomes.⁶ Here we shall narrow our focus of attention to a model developed expressly for short run policy problems.

Research at the IMF initially turned on finding a simple model which could provide analytical foundations to the Fund’s operational practices. Naturally, the monetary dimension of macroeconomic management seemed the best concentration

⁶ The 1950s and 1960s witnessed some important developments in international economics and policy at the IMF. For example – the absorption approach to the balance of payments; the theory of forward exchange markets; the theory of floating exchange rates and analysis of the policy assignment problem (see Edwards 1989: 24 n. 24, and Polak 1996: 220-23). Space constraints allow us only to elaborate on the IMF’s distinctive monetary approach to the balance of payments formulated during these years.

for economists working in an organization charged with international monetary responsibilities. That the fundamental problems encountered by IMF officials in practice were monetary, rendered less useful contemporary, popular Keynesian tools of macroeconomic analysis which relied on output and income determination and an associated income-absorption conceptualization of the balance of payments (Rhomborg and Heller 1977: 6). Since balance of payments ‘adjustment’ issues were at the forefront at IMF advisory activities in the early years, these too enjoyed central position on the research agenda. For short run analysis, the original IMF articles or ‘charter’ embodied an implicit conception of adjustment which meant realizing and maintaining a deficit (or surplus if possible) on current account that was financially sustainable over the medium term without the need for major exchange rate changes. That conception acted as a presupposition in the model we shall adumbrate below.

Early IMF research on the monetary approach to the balance of payments was born out of pragmatism – specifically out of a need to simplify critical aggregate economic relationships so as to fit the structure of, and data availability in, developing economies generally subject to IMF-supported adjustment programs.⁷ For the most part, data were restricted to financial flows rather than national income accounts data. Polak and his research staff designed a simplified macroeconomic model through which to determine policies for alleviating balance of payments disequilibria. The model assumed that the level of domestic credit is the only potent policy instrument available to monetary authorities given that the money supply is not controllable in a fixed exchange rate regime. In its simplest form, the model sets monetary equilibrium

⁷ Key papers outlining theoretical underpinnings start with Polak and White (1955); Polak (1957) and Polak and Boissonneault (1960). Frenkel and Johnson (1976: 31) describe these papers as representing a “short-lived burst of theoretical interest” in the monetary approach at the IMF. However, it should be stated that an “oral tradition” existed among IMF researchers from about 1948 which incorporated many key insights later associated with the full-fledged monetary approach (IMF 1987: 1; Polak 1996: 220).

(in terms of monetary flows) under conditions of exogenously determined real gross domestic product for a fully employed, small open economy with fixed exchange rates (Blejer and Frenkel 1987; Edwards 1989; Khan et. al. 1990). From this, the target level of international reserves (or the target balance of payments) is determined and the monetary authority in conjunction with IMF advisors could establish assumptions about money demand and the target rate of growth of domestic credit.

A capsule summary of the model is as follows. Let the money supply (M^s) be determined by the amount of high powered money (H) in the system, and the money multiplier (m):

$$M^s = m.H$$

The money multiplier is determined by asset holders (the currency deposit ratio, cu), and by behaviour in the banking system (the reserve deposit ratio, re , which is determined by market interest rates, the discount rate and the required level of reserves): thus, $m=(1+cu)/(re + cu)$. The amount of high powered money is composed of two components representing financial assets held in the international and domestic spheres:

$$H = eR + D$$

where eR is the amount of net foreign assets (the exchange rate e , and foreign assets R) and D is the amount of domestic credit.

The demand for money in the model is determined by the level of national income, with the assumption that the income velocity of circulation remains constant. Thus, over time the rate of change of money demand is relatively easy to determine if we have a well-founded set of expectations about the rate of growth of the economy.⁸

⁸ This view has been more recently stated in IMF (1987: 14) writings in the following way: “all that is needed is that the demand for money, or velocity, respond in a predictable way to variables such as real income, prices, interest rates and so forth and that it be independent of changes in domestic credit”.

Nominal money demand is written as $M^d = P \cdot f(y)$ where P is the aggregate price level and y is the level of real income.

The balance of payments target can be determined by assuming that the money market is in equilibrium. Substituting from the relevant definitions above, the level of net foreign assets is a function of the price level, real income, the behavioural characteristics of asset holders and the banking system, and the amount of domestic credit:

$$eR = g(P, y, m, D)$$

The application of the Polak model and the design of a financial program by the IMF involves picking targets for the appropriate level of net foreign assets (see description of the process in Edwards 1989). Following Dornbusch and Fischer (1994, pp. 613-15) the assumptions of the model imply that policy decisions reduce to the simple balance sheet identity expressed in first differences:

$$e\Delta R = \Delta H - \Delta D$$

Given a fixed exchange rate e , the IMF in conjunction with the domestic monetary authority will establish the target change in net foreign assets, ΔR^* . The planned change in high powered money, ΔH^* , is then set with reference to the demand for money (a predictable empirical regularity) and the value of the money multiplier ΔH^* must be sufficient to produce the correct change in the stock of money to offset changes in money demand. Now given ΔR^* and ΔH^* the sustainable level of central bank credit creation, ΔD^* , can be derived. As described by Edwards, the process above is an iterative one with several steps involving initial settings and re-calibrations in order to achieved the desired balance of payments outcome.

The description above allows us to note several important insights of the Polak model that were to become the hallmark of the monetary approach to the balance of

payments. First, so long as ΔH^* offsets changes in money demand, changes in domestic credit results only in changes in international reserves. The money supply is endogenous: any attempts by the monetary authority to increase domestic credit through open market operations will be ineffective as the level of net foreign assets will change in a corresponding negative fashion. Second, to the extent that $\Delta D_t < \Delta D^*$ then ΔR_t will deviate positively from ΔR^* . If policymakers are required (by the IMF) to place high weight on negative deviations in net foreign assets when current account deficits appear unsustainable in the short run, ΔD^* is a ceiling on domestic credit expansion.

The short run solution to balance of payments imbalances on current account countenanced by the model involved active use of credit ceilings as criteria for the assessment of IMF-supported adjustment programs. It is a simple rule-based policy framework, consistent with the long run fixed, adjustable exchange rate rule, which severely limits the need for discretionary action by domestic policymakers. The rule would act automatically to secure adjustment. Policy analysis would involve monitoring changes in domestic credit and noting the corresponding targeted changes in international reserves. The basic empirical regularity relating the money supply to international reserves was ‘tested’ in the process. While, according to the model, credit changes are matched by equal changes in international reserves, that was a long run outcome which did not act as an imperative in the IMF policy monitoring process; what mattered was whether the direction of change in the short run was consistent with the desired balance of payments outcome.⁹

⁹ Full application of the model in Polak (1957) obtains values for key ratios – velocity, average propensity to import, and ratio of money supply to imports for 48 countries 1950-54. And the model’s versatility is demonstrated by these cross-country studies. Many other research papers, too numerous to discuss here, were produced by IMF researchers in the late 1950s which formed a reliable basis for concerted policy actions based on the monetary approach (see Frenkel and Goldstein 1991: 24-26).

Given the model's fundamental proposition that the balance of payments was a monetary phenomenon, the two immediate policy implications were that (i) monetary policy had direct effects on the balance of payments and (ii) policies that exacerbate or neglect the monetary consequences of balance of payments surpluses or deficits will not be successful in effecting 'adjustment' in the sense already defined. It was considered vital that the monetary consequences of commercial policy changes designed to correct a short run balance of payments problems be properly specified.

Polak (1957) contained the view that the Keynesian conceptual apparatus as then understood was overly concerned with interrelationships between international adjustment and domestic employment. One principal advantage of the monetary approach to the balance of payments is that it leads directly to the determination of the overall current account balance (or imbalance) as the difference between changes in the demand for money and changes in net domestic assets with changes in domestic credit acting as the vehicle (or catalyst) for that difference. Innovative work undertaken at the IMF focussed on the relevance of all this to less developed nations.¹⁰ Firstly, less developed economies lacked sufficient, good quality data on relevant (Keynesian) aggregates such as national income components and national product data. Therefore balance of payments determination conceived along income-absorption lines could not easily be established by IMF researchers. By contrast, monetary data were more readily available, this being the result of central bank supervision, and current account data were also available because records were usually well-kept by customs administrators. The model was less demanding of data sources. Second, the monetary approach permitted a meaningful approximate analysis of the relevant aggregates, such as the rate of change of domestic credit, with

¹⁰ The remaining material in this paragraph relies heavily on Rhomberg and Heller (1977: 7-9).

the help of a model of the transmission process underlying the adjustment of the balance of payments to any type of shock. Third, the elementary financial structures observed in less developed countries, including thin asset markets and simple financial instruments, meant that alternatives for holding money were quite limited. Implications for the balance of payments of a difference between the creation of new money and credit and the additional money residents wished to use to buy home-produced goods or hold in the form of domestic financial instruments were clearer in these simple circumstances. Fourthly, a monetary analysis of the effects on the balance of payments of a range of economic policies was especially apposite for less developed nations where control over domestic credit was relied upon as principal instrument of demand management.

For IMF researchers under Jacques Polak's direction in the 1950s, it was considered supererogatory to identify the doctrinal basis of their working model. In a retrospective during the late 1980s when the very same Polak-inspired monetary approach was used actively to design IMF adjustment programs, IMF economists still regarded rigid doctrinal biases as downright unpalatable in a policy analysis context; they wished "to dispel the notion that these programs are all based on a particular view of the economy or on the conviction of a single school of economic thought" (IMF 1987: 2). More precisely, the implicit intellectual linkages sometimes made between the IMF's monetary approach and monetarist doctrine were quickly dismissed by IMF practitioners on the following grounds: (i) the model was a minimal, eclectic one which did not need to draw intellectual authority from contemporary monetarist theoreticians; (ii) the model was constructed for short run macroeconomic management to ensure the best use of Fund finance over that period; (iii) monetary policy is not isolated in the model as the only remedy for balance of

payments problems since the control of domestic credit may largely depend on the fiscal balance - there is also no presumption in the IMF approach that monetary policy is always to be preferred as a tool for effecting balance of payments adjustment. Altogether, the IMF's approach suggests only that "monetary processes will bring about a cure of some kind" (Frenkel and Johnson 1976: 24) in the balance of payments. This proposition hardly aligns the IMF with the monetary ideas being developed contemporaneously by monetary theorists in the University of Chicago. Furthermore, it was demonstrated by an IMF researcher that Polak's original model could be incorporated in a Keynesian structure with rigid nominal wages in the short run and with domestic output, inflation and interest rates all responding to monetary policy (Montiel 1985). Rather than a coherent economic doctrine, the IMF required an understanding of likely adjustment in a country's balance of payments as a result of a domestic credit ceiling imposed by conditions attached to its lending policy. While monetarists would not have been enamoured of all this, Keynesians would have been equally disappointed. A completely rigorous Keynesian explanation of output determination is missing from the IMF's monetary approach. Indeed, real GDP is regarded as exogenous. The nominal income equation in the original Polak model is a variant on the quantity theory of money and that would not satisfy a Keynesian – though this did not matter much in practice for policymakers and policy formation in the context of short run, IMF-led adjustment programs.

During the 1950s Jacques Polak's intellectual leadership had a large bearing on the development and use of the IMF's self-styled 'monetary approach to the balance of payments' in key operational activities. Theoretical work on the approach was not regarded as an end in itself; it was done in the service of giving technical advice to member countries facing short run external imbalances. The research

agenda on international economic policy accompanying the original Polak model was designed in an atmosphere which underscored the need to have a practical motivation; identify some elementary, working empirical regularities that could be relied upon (and perhaps confirmed) in practice; required limited datasets; be innovative where circumstances allowed and attended to a country's institutional peculiarities which may alter time lags between policy changes dictated by the model and changes in relevant economic variables.

Doubtless, while IMF researchers distanced their work from leading, contemporary doctrinal trends in economics practised as an academic discipline, their policy oriented research had a clear normative bias: the financial programs designed under the guidance of their monetary approach to the balance of payment prescribed a set of correct policies – in fact propagating an economic policy orthodoxy in its own right which involved active use of credit ceilings. Restricting domestic borrowing from the banking system improves the balance of payments; causality runs crisply from monetary restraint to less inflation and improved external balance. In the short run no scope is allowed for maintaining investment, operating near full capacity or income distribution considerations. The IMF thereby played a significant role in shaping the short run balance of payments adjustment paths observed in some developing countries. IMF researchers gained experience in applying their model and seemed generally satisfied with its use in operational activities up until the 1980s.¹¹ Subsequent developments in international macroeconomics incorporating time consistency considerations; complex intertemporal matters and the lessons from the analysis of speculative currency attacks and currency crises were not easily translated

¹¹ According to Edwards (1989: 55), “the basic model used by the Fund for program design is basically the same developed by J.J. Polak 30 years ago”.

into specific policy implications and therefore took a long time to filter through in Fund research and operational work (Goldstein 1989: 75).

In a much more wide-ranging assessment of IMF research covering short and long run issues, Mundell (1969: 495) asserted that in the fields of pure “research (the creation of ideas) and development (the use of ideas for practical ends) the Fund has fallen down on its responsibilities”.¹² Moreover, “a negative attitude to intellectual work” and putative “intellectual attrition” in the organization from 1958 to 1964 were considered as prime factors in reducing the effectiveness of the IMF in dealing with liquidity, confidence and adjustment issues in the international economy (p. 494, 495-96). Our review of the IMF’s monetary approach reveals none of these purported failings possibly because the specific research agenda we reviewed was conducted to obtain relatively quick results; it did not concern itself with longer run issues both in an ideational sense (idea creation) or in the practical sense of informing other IMF operations concerned with exchange rate changes or long run growth.

IV The OECD on Economic Policy Reform in the 1970s

The OECD’s Secretariat, especially its Department of Economics and Statistics together with its consultants, has produced research on diversified subjects, for example: stabilization policy, employment, international finance, social policy, the environment, public sector reforms, trade policy and central banking. In most instances its research and publications have addressed economic policy issues faced by twenty-four developed, industrialized nations constituting the OECD. In so far as the OECD Secretariat insisted on reminding reluctant member governments (and their

¹² Robert Mundell was an IMF research staff member from 1961-1963.

constituencies) of the international obligations and spillover effects arising from adopting particular policy stances, its research performed information dissemination and ‘dirty work’ functions (Dean and Pringle 1984: 21-22). However, that research was not supported by strong leverage or enforcement powers. The OECD is not a provider of finance to member governments; it cannot provide anything other than intellectual and technical assistance when member governments undertake policy reforms. Furthermore, there were no binding international agreements underwriting the OECD which could afford guidance in constructing its research agenda. Whereas the IMF up to the 1980s was charged with managing a fixed exchange rate-based international regime, and the WB primarily functioned to fund special development projects and assist with structural adjustment initiatives, the OECD offered policy advice and information at one remove; no direct decision-making functions or codified policy principles gave impetus to its research and there were no policies to implement and monitor as such.

In the following illustrations we shall restrict discussion to a case of the OECD’s work on macroeconomic stabilization policy and one case of OECD research on microeconomic reforms – both completed in the late 1970s. Two representative reports have been chosen: (i) the “McCracken Report” – Towards Full Employment and Price Stability (OECD 1977) compiled by a group of eight eminent economists acting as consultants in cooperation with the Department of Economics and Statistics, and (ii) Structural Adjustment and Economic Performance (OECD 1978) which translates, more directly than (i) above, technical material produced by the Secretariat

and renders it more accessible to national governments, their policymakers and constituencies.¹³

The McCracken Report was concerned with rectifying the “serious deterioration in economic performance” registered in the OECD after the first supply shock caused by oil prices changes in the 1970s. It devotes much space to recounting and drawing lessons from the history of economic policy, 1965 to 1977. History is considered instructive because it highlighted an observed tradeoff between output and inflation, growing reservations among policymakers about the efficacy of active macroeconomic demand management and a more positive attitude in the OECD to selective microeconomic policy initiatives as country circumstances and institutional factors permitted (OECD 1977: 104, 108-12, 203-4). In reading the history of the linkages between domestic monetary and fiscal policies and changes in the international monetary system from 1965-77, the report did not isolate policies adopted in specific countries (eg. larger industrialized OECD members) as having disproportionate impact on the record of economic performance in the OECD over the period. Instead, the history calls for “better coordination” of macroeconomic policies between countries and more liberal trade practices purportedly to assist in reducing significant balance of payments imbalances (113-24, 235, 249). Much concern is also expressed for destabilizing effects of exchange rate “over-adjustment” and “over-shooting” in the OECD, particularly in 1976 and 1977, even though by this time the exchange rate regimes in the OECD were skewed toward floating rates.

¹³ To be sure, The McCracken Report “is not an agreed OECD document” (OECD 1977: 2), though we submit that it is entirely consistent with the stream of policy analysis and advice emerging from the OECD Department of Economics and Statistics in the second half of the 1970s. Fratianni and Pattison (1977: 77) maintain “that the work of consultants had little, if any, impact on the ‘official’ OECD framework of analysis” in the 1960s and up to about 1975. However this is not the case for the McCracken Report, which contains a framework of policy analysis virtually indistinguishable from contemporary OECD documents. Moreover, the report contained “heavy input from OECD economists” (Dow 1989: 261).

Proposed macroeconomic policy interventions arising out of recent economic history and policy start with a first-best option of a non-accommodating monetary policy (targeting interest rates). Historically high inflation and inflationary expectations in 1977 justified the use of such a monetary policy, and the report implied strongly that monetary policy acts effectively when deflationary responses were called for, but not so effectively when economic expansion was desired. ‘Keynesian’ remnants in the report included a favourable attitude to exchange market interventions and a guarded position on incomes policies which cause major “distortions of the price system” (p. 218) that may counterbalance any perceived benefits. Nonetheless, given that some OECD members retained fixed exchange rates at this time, the report appreciated how incomes policies could function to control short run inflationary expectations (driven higher by a supply side price shock) in order to avoid major exchange rate devaluations.¹⁴

While it is valid to criticize the report for its “failure to investigate the political, social and psychological influence on macroeconomic outcomes” (Keohane 1978: 109), we cannot gainsay the realism with which the report’s wide range of policy alternatives are presented given recognition of the diversity of pressures acting on policymakers’ choices in different countries. The report did not offer a coherent, explanatory theory incorporating non-economic influences causing accelerating inflation and high unemployment endemic in the OECD during the late 1970s. Yet it recognized non-economic forces as vital constraints on policy choices made in response. In this respect a public choice perspective on the report might legitimately conclude that hedged-about, OECD inspired policy “packages” allowing for

¹⁴ In fact the report does not parallel the commitment of OECD research and policy advice in the 1960s and early 1970s to incomes policy. For Hansen (1977: 112) the OECD had been notable for its “stubborn insistence” on incomes policy before 1975, in order to “break expectations” when a high level of employment was an immediate policy goal (see also Fratianni and Pattison 1977: 94).

compromises given the circumstances will never be implemented exactly or in the timeframe as envisaged by the report's writers. Therefore these packages will never run the risk of being wrong. And in its wide coverage of policy options for obtaining "full employment with price stability", the report is simply providing the service its clientele demands. Perhaps so, but the policy position articulated in the report derives as much from an interpretation of actual variations in country circumstances as it does from a need to garner a consulting fee and shore-up the IEO's research functions. The research forming the basis of the report is informed by a judgement from history (including data sources and examination of institutional arrangements) and reduces to accepting a range of non-accelerating inflation rates consistent with stable growth and high employment in the OECD – a range that is institutionally contingent.

For all the diverse policy combinations provided in the McCracken Report one theme is predominant viz., the concept of a "narrow path" back to stable growth, price stability and high employment. In the context of accelerating inflation, inflationary expectations were of considerable concern to policy makers as was declining investment demand in the OECD. Therefore, in an effort to promote collective, strategic thinking about the high inflation-high unemployment conundrum the report eschewed formal theory and technical rigor in favour of a practical doctrine which was assessable and easily understood by member governments. The doctrine promotes a "narrow path" to historically slower rates of economic and employment growth with non-accelerating inflation in which the policy mix chosen is path dependent. The margin for manoeuvre becomes smaller for policymakers precisely because unfavorable market reactions – both domestically and internationally – would otherwise arise if there were deviations from the "path". Here the actual possible combinations of stabilization policies chosen in the first instance (eg. restrained fiscal

policy and non-accommodating monetary policy to dampen inflation immediately) could not be abruptly altered without high cost.¹⁵ The possible reactions of international financial markets which prefer “sustained domestic [policy] discipline” (p. 237) is brought to the fore. The authors of the report allow scope for what may be described as predominantly ‘Keynesian’ or ‘monetarist’ policy response packages; their agenda is to avoid typecasting, though, given the mixes of stabilization policies suggested there is no doubt, at least, that governments must play active roles in improving economic performance. Yet the “narrow path” metaphor suggests the imposition of a meta-doctrine deferential to international pressures and interdependencies. Governments have tended to underrate these interdependencies and have overrated the scope for independent domestic action (p. 136-7). Stable, consistent policy responses engendering confidence in government responses, whatever their orientation, seem to be the essence of the report’s underlying doctrine.¹⁶ And it is international confidence that matters ultimately; international reaction cannot be dismissed especially since “exchange markets have long memories” (p. 237). The rhetorical strategy in this (and other OECD reports at the time) is hortatory: to save policymakers in the OECD from the folly of straying away from the “narrow path” (Keohane 1988: 244). The perceived audience for OECD research – national policymakers, interest groups and the political constituency – is crucial for making this strategy convincing. In a review of the role of economists and

¹⁵ Keohane (1976: 117) uncharitably interprets the “narrow path” as necessitating “considerable unemployment over a period of time”; this is not an outcome which is seen as inevitable in the report – it all depends on circumstances, in particular on the degree to which macroeconomic and microeconomic policy reforms can encourage flexibility and enhance an economy’s speed of adjustment. On these matters the report “seemed optimistic” (Dow 1989: 261).

¹⁶ Keohane (1978: 119) is more trenchant: the report appears “to preach to governments about the ‘narrow path’ to the Heaven of full employment with price stability [so that as a form of] policy-oriented economics – whether Keynesian or monetarist [the work] comes to resemble traditional theology”.

their advice in the OECD Secretariat, Stephen Marris (1986: 113), sometime Economic Advisor to the OECD Secretary General, maintained that:

at the OECD ‘good economics’ merges almost imperceptibly into the art of persuasion. Particularly in the macroeconomic area, the scientific basis of economics is simply not strong enough to permit many of the most central issues to be resolved through rigorous and indisputable analysis.

Persuasion, using appropriate metaphors, became a vehicle in the McCracken report for the international dissemination of some economic analysis though the latter did not act to settle controversy or clinch arguments at the national level over the policy mix required to respond to stagflation in the 1970s.

Turning to OECD (1978), the myriad of microeconomic policy recommendations for structural adjustment contained therein have the same objective as the McCracken Report, that is, “contribute to the goal of job-creating non-inflationary growth” (p. 16). It was vital that a “clear and predictable medium-term [policy] framework” (p. 42) be established; the direction of reform was pre-eminent while the pace or reform sequence depended on domestic institutional factors. Market allocative efficiency takes pride of place, followed by public sector reforms. Specific distributional issues arising from policy reforms organized along the lines of allowing market processes greater sway, are mentioned in a closing section, almost as an afterthought (pp. 48-9). A nineteenth century classical liberal would have approved of this strategy. Distributional questions, including the scope of public policy as it relates to health, education and welfare in the OECD, are considered to be determined primarily by unique institutional and historical factors.¹⁷

¹⁷ This is not to say that other OECD studies at the time were ignoring distributional issues. One major study in the 1980s by the OECD Development Centre drawing on several case studies of liberalization programs concluded that there was a need carefully to design efficiency-focused policy packages because “passé partout programs will not do. Tailoring adjustment programs to take into account the

A striking aspect of the 1978 report on structural adjustment is extensive use of economic history to take a reading on the microeconomic aspects of post-war economic growth and assess the role of economic policy choices over the long run. Some policy choices are then used to explain the deterioration in economic performance from 1973 (pp. 17, 22-23). Slow recovery from the first and second oil price shocks underscored the danger of policy inertia such that the “broad range of microeconomic policies acted over the last decade in such a way as to reduce the efficiency of individual markets – and slow the recovery from...external shocks”. A lengthy section is devoted to “problems of economic, social and institutional linkages” which contributed to policy failures in the OECD (p. 25, 27-33). Principal policy recommendations in the report may be summarized as follows:

- (i) increase competition in product markets: (a) in agriculture by removing policies encouraging “enormous over-production” and policies that have protected the sector from international competition; (b) in industry by reducing government involvement and (c) in financial and labor markets by allowing greater use of freer market pricing processes;
- (ii) reform the public sector by restructuring the tax system in the direction of taxing consumption more than income and profits and by reducing reliance on price and budget controls in adopting user-paying systems;
- (iii) introduce more liberal trade policies.

The underlying presumption in these recommendations is that market-based incentives will best guide a nation’s “capabilities” and produce sustainable growth. Policy activism is retained as a principle in an environment where the scope and size of state activities is progressively reduced. The report emphasizes the “eroded

economic and political environment is essential for equity and for the sustainability of the program itself” (Bourguignon, De Melo and Morrisson 1991: 1505).

incentives and distorted choices” arising from increasing the size of the public sector as a proportion of GDP in post war years. Now, by 1977, “the costs of increasing the size of the public sector” given its contemporary levels in the OECD, “as well as gains from reducing it, are significantly larger than the average economic cost of public sector spending” (p. 47). Most of the specific policy recommendations (too numerous to list here) involve reform of regulations affecting the supply side in the direction of increasing the role of market pricing and ultimately augmenting supply; wholesale deregulation is not usually contemplated (p. 45). This orientation was compatible with the broad climate of opinion in the economics profession in the late 1970s (Coats 1986: 132-3 and also e.g. Bacon and Eltis 1978).

Taken together, the two OECD (1977, 1978) studies treat macroeconomic and microeconomic policies respectively during an episode when major reassessments were taking place at the national level. They embodied the general spirit of the times favoring rehabilitation of market processes in sectors of economies that had been slow to adjust to supply side shocks. Not much attention is afforded to transitional issues and difficulties faced in individual countries where economic liberalization would have different impacts at the social and political level. And the optimal sequencing of reforms by sector is not set out probably because there was no reliable rule derivable from economic analysis available at this time.

Overall, fine tuning approaches to demand management at the macro-level were much less favored. A measured macro-policy line is promoted, turning on steady, disciplined internationally coordinated policy reactions. Here the OECD work functioned to emphasize more than could nationally-based policy analysis, the international impacts, feedback effects and consequences of policy choices not well-harmonized with other OECD nations. In micro-policy, activist reforms based on

market incentives are advanced as the means to enhance economic performance measured in terms of medium term GDP growth. Recognized political infeasibilities may make the policy lines recommended unpalatable, and possibly not implementable in a timely fashion (or at all). While OECD research clearly favours and specifies conditions under which cross-border growth rates may be made more equal, unevenness of development and divergences of economic performance in the OECD may continue unabated. This conclusion follows from a presupposition in both studies that there is a strong association between institutional arrangements in particular countries (e.g. conventionally accepted economic and social roles of government that are partly a function of historical development) and their current economic performance.¹⁸ Again the OECD reports do not offer policymakers a universal algorithm: changes effected in institutional conditions yielding better economic performance may be possible by discrete policy adjustment or by gradualism. That such changes were required is considered unexceptionable. National policymakers could have drawn upon this ubiquitous assertion from expert ‘external’ analysts to legitimise their policy choices or perhaps sell unpalatable, yet ‘unavoidable’, policy changes to their constituencies.

Conclusions

In our introduction we set out a series of generalizations about the determinants of research agendas in IEOs and associated publications. Our expectations have been broadly confirmed by subsequent illustrations. Naturally, our selective approach does not do justice to the diversity of concepts and research undertaken within the loci of IEOs in the second half of the twentieth century. Nevertheless, in the examples

¹⁸ OECD economists come close to claiming that conventionally accepted redistributive policies of government in any country act as a tax on accumulation, though the links between such policies and growth are not demonstrated.

selected here, IEO research was strongly reflective of particular episodes in economic history and the history of the international economy. That research invariably embodied a liberal, pro-market orientation. Definitely, it was a branch of political economy in the Schumpeterian sense. While much of the work avowedly supported using market-based incentives where possible, it gave short shrift explicitly to acknowledging doctrinal influences or appealing to the authority of key academic protagonists or ‘schools’ of economic thought.

A central assumption in IEO research considered here was that the target audience of national policymakers was likely to be swayed by a discourse concentrating on operational imperatives and emphasizing ruling policy concepts or eclectic, applicable models (of the Polak variety). In the case of WB and IMF, research could be more persuasive precisely because enforcement procedures and financial leverage buttressed their policy recommendations. Carefully chosen metaphors were often employed to explain the ‘correct’ path toward structural adjustment and growth. In the OECD case, a particular slant on economic history and the history of economic policy was constructed to reinforce the inevitability of economic adjustment and it clearly articulated the effects resulting from previous inadequate policy coordination among OECD countries.

The published IEO research reviewed here was non-technical; it was not mathematical, econometric or highly abstract. This is not to say that it was not founded on more technical research. The publication of results often had to overlook technical caveats and in this sense it differed from academic work. Much formal economic research performed at the IMF, WB and OECD both in the period under review and presently, is hardly distinguishable from work undertaken on similar subjects in academic organizations. Moreover, an economist serving as consultant to

an IEO, or as an IEO researcher, may normally cultivate a list of research outputs including articles in relevant academic journals. WB economic research has become closely aligned with the growth both of interdisciplinary social science and sub-disciplines within economics such as, respectively, population studies and the institutional approach to the economics of development. The Polak model used so widely at the IMF in the 1970s and 1980s was a special variant of the monetary approach to the balance of payments designed to ‘work’ in an operational environment. Some of its results were published in academic journals including IMF Staff Papers. Here the only distinguishing mark of this work was the choice of research topic and its mode of application. Obviously the level of abstraction in IEO work has to be reduced when addressing non-academic audiences with the position and power to make changes in national policy or adopt a new set of policy rules.

Economists in IEOs remained intellectual actors despite the fact that the published official studies and reports containing their research methods and results were much less sophisticated and sometimes outmoded by the standards of economic research in other contexts. An erroneous impression may be drawn: that the intellectual actor role is rarely performed well by economists in IEOs and their contribution to economic thought may only reveal itself as an epiphenomenon in highly compromised policy packages and carefully hedged official reports. We had occasion to refer to Robert Mundell’s (1969) claim relating to “intellectual attrition” in the IMF during the 1960s; Sebastian Edwards (1989) later identified an “entrenched” position occupied by the Polak model in IMF policy analysis coupled with unwillingness on the part of IMF researchers to exploit modern developments in economic theory. Certainly there were received, consensus policy positions underwriting the research selections used here. These may be viewed as evidence of

intellectual inertia or, as a public choice perspective would hypothesize, as an outcome of a desire to build a research empire, maximizing the independence of IEO researchers as well as their budgets. It is more accurate, we submit, to appreciate that the research and policy lines advanced were a consequence of economists, together with their IEO colleagues, navigating their way through practical and institutional constraints (both within and outside the organization). In these circumstances they had to produce meaningful, demand-driven though not completely demand-determined, policy analysis.

Academic economic research can be more protean and original by comparison with work originating in IEOs for the latter is encumbered by the need to support long held official policy strategies. These strategies may be operationally based or formed by consideration of international agreements to facilitate greater cross-border policy integration and harmonization. Thus IEO research appears to be highly adaptive and innovative. In the case of the Polak model, for example, some intellectual flexibility was demonstrated; the IMF researchers associated with that model departed from contemporary theorizing and fashion in academic economics – they produced a useable model of immediate relevance to policymakers in countries requiring adjustment. OECD reports exhibited pronounced historical and institutional awareness thereby modifying what would otherwise have been read as doctrinaire policy lines. These reports also brought out unintended international economic repercussions of policies chosen at the national level for domestic reasons.

Neither canvassing for institutional aspects nor underscoring unintended cross-border spillover effects necessarily differentiates IEO work from academic economics. In terms of emphasis it is more likely that IEO research will take a stronger position on the vital role of international economic interactions and their

implications for economic policymaking at the national level. International political economy as practised by economists whose work we have reviewed often relied on formal developments in the discipline of economics yet had its own less formal style and a discourse fashioned to suit a special audience; its content proclaimed unswerving allegiance either to a particular IEO operational mandate or a consensus, official policy line and it performed an ‘unpleasant work’ function that economists in IEOs seemed peculiarly competent to undertake for relevant member governments.

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