

The IMF and the world economic crisis

On 14 December 2009, Dr. Ulrich Baumgartner, former Department head at the IMF, and Prof. Kunibert Raffer, Economics Department of the University of Vienna, presented their views on the functions of the IMF against the backdrop of the present world economic crisis. Dr Baumgartner pointed to the new functions that the G-20 had assigned the IMF. He also focused on other reforms that should permit the institution in its endeavours to tackle the consequences of the global economic downturn and the financial turbulences that accompanied and preceded it. He did concede, however, that some more basic reforms- such as the substitution of special drawing rights for the US dollar - would not materialize.



In his very critical contribution, Prof. Raffer pointed to the institution's failure to live up to the letter and spirit of its founding document. It should, for example, insist on a liberalization of the capital account and it would undoubtedly benefit, were it to adopt the status of a privileged creditor. Both roles, however, had not been envisaged in the IMF founding document.

In the following discussion, questions were asked about the place accorded to poverty alleviation in IMF 'conditionality' and, once more, on the issue of capital account liberalization. In his response, Dr Baumgartner insisted that, at least since the mid - seventies, social aspects had always been duly reflected in IMF assistance programmes. As for the second issue, since the Asian crisis in the late nineties at least, full capital account liberalization had not been insisted upon; its introduction had been made conditional on the firmness of the existing financial/ banking system.

The PowerPoint presentations of both speakers are attached.