Problem-Solving Politics: Debt, Discourse, and the International Monetary Fund

By

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ABSTRACT

This dissertation aims to problematize the concept (and proposed policy) of "debt sustainability", particularly in relation to those countries classified as "low-income", by attempting to map the logic behind what is presented as neutral, technical fact (i.e., "best practice") and seeing what work this logic does, i.e., what its effects are. Debt sustainability is not a free-floating concept, but one that is operationalized in policy. This means that the outcomes of employing a debt sustainability framework for low-income countries may have tangible consequences; in this way, and most importantly, debt *sustainability* may also have consequences regarding prospects for debt *relief* and for the way countries and organizations make lending and borrowing decisions. The way the International Monetary Fund (IMF) conceptualizes and presents indebtedness, poverty, governance, and (sustainable) "development" dialectically reproduces a discourse around debt that both limits (depoliticizes) and opens possibilities for debt cancellation and fundamental change – fundamental change in the IMF's role and function, in the Fund's relations with countries of the global south, and in the budgetary and other constraints those countries face in processes of "indebtedness" and "development".

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DECLARATION

This dissertation denotes original work by the author and has not been submitted in any other form to another university. Where use has been made of the work of other authors and sources it has been accordingly acknowledged and referenced in the text.

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LIST OF ACRONYMS

ARPP	Annual Review of Portfolio Performance
CACs	Collective Action Clauses
CDA	Critical Discourse Analysis
CPIA	Country Policy and Institutional Assessment
DA	Discourse Analysis
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EFF	Extended Fund Facility
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
FTAPs	Fair and Transparent Arbitration Processes
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
HIPC II	Enhanced Heavily Indebted Poor Country Initiative
IDA	International Development Association
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
iPRSP	Interim Poverty Reduction Strategy Paper
ISI	Import Substitution Industrialization
LDC	Less Developed Country
LIBOR	London Inter-Bank Offered Rate
LIC	Low-Income Country
LICUS	Low-Income Country Under Stress
MDB	Multilateral Development Bank
MDGs	Millennium Development Goals
NGO	Non-Governmental Organization
NPV	Net Present Value
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PC	Performance Criterion
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
PWC	Post-Washington Consensus
SAF	Structural Adjustment Facility
SAP	Structural Adjustment Program
SILIC	Severely Indebted Poor Country
SDRM	Sovereign Debt Restructuring Mechanism
WB	World Bank
WC	Washington Consensus

CHAPTER ONE

INTRODUCTION

"Our words are politicized, even if we are not aware of it, because they carry the power that reflects the interests of those who speak" (McGregor n.d.).

Introduction

"The phenomenon of borrowing – getting money today in exchange for money tomorrow – is economic. But how such transactions are managed is political" (Strange 1998: 92). This dissertation attempts to examine international debt matters off the balance sheet from such a politicized view, making decidedly fuzzy the illusory technical economic vs. rhetorical political opposition. Various groups contest the International Monetary Fund's (IMF) arguments surrounding debt relief and other debt-related matters. Although the Fund's arguments surrounding the affordability of debt cancellation, as well as other debt-related arguments, are contested, the issue here is not of their validity, or truth value; the aim is not to dismiss these arguments through critique. What is at issue is the way these arguments, along with their particular style and focus, work – what effects they have and what those effects' implications are for policy and potential change. This dissertation explores the discourses surrounding IMF texts dealing with debt, and the effects of those discourses on a newly proposed policy, the Debt Sustainability Framework for Low-Income Countries (DSF).

Motivation

When the Jubilee 2000 movement began challenging lending countries, along with international financial institutions (IFIs) such as the IMF, to relieve countries' unpayable debts, followed by a broader movement to cancel one hundred percent of those countries' debts, a very interesting kind of exchange began. Reading numerous IMF documents and Jubilee documents, trying to better understand the issues – why there was all of this debt, what the options were for dealing with it – I found completely opposite arguments in answer to the same question. For the Fund, the answer to the question surrounding the possibility (i.e., affordability) of increased or total debt cancellation for countries with massive unpayable debt burdens, was that, no, it is not affordable. For Jubilee and affiliated movements and organizations, the answer was yes, that total debt cancellation is affordable.

This in itself may come as no surprise: moneylenders like to be repaid and organizations campaigning for debt cancellation have some very strong arguments to make in favour of their position. What did strike me was how both sides had very nice sets of numbers to back up their positions. Having read Huff's (1954) *How to Lie with Statistics* in my very first Political Science class, I was not unaware of people's ability to manipulate numbers to their advantage; this did, however, raise a question – what is going on here? If the numbers differ, that means that there *is* something going on here, that they are using economic arguments to make a point – that economic arguments *are* arguments rather than the technical, scientific facts people present them as. The differing numerical justifications both parties offer in defense of their position surrounding debt cancellation do not stand alone. Reading further, there are a host of other arguments dealing with issues like equality, justice, and governance to name a few, that combine with statistical references in the presentation of each party's case. In making their argument, the Fund makes several key points in support of the statistical evidence they put forth.

How am I, as a non-economist, to make any sense of these numerical arguments that, on one hand, show me that the money is just not there, and, on the other (for instance, in Jubilee's case), that re-valuing a portion of IMF gold stocks and selling it over a period of time could provide a way to fund total debt cancellation? What is at issue here is, at a surface level, the availability of money – who has money, who does not have money, whether that is acceptable, and who has the necessary funds to do something about it. With such contradictory numbers, I take this to be an overt question about political will – about the *possibility* of providing funds, rather than the *ability*. Seeing the question in this light, it becomes less important to look at the statistically-derived rationale and more important to look at the other arguments the Fund uses in support of its position on debt and debt cancellation, and how those two groups, if I can call them that, of arguments work together.

The Development Question

Why does this matter? Why does it matter what arguments an organization, like the IMF, uses in support of its positions? The Fund has a particular way of structuring its arguments, with a familiar repetitive line of reasoning. The Fund consistently invokes the same arguments and images, and this repetition serves to reinforce a particular worldview.

The Fund has a position, that of the unaffordability of total debt cancellation, and uses various strategies and arguments to support that position. One can imagine a main line of argument, like a straight highway running on for miles, with many roads splitting off and feeding into it, much like branches on a limb. All of these mini-arguments work to feed into and support the main one, and they all continually feed off each other to create a whole picture, or representation, a unified set of propositions that work to sustain and reinforce the main argument.

These arguments have effects. The Fund is a policy-making institution, and the way it thinks about things reflects in its work – in its policies and practices. The development question in all of this has not only to do with the fact that large debt burdens affect all areas of governments' policy making and their ability to fund and sustain programming, or that large debt burdens are intricately linked to other issues, such as HIV/AIDS, poverty, global governance, international finance, or investment; as this dissertation will demonstrate, it also has to do with discourse (how the Fund talks about, presents, and represents) and practice (Fund initiatives, policies, and work) – to go further, with discourse as social, political practice (see Fairclough 1992). It matters what the Fund says, how it says it, and what the Fund does not say; in order to effect change, one must understand exactly what it is that needs changing – how one maintains the status quo, what techniques or devices one uses, and how they work. If the goal of development is, at a basic level, for some kind of beneficial change (however vague a definition this may be), these questions are of the utmost import.

Thesis Aims and Outline

The Heavily Indebted Poor Countries' (HIPC) Initiative, as chapter three discusses, is the most influential debt-related initiative to date, mostly because it is the first to actually write-off, rather than reschedule, or delay payment of, sovereign debt. Rather than continuing in this vein, the IMF and World Bank have put together a new framework to deal with the debts of countries of the global south, a "forward looking framework" (IMF PDR 2003b: 18) that aims to stop the problem of amassing unpayable debts before it begins – the Debt Sustainability Framework for Low-Income Countries (DSF).

Remembering that this dissertation stems from an assertion that these questions of affordability and sustainability are not merely questions of affordability and sustainability, this dissertation takes this premise as its starting point: that "texts are processes in which political work is done – work on elaborating political discourses, as well as the rhetorical work of mobilizing people behind political discourses" (Fairclough 2000: 158).

Taking the particular case of the International Monetary Fund and debt, the dissertation begins with methodology, outlining discourse analysis, its strengths and limitations, as well as the dissertation's own particular research process. Here, it is necessary to discuss discourse, and its particular feature in development – i.e., development discourse. Chapter three provides background information, outlining the various strategies and initiatives that, over the years, have been put forward to deal with the debt. The focus will be on the HIPC Initiative and the proposed DSF, as these constitute the most influential, controversial, and recent strategies.

With chapters two and three providing the necessary background in terms of method, debt, and the Fund, chapter four begins the analysis with an examination of a corpus of Fund texts surrounding debt issues. Chapter five moves into a specific examination of the DSF, taking a closer look at the way the Fund's broader ideas about debt and related issues feed into the new DSF proposal, creating space for change as well as constraint. Chapter six concludes.

Conclusion

This dissertation argues that the primary effect of Fund discourses surrounding debt issues is to depoliticize, making them technical, economic questions of statistical number crunching and a quest to find the most appropriate "sustainability" ratio, all the while downplaying the roles and responsibilities of the Fund and its major shareholders, notably members of the G8, for the circumstances of countries of the global south, and limiting possibilities for structural change therein. This affects the policy paths the Fund takes from those available to it, and has concrete effects for both borrowing and lending practices as well as for prospects for change more broadly. While this depoliticization is the general thrust of IMF arguments, there remain openings, notably in the Fund's use of "judgement"; in taking on and attempting to address these issues the Fund, by incorporating them or at least addressing them through refutation, has created space for such discussion within the "economic sphere" the Fund prefers to isolate itself in.

CHAPTER TWO

METHODOLOGY

"It is the shared habits of discourse which make powerful, relevant and plausible argument possible. If there is no language of discourse there is no possibility of coming to significant agreement or rebuttal" (Apthorpe 1996: 19).

Introduction

What is discourse? What do discourses do? This chapter's first section attempts to answer these questions as part of this dissertation's methodology. The relationships between discourse and power, knowledge, and expertise follow. Secondly, a section on discourse analysis (DA) outlines the general field and the particular area of critical discourse analysis (CDA), looking at the strengths and limitations of the method as well as the role of the researcher; this section also examines how scholars have used DA in relation to development. Finally, the last section outlines this dissertation's particular research process.

Discourse

The answer to what a discourse is can be straightforward – a discourse is a statement, a phrase, an act of speech – or more complex, with several components relating to theories of power, resistance, ideology, or historical use. For this reason, it is useful to start by thinking of a discourse as the way we approach (write about, speak about, etc.) an issue or topic (Carabine 2001). Building on this, we can define a discourse as "a relational totality of signifying sequences that together constitute a more or less coherent framework for what can be said and done" (Torfing 1999: 300). A discourse is a form of semiosis – in our case, a Fund statement, typically text – composed of elements (words) that have meaning; they have meaning not only in the sense that they relate a literal meaning, but also in the sense that they relate a host of associations, suggestions, and implications: "[d]iscourse includes language, but also what is represented through language" (Grillo 1997: 12). Furthermore, all of these words (with their accompanying meanings) dialectically form a particular representation of a subject (Parker 1990: HTML 3). Words do this within phrases, phrases do this within paragraphs, and this builds to the scale where there is a more or less coherent framework; there is an identifiable mode of representation around a particular subject.

For example, stereotypes are one way of "naming and framing" (Apthorpe 1996, Gasper and Apthorpe 1996) a particular group of people. A group is identified based on the assumption of a collectively held trait, and are spoken about and written about as if they, firstly, were a homogenous group and could be so classified, and secondly, that they do all in fact possess the particular characteristic. This way of representing a subject frames that subject in a particular way: discourses serve as "mechanisms of meaning which permit plausible description and disputation to be undertaken within certain bounds" (Apthorpe 1996: 18). Whether attempting to uphold or dismiss the stereotype, it becomes difficult to be truly outside it. The ways of speaking, writing, and depicting the group form and relate to discourses of racism and othering that work to define and outline social relations.

Racist discourses do not exist apart from other kinds of discourses, or from other kinds of practice in everyday life. Discourses of racism, for instance, are related to discourses about colonialism, development, and biology. Discourses, then, are interdiscursive – they are constituted from other discourses – and they are intertextual – building on and affecting other discourses (Hardy 2001: 27). Chandler (2002: 230) goes as far to say that "[t]exts owe more to other texts than to their own makers." "Words bear the traces of their social histories of use" (Kress 1994: 28), and when we make a decision to use a particular word or invoke a particular metaphor we simultaneously invoke both that word's historical baggage and its present connotations.

People store the images and meanings words evoke in what Fairclough (2001a: 20) calls "members' resources" and van Dijk (1993: 109) "mental models", and use them to interpret and engage in the world around them. To use the word "Apartheid" as an example, Apartheid may mean separation, but it evokes much more – a particular historical context, images of oppression, violence, even Nelson Mandela; furthermore, when the word is used to refer to political situations outside of the South African context, it is understood to be a direct comparison with the severity of the South African case. The same may be said of the word "holocaust", for instance.

Because they stem both from "wider historical and political conditions" and from "micro-political factors and the actions of particular actors" (Gardner 1997: 154), discourses are closely related to worldview (Lee 1992: 1): words and language are the primary ways we communicate meaning and are some of our primary methods of representing, classifying, and understanding our environment. The choice of which word to use, conscious or not, is never neutral because of the way words are bound up with meanings, and because of the way discourses do not exist in isolation apart from either other discourses or political processes (i.e., with change). It is important to note here that, because of this, discourses "are not static" (Parker 1990: HTML 7). While I discuss this in greater detail below, discourses, like meaning, are never fixed and are always changing, absorbing, and transforming other discourses.

Discourses are not only words on a page, and they are not only forms of semiosis infused with meaning; just as context affects discourses, so do discourses affect context: they have productive effects (Fairclough 1992: 9-10). Taking the same example of racist discourses, when people are continually confronted with representations of a particular grouping, those representations colour the ways people see and interact with others assumed to belong to that grouping; when a group of people is represented as being less than human or less than a citizen, it is easier to treat them as such. These operationalizing effects of discourse, these practices, feed back into representation. As Meinhof and Richardson (1994: 14) note, "[p]overty is not now, nor has it ever been, just a matter of material existence for poor people. It is, too, a symbolic state, a state that must be appropriately embodied in its members." One way of embodying this "state" is via discourse. This relates to the ability of discourses to name and frame, as representations frame perception and "[f]or the most part these bounds are accepted by those who, by habit or design, work within them" (Apthorpe 1996: 18). These effects are not necessarily overt, explicit, or intended; they may just as easily be unconscious or unintended.

Discourse and Power

Why is it necessary to discuss power and its relationship to discourse? If what we are looking at are the effects of discourse, and how discourse works, what we are looking at is the ability of discourse to do something, to effect or prevent change; in essence, we are looking at the power of discourse. The power of discourse has not only to do with the power of individuals or institutions, but also of discourse itself – that discourse may have effects above or beyond the conceptions of its producers. For the purposes of this dissertation, discourse relates to power in three main ways: 'common sense', power/knowledge and expertise, and resistance.

"Common sense" (Fairclough 2001b: 232), or normalization (Foucault a: 244), is the process by which something is taken as obvious, self-evident, or natural; it goes unquestioned. Some discourses are more powerful than others, they may be more prevalent or mainstream, and when these discourses become common sense, through traditions, conventions, notions of morality, myths (Peet and Watts 1996: 28), or more explicit forms of power, they become part of the way we see the world and act within it. Scott (2001: 57-8) discusses the concept of "non-decision making", "the means by which certain issues and interests can be excluded from consideration by preventing them from entering the formal decision-making process"; the decision on a particular issue never has to be made, because the issue never gets that far – partly due to the workings of 'common sense'.

'Common sense' relates to discursive strategies. A discursive strategy "refers to the ways that a discourse is deployed. It is the means by which a discourse is given meaning and force, and through which its object defined. It [is] a device through which knowledge about the object is developed and the subject constituted" (Carabine 2001: 288). One can think of a discursive strategy as a way of arguing – as a way of supporting a particular position. Framing is one example of a discursive strategy (Apthorpe 1996: 24), and we can also think of framing as a device that facilitates non-decision making. If, for instance, one hundred percent debt cancellation is naïve and unrealistic, then we do not really have to consider it as a viable option. If countries in Africa are poor and always have been poor, then why should we expect any significant change? With respect to development, then, discursive strategies are "the things said which structure knowledge and power about the development process"; they "provide essential ideological justification for the current societal rules which establish order" and "help to rationalize particularities of the present form of capital accumulation" (Klak and Myers 1997: 135); discursive strategies thereby contribute to the building of hegemony by naturalizing certain relations until they become 'common sense'. As chapter four shows, 'common sense' is closely tied to the Fund's problem-solving approach, in that how one approaches a problem has a great deal to do with, firstly, what one views to be the problem, and, secondly, how one conceptualizes that problem. This is how 'common sense' involves power and discourse: to demarcate what the issues are and the framework within which to deal with them.

Now, how do some discourses come to be common sense while others do not? How is it that some discourses become mainstream while others remain at the margins? Why are some discourses more powerful than others? Foucault's concept of power/knowledge has strongly influenced discourse analysis and ideas about discourse, and, combined with ideas about "experts", is one way of partially explaining the influence of certain discourses and ideas over others. Foucault asks, "what rules or right are implemented by the relations of power in the production of discourses of truth? (Foucault 1980: 93). His aim is "to discover how it is that subjects are gradually, progressively, really and materially constituted through a multiplicity of organisms, forces, energies, materials, desires, thoughts etc." (Foucault 1980: 97). He asks how discourse constitutes and represents, and how these particular discoursal representations come to have tangible effects outside of discourse.

In attempting to answer these questions, Foucault looks to the dialectical relationship between power and knowledge, which he combines into the couplet power/knowledge to show that power cannot be exercised without knowledge and that knowledge necessarily engenders power (Foucault 1980: 52). The exercise of power necessitates discourses of truth (Foucault 1980: 93), which we can think of as akin to the above discussion of "common sense". Discourses, for Foucault, are productive: they have real-life effects, they do something. "In other words, they are constitutive; they construct a particular version [...] as real. [...] They define and establish what is 'truth' at particular moments" (Carabine 2001: 268) by creating and causing "to emerge new objects of knowledge and [...] new bodies of information" (Foucault 1980: 51). For example, Ferguson (2003) discusses how the World Bank's development discourse constructs Lesotho as a "Less-Developed Country" ("LDC"), creating a "structure of knowledge" (2003: xiv) around the object (Lesotho-as-LDC), and organizing interventions on the basis of this structure. It becomes taken for granted that Lesotho is an LDC and that it needs the kind of intervention (knowledge) that the Bank offers.

"Experts" are one route for the creation of these structures of knowledge, or "common sense", in that their actions are part of "the process of political representation and [are] about who gets to play a role in the constitution of societal meaning systems" (Mumby 1993: 2). Several questions are important here: firstly, who gets to be an expert? Secondly, why does that matter? Lastly, what do experts do? Writing of her experience working for a UK development NGO in Sri Lanka, Crewe (1997: 74) discusses how she "took on a body of knowledge, such as 'project cycle methodologies', gender awareness, and how to do participatory rural appraisal" in the process of being a member of a particular social group and social order. She continues:

> [w]hile acting out the part of a young so-called 'expert', I was not consciously fabricating a special domain of knowledge to vanquish African or Asian colleagues. Rather, I was being socialized within an organization which defined my social position as having a superior knowledge or skills.

> If I had no specialist skills worth transferring to projects, I would not just have a lowly social position within the department responsible for implementing projects, I would have had no coherent identity or job (Crewe 1997: 74).

Noting that she was not consciously trying to diminish ways of knowing different from her own or from the organization she worked for, Crewe slotted into an organization that, as the basis for its work, relied on the fact that it had a knowledge base that the people it worked for lacked, and that the knowledge of the organization was deemed superior to the knowledge already in the country.

"Experts" relate to "common sense" in several ways. Firstly, they are assumed to have a superior form of knowledge, in that they know the correct and best way to do things. Secondly, this form of knowledge is endowed with a truth-value that is viewed as technical and neutral – there is a certain way of doing participatory rural appraisal and that is that. "Expert knowledge plays an ever-greater role in policy making as decisions come to be seen as technical matters rather than issues for contentious discussion" (Scott 2001: 108). This is because technical matters are often viewed as black and white matters, where there is a correct answer based on expert knowledge. This is evident, as the following chapters will show, with respect to the Fund and debt matters. Thirdly, this assumed neutrality is depoliticizing. The "halo of impartial prestige" allows the expert "to neutralize conflict-laden encounters [...] and disguise political issues, for a time, as technical ones" (Crewe 1997: 75). Whether one group feels that option A is correct and another group that option B is the best course of action, only the experts know participatory rural appraisal and the experts' privileged position is acknowledged by outsiders – by the government or community that asked them to come in and do their work. Finally, depoliticizing is powerful: Crewe (1997: 75-6) notes that neither her nor the NGO's knowledge existed in any objective sense, and had to be constantly reiterated and renewed through development language, methods, and rules – a process that is "silent so that the experts appear neutral in theory, while in practice they reinvent their powerful position" – that of knowing what should be done and how it should be done.

From the vantage point of organizational theory, Evans and Finnemore (2001: 8) outline several of expertise's effects on individual experts and the organizations they belong to. Firstly, they note that "expert knowledge inevitably contains cultural and normative components" and that it is a "conscious attempt to shape world views and values". While the UK NGO may have very well felt that its participatory rural appraisal methods were technically sound, they were not without the baggage of their creators – why is it important to be participatory, how to define participation, how to define full participation, etc. are all political, contestable, loaded questions with an indefinite number of answers, yet these questions are not explicit within the language and method of participatory rural appraisal. Secondly, the authors note that "any system of abstract and complex knowledge has blind spots, and that, third, there may be a tendency to "overvalue abstracted rationality" over context. A development plan, project, or model, particularly a standardized one, will leave certain things out and include others in order to make it work. Pigg (1997) examines an example of this in Nepal, where certain members of a community were identified by a development project as inhabiting roles akin to the project's roles of Traditional Medical Practitioners (TMPs) and Traditional Birth Attendants (TBAs) and were then trained to carry out those newly named roles with new skills learned from the project. In this case, the "institutional need to have TBAs to train leads to a program that in many cases produces "trained TBAs" out of women who do not identify themselves as any sort of "birth assistant" (Pigg 1997: 271). As Pigg notes, a "development project starts out as a plan, but turns into a context" (1997: 270); planners moulded reality to fit a particular idea, held up and codified through a form of idealized expert knowledge that may make it difficult for people to define their own interests in their own terms (Escobar 1995: 214).

Experts are powerful in the way people recognize them as having a special status and a special kind of knowledge, and in the way experts come together to form often large, multilateral, institutions with considerable influence. It is partly via expert knowledge that certain discourses may become mainstream or hegemonic. Peet (2002: 57) defines a hegemonic discourse as "a system of political ideas, derived from leading class interpretations of regional experiences, elaborated in coherent, sequential theoretical statements, as with policy formulations, within internationally recognized bodies of experts." One could consider neoliberal discourse such a hegemonic discourse, in the way that it originated in centres of political and economic influence (Peet 2002: 57) and functioned as the major discourse both leading country governments and international organizations like the IMF used to explain and support their similar policy paths. An individual recognized as an expert, working with fellow experts in an organization, has the ability to name and frame the issues they work on, as both the Sri Lankan and Nepali cases show, and this process has real-life effects on the design and implementation of projects. If ideas gain enough prominence (because they make sense with the worldview of the individual, further some material interest, or are part of a process of institutional learning (Sikkink 1997)) within influential organizations and experts, they may become influential enough to form a coherent framework within which that particular form of expertise is carried out, affecting less prominent organizations that may rely on them for funding or validation.

In this way, experts build "common sense":

> [w]hat is important in this process [of building a hegemony] is that such ideas and institutions come to be seen as natural and legitimate, and that they become imbedded in the frameworks of thought [i.e., mental models] of the politically and economically significant parts of the population. In this way, a hegemonic structure of thought and action emerges, one which militates against the raising, or even conception of alternative types of political, economic and social arrangements (Gill and Law 1988: 78).

Even though hegemonic discourses may "militate" against other ideas and actions, "common sense" is, like a hegemonic project, built; "common sense" is a *process* whereby certain social arrangements are naturalized, and as a process it is not something that ever ends. It is the constant reiteration of a position that lends it weight – the consistent representation of a grouping as "other" that affects people's ideas and perceptions about that grouping. Remembering that discourses are not static and that they have the potential to change and transform, it is necessary to understand discourses as open and fluid. "Locating power does not show that it is determinant or that a particular discourse is not appropriable for other purposes" (Cooper and Packard 1997: 3).

While a critique of Foucault's concept of power/knowledge and expertise centres on what people view as his exaggeration of the all-pervasive effects of power (Porter 1995: 84), the way Foucault joins discourse and power, presenting discourse as a site of struggle and power as "infusing all life, seems to multiply greatly the potential situations in which dominant discourses, including the master metaphors as well as more immediate metaphors of practice, can be challenged and transformed" (Porter 1995: 84). Because discourses are constitutive, because they have real-life effects, they are sites of struggle – struggle over whose representation of reality should prevail, with what effect. While neoliberal discourse is (was?) hegemonic, that does not mean that neoliberalism was never challenged, or that it has stayed the same. It is because a discourse's hegemonic position must be continually asserted that there is room for contestation; because a discourse has to incorporate new elements and shed old ones in order to stay relevant and make sense in the present, there is space, in that process of transformation, for alternative voices.

Not only are discourses always open to resistance, but they may not always have the intended effect. Cooper (1997) discusses how colonial development discourses were turned on their head by African trade unionists to assert demands for increased wages from colonial powers; if the colonial powers considered Africans to be a class of workers, African trade unionists decided to assert their rights *as* workers. Rather than working to control colonies and subdue their demands by representing Africans as workers that could be integrated into the world economy for the colonizers' purposes, using a colonial development discourse enabled African trade unionists to use the language and ideas of the colonizer against him in a way that the colonial powers could not easily dismiss, enabling their effective demands for increased wages and other rights. In this way, Cooper demonstrates "the instability of hegemonic ideologies" (Gupta 1997: 333), by showing how discourses may be transformed and used for non-intended purposes, taking on different meanings as time goes on – how people transformed a discourse of control into a discourse of entitlement (Cooper and Packard 1997: 4). Discourses may, therefore, be linked with power, but in unfixed, uncertain, and contestable ways; "intentional plans are important, but never in quite the way the planners imagined" (Ferguson 2003: 20).

Discourse Analysis

> We could see it [DA] as a sort of critical-analytic ethnography; discourse analysis tries to elucidate webs of meaning, and the relations and consequences of competing meaning systems (Burman and Parker 1993: 160).

From an examination of what constitutes discourse this section now turns to an examination of discourse analysis. Discourses have the ability to name and frame, they are closely related to worldview and notions of "common sense", are linked with forms of power/knowledge and expertise, and are always open to change. What does it mean, then, to analyze discourses? Why bother? This section attempts to address these questions by looking at the aims, strengths, and limitations of the broad research area called discourse analysis (DA). It begins by outlining the aims and processes of the approach, looking at what exactly constitutes DA. Following this is a brief look at Critical Discourse Analysis (CDA). This section closes with an examination of DA's strengths and weaknesses.

Overview: DA and CDA

Discourse analysis refers to a broad area of research dealing with language and meaning. There are a variety of forms of DA, informed by different theories and approaches. Some, originating from linguistics, focus on the grammatical structure of sentences; conversation analysis looks at the dialogue between two or more parties; other forms of DA are more quantitative, involving counting the number of times an author or speaker uses a particular word or phrase. Taylor (2001) identifies four loose branches of DA: those primarily concerned with language itself, those concerned mainly with interaction (dialogue), those concerned with language patterns, and those concerned with language patterns and related practices where language is located "to show how these constitute aspects of society and the people within it" (Taylor 2001: 9). This dissertation takes primarily from the third and fourth areas of DA, though all these areas overlap. It is difficult to denote a particular method called discourse analysis because of the fuzzy line between DA as theory and DA as method – "it is very difficult to speak of 'discourse' or even 'discourse analysis' as a single unitary entity, since this would be to blur together approaches subscribing to specific and different philosophical frameworks" (Burman 1991). What is common to forms of DA is a concern with the relationship between language and meaning, and with the way language "does more than reflect what it represents" (Burman 1991). While there may be debate as to whether DA studies language itself or uses language to study something else (Taylor 2001: 15), "[t]he common starting point, then, is that discourse analysts are looking closely at **language in use**" (Taylor 2001: 6, emphasis original).

If discourses deal in representations and "common sense", then discourse analysis is, primarily, about questioning those representations and asking "what is 'basic' about 'basic facts'" (Apthorpe 1996: 19)? If discourses have real-life effects, discourse analysis asks, "[w]hat kinds of assumptions in what types of possible world could produce those accounts" (Clegg 1993: 7), and in what ways do discourses affect real-life possibilities for change? How are these practices reproducing themselves (Willis 1981)? DA aims to draw attention to the implicit assumptions underlying social processes and relationships, arguing that discourses help form these relationships (Hardy 2001: 27-8). It does this by attempting to make what is implicit, explicit, and by aiming to understand the constructive effects of discourse. "In sum, discourse analysis studies "text in context"" (van Dijk 1993: 96), and how "meanings are created, supported, and contested through the production, dissemination, and consumption of texts" (Hardy 2001: 28). This dissertation looks at official Fund texts (documents) in an attempt to better understand how it is that certain arguments are created, upheld, and contested, and with what effect. This involves looking at the relationships amongst borrowing states, lending states, and the Fund, and how these are represented and argued, with what result.

An area of DA of particular interest for this dissertation is Critical Discourse Analysis (CDA). Several discourse analysts make a distinction between critical and non-critical approaches to DA, noting that DA is critical when it focuses on the relation of language to power and privilege (Riggins 1997: 2-3). Associated with the works of Norman Fairclough,

> CDA is not just concerned with analysis. It is **critical**, first, in the sense that it seeks to discern connections between language and other elements in social life which are often opaque. These include: how language figures within social relations of power and domination; how language works ideologically; the negotiation of personal and social identities [...]. Second, it is critical in the sense that it is committed to progressive social change; it has an emancipatory 'knowledge interest' (Habermas, 1971) (Fairclough 2001b: 230, emphasis original).

"Critical discourse analysis asks: how does language figure as an element of social processes? What is the relationship of language to other elements of social processes?" (Fairclough 2001b: 229), and, therefore, begins not from an examination of texts, but from some social issue or problem. This dissertation, for instance, examines Fund documents, but that examination stems from questions about debt – why were there competing arguments surrounding the affordability of debt cancellation, and how were they constructed?

Research and Applications

Various branches of the social sciences practice DA, finding it useful in their research. These include anthropology, sociology, psychology, political science, geography, history, cultural studies, and linguistics. A particular branch of psychology, for example, called discursive psychology, looks at how people use language to talk about events and looks at various interactions and dialogue, such as counseling, drawing from conversation analysis (see Antaki et. al. 2002). Sociologists use DA extensively to look at issues of race and racism, examining how people construct representations of "others" and themselves (see Karim 1997, Krishnamurthy 1996, van Dijk1993, 1996). DA is also useful in interdisciplinary research, where history, present context, culture, space, and semiosis come together (see Kelly 1997). Of particular importance for this dissertation's examination of the IMF, there is also a significant body of work relating discourse studies to areas of international development and economics.

Although there are no definite categories, there are several main approaches to examining development discourses: development as narrative, development as a power/knowledge regime, development from an anti/post-development perspective, and development from a contextual perspective. Development as narrative looks at development as a kind of story or myth – one with a beginning, middle, and end; they "tell scenarios not so much about what should happen as about what will happen – according to their tellers – if the events or positions are carried out as described" (Roe 1991: 288). Modernization theory or the tragedy of the commons are examples of this kind of development narrative. Analyses looking at development narratives often focus on outlining what does not make sense or fit in order to refute it, and may stop at critique. "What displaces a development narrative are not just the negative findings that seem to refute it. Displacement also requires an equally straightforward narrative that tells a better story" (Roe 1991: 290); the storyteller is also important here, in that access and influence play a role in a narrative's force.

Two of the most well-known works on development discourses are Crush's (1995) *Power of Development* and Sach's (1991) *The Development Dictionary: A Guide to Knowledge as Power*. Both of these edited volumes approach development discourse (singular) as a power/knowledge regime; development is a "machine" and "development is fundamentally textual" (Crush 1995: 5-6). They aim to examine the "forms of knowledge that development produces and assumes; and on the power relations it underwrites and reproduces" (Crush 1995: 3); "[p]ower in the context of development is power *exercised*, power *over*" and this "development [...] needs an imperial context" (Crush 1995: 7, emphasis original). Earlier, this chapter looked at the relationship of discourse and power and Foucault's concept of power/knowledge, how these ideas can be useful in understanding development discourses, and how they work. In what Grillo (1997: 20) terms "the *Development Dictionary* perspective", however, these ideas are all-encompassing: development is a singular discourse, a hegemonic, top-down project; it is masterminded development. There is no room for space, no room for alternative voices, and no room for unintended effects. This is a major critique, as the next section outlines, of some of the work on development discourses.

Another way of approaching development discourses comes from an anti- or post-development perspective. As Escobar (1988: 429) states, "[a]rticulated around a fictitious construct ("underdevelopment"), a discourse was produced that instilled in all countries the need to pursue this goal, and provided for them the necessary categories and techniques to do so." This construct, "underdevelopment", links with forms of power and intervention – the expert knowledge designed to tackle the issue of underdevelopment in another fictitious creation, the Third World – to depict and go on to treat individuals and communities as *less*, thereby maintaining control and marginalizing the imagination of what is and could be (Escobar 1995: 212-13). From this perspective, development is a construction; it is a fiction, a myth, a deception (Nederveen Pieterse 2001: 13-4), and the way to address this fiction is through its outright rejection. The only way forward is to build on the strength of social movements in countries of the global south, foster

> analyses based not on structures but on social actors; the promotion of democratic, egalitarian and participatory styles of politics; and the search not for grand structural transformations but rather for the construction of identities and greater autonomy through modifications in everyday practices and beliefs (Escobar 1995: 217).

While this perspective's call for more nuanced and complex analyses of development issues makes an important point about the artificial line drawn between the "developed" and the "underdeveloped", in its staunch rejection of "underdevelopment", post-development's stress on the fictional character of the developed/underdeveloped binary and its direct relation with forms of power sometimes tend to victim discourse: the expert developers construct the labeled underdeveloped, who are (or have been thus far) unable to do anything about it. Also, as Porter (1995: 85) notes, while post-development rejects the "institutions, the rationality as well as the 'needs' which development seeks to address", "'needs' undeniably persist"; his position is that there is still "an emancipatory potential in development".

Finally, a contextual approach to development discourses takes the ideas of the development narrative, of the power/knowledge regime, the aspirations of post-development, along with the political context in which these ideas play out in order to "assess them historically; relating them to the political-economic and ideological eras [...], and tracing the ways in which discourses in the agencies and the academy interact between themselves and with the world around them" (Moore 1995: 3). As Nederveen Pieterse (2001: 3) outlines,

> [s]ome cynicism in relation to [development] theory is appropriate: how often is a theory in effect a political gesture? What is the politics of theory? Whom does discourse serve? [...] It doesn't make sense to isolate development theory from political processes and treat it as an ivory-tower intellectual exercise; but neither can one simply reduce it to ideology or political propaganda. This is the contextual approach to development theory on which both political contexts and influences from social science count [...].

This approach, which Keohane (1988: 242) discusses under the name of "thick description", argues that it is the interplay of discourse and context that proves most fruitful in examining development issues.

Moving from development to economic discourses, perhaps the most popular work is that of McCloskey (1994, 1998) and her work on economic rhetoric. This work stems from the assertion that there is, first of all, such a thing as economic rhetoric: that economists, like other social scientists, use argument and persuasion in order to get their message across. Rhetoric, in this sense, is "not what is left over after logic and evidence have done their work [...]. It is the whole art of argument" (McCloskey 1994: 35). Even though a significant portion of that art may be in the form of numbers and graphs, those symbols fulfil the same purpose as the words of political scientists or anthropologists. As McCloskey (1998: xix) states, "[s]omeone who thinks of a market as an "invisible hand" and the organization of work as a "production function" and her coefficients as being "significant," as an economist does, is giving the language a lot of responsibility. It seems a good idea to look hard to the language."

The similar use of rhetoric between economics and other social sciences is one that is often pushed aside, unrecognized, or downplayed in favour of an economics that privileges the model over context – an economics unwilling to "join the conversation" (McCloskey 1994: 37) to its own detriment:

> The metaphors of economics often carry in particular the authority of Science and often carry, too, its claims to ethical neutrality. It's no use complaining that we didn't *mean* to introduce moral premises. We do. "Marginal productivity" is a fine, round phrase, a precise mathematical metaphor that encapsulates a powerful piece of social description. Yet it brings with it an air of having solved the moral problem of distribution facing a society in which people cooperate to produce things together instead of producing things alone. It is irritating that it carries this message, because it may be far from the purpose of the economist who uses it to show approval for the distribution arising from competition. It is better to admit that metaphors in economics can contain such a political message than to sue the jargon as an innocent (McCloskey 1998: 47).

As economists typically use numbers and graphs as much or more so than words to convey that rhetoric, it is important to remember that "[m]odels are metaphors" (McCloskey 1994: 42) and that models necessarily only include what the economist can model. Taking the example of poverty, "when 'poverty' is seen to have different 'faces' or 'aspects' and thus to require a variety of indicators", as an issue it is framed in a particular way: "[f]raming and naming in this singular mode allows issue-concerns to be handled in mechanistic models and metaphors" (Apthorpe 1996: 24). The effect of this treatment is just that – only what the economist can model is what the model addresses. Human life is messy; models must be neat. And it is here that "the economy", that area chapter four shows the Fund isolates in its own far-away realm, shows its weakness.

Instead of acknowledging its persuasive function, economic vocabulary tends towards the technical (McCloskey 1998: 3), highlighting the importance of expert knowledge and heightening the perception of its truth-value and precision in what is only one element of broader issues – "prescribing social and political (as well as economic) policies to us, allegedly on the basis of economic analysis" (Keohane 1988: 240-1). This is what Keohane (1988: 244) calls "neo-orthodox economics", relying on unexamined and implicit social and political theories, regarding the "price system of capitalism as "natural" and deviations from it as "unnatural" or "artificial"." An economics that is, in this way, detached from reality, unwilling or unable to dialogue with context or other scholars and departments that study it, will fail in problem-solving because it does not acknowledge the messiness and meaning of the world outside the model.

DA: Challenges and Critique

In attempting to bring economists into the conversation, forging a new path for development discourses, or doing any other type of discourse-related work, researchers face several challenges. Firstly, there is the choice of which texts to use, particularly when researching organizations that produce enormous amounts of material. Discourse studies are often "labor-intensive and fraught with sampling problems", and it may be "difficult to choose *which* texts to analyze (and also to justify that choice)" (Hardy 2001: 29). Secondly, there is the challenge of studying both text and context. While there is value in studying language itself, if DA has the goal of understanding the effects of discourse, the researcher must recognize that discourses do not exist apart from real-life and must, therefore, find a way to balance the study of text and context within a single study, which may be difficult to achieve (Hardy 2001: 29-30). This feeds into the difficulty in moving from a specific text(s) to a wider context (Burman and Parker 1993: 156), leaving room for the criticism that discourse analysis leaves no room for generalization, or for "theorizing universal processes" (Burman and Parker 1993: 156). As well, the scope of the research may be limited due to time or space constraints, which, combined with the labour-intensive nature of research and challenge of balancing text and context, may result in an imbalance – short-changing text or becoming "text-bound" (Bucholtz 2001: 170).

While this chapter discussed the relationships of discourse and power earlier, as well as the particular position of "experts", a challenge in discourse analysis is acknowledging that the researcher herself is a kind of "expert" with a certain kind of power in the research and analytical process without that acknowledgement overpowering the analysis. While discourses are open to interpretation by all, the analyst's viewpoint is privileged (Bucholtz 2001: 168). "To offer a reading of a text is, in some manner or other, to reproduce or transform it" (Burman and Parker 1993: 157) – the analyst does not exist outside the discourses she examines, but is also a producer and interpreter of discourse. This leads into issues surrounding reflexivity of the research. The concern here stems from the postmodern assertion that neither research nor the researcher are neutral, and that it is difficult, if not impossible, to separate the researcher from either the research process or results (Taylor 2001: 16); that "[a]nalysts are not above the social practice they analyze; they are inside it" (Fairclough 1992: 199). Reflexivity poses a challenge because, while it enables the researcher to be more self-aware about the research, it may lead to too great a focus on "the construction of the account rather than what is being accounted for" (Burman 1991). In addition to the researcher's privileged position, Burman and Parker (1993: 159) also note that DA is open to the charge of elitism, as a research method that "explicitly resists generalized description or easy 'how-to-do-it' rules."

One major critique of DA is that it can be functionalist, taking "for granted the shaping power and effects of discourse, in effect coming to see reality only through discursive spectacles" (Jones 2004: 107). Jones' (2004) article is a critique of DA, particularly CDA as practiced by Fairclough, from a materialist perspective. Jones feels that CDA overstates the power of discourse to have real-life, constitutive effects. He cites Fairclough's discussion of advertising as an example:

> Fairclough claims that being in the 'subject position' of consumer (for example, watching an advert on TV) leads, through 'sheer weight of habit', to being a real consumer. This is a strange argument, since people are consumers not because of their 'subject position' but because of their position in life; they have no choice but to buy and consume commodities (Jones 2004: 109)

In reference to Fairclough he states, "[i]t is significant that no economic or political analysis is offered as evidence to support these claims", and the "function, significance and effects of advertising discourse, in Fairclough's model, are simply taken for granted on the basis of the 'subject position' which they are considered to construct" (Jones 2004: 110). Jones is correct in that people are consumers in that they need to go and buy things. However, I am a human being that needs to eat. I am not a merely a consumer, in the same way that I am a human being that works, rather than merely labour. Fairclough's point is that people may be consumers, or workers, but when they are consistently treated, depicted, represented, and spoken about as if they were consumers or workers in discourse before they are as human beings, that practice in discourse dialectically has effects in 'real life', outside of discoursal practice.

Jones seems to push this aside in what really seems to be an argument for more conjunctural analysis, an argument echoed elsewhere. In reference to work on development discourses, Cooper and Packard state, "[s]ome critics of development write as if identifying a "development discourse" shows it to be hegemonic and as if deconstructing that discourse automatically destroys its legitimacy" (Cooper and Packard 1997: 33). For instance, in his discussion of the connection between the IMF and security discourses, Popke (1994: 263) states, "[m]embership in the IMF produces 'docile states'" through "economic panopticonism" (Popke 1994: 265), resulting in a functionalist argument about Fund hegemony, a top-down view of power, resistant structure, and circumscribed agency. There is also a lack of more nuanced analysis of why countries make decisions to join the Fund, for instance, and what benefits they may gain from that membership. This is the kind of DA Jones takes issue with: the kind with "reductionist tendencies" that mistakes "discourse as the sum total, rather than the manifestation of, structural relationships" (Burman and Parker 1993: 160). Discussed below, scholars using DA to examine development discourses also fall prey to this tendency, viewing Fund or World Bank claims about development as a mask for carrying out some master hegemonic plan. As Gasper (1996: 164) reminds us, "[t]o disbelieve authors' own claims on where they stand on major issues may be a way of avoiding the labour of understanding their positions", particularly when "the positions to be analysed are themselves not perfectly defined"; discourses are "frequently vague, complex and marked by internal tensions" – "[o]ne part seems to say one thing, and another part to say something different" (Gasper 1996: 160).

Seeing discourses and interpretations of them as multiple and opening what is presented as "truth" is useful in that it challenges dominant representations; however, there are several problems with this position that DA has not yet been able to theorize. Firstly, if discourses are open to multiple readings, it becomes difficult to commit to one reading over another (Burman and Parker 1993: 163). A very strong discourse position runs the risk of reducing everything to discourse. Furthermore, some discourse analysts take issue with the idea of 'mental models', taking the position that these inner processes are "hypothetical constructs whose existence the analyst is inferring from the outward use of language" and that the focus should be on examining the use of language in discourse (Antaki et. al. 2002).

Finally, there is a debate amongst discourse analysts, particularly with respect to CDA, as to whether analysts should take a position in terms of the material they study (Antaki et. al. 2002). I certainly have a position regarding debt cancellation and have ideas about the workings of the IMF. Because of these ideas, some things stood that might not have to someone else when reading Fund and Jubilee texts. This poses a challenge to the researcher to ensure that this position-taking does not substitute for analysis (Antaki et. al. 2002).

While there are strong critiques and challenges to doing DA, there are things researchers can do to strengthen their work. Hardy (2001: 32) identifies several ways of dealing with the challenge of reflexivity and context, including grounding research in historical processes, allowing multiple voices to pervade the text, acknowledging that not all possible voices are expressed or expressed equally, surfacing multiple meanings, and remembering that researchers are producers as well as readers of discourse. Researchers "must not assume that the real world itself is affected in any way by such 'constitutive' discourse. From the process of 'constitution' in meaning, no process of 'constitution' in or of material or social reality directly or immediately follows, if it follows at all" (Jones 2004: 115). In other words, in the process of doing discourse analytic research one must ensure not to assume the effects of discourse, and to locate discourses in particular moments, to "theorize fluctuations and transformations in discursive relations to ward off a reading of them as unchanging" (Burman and Parker 1993: 161). As well, these limitations of DA and discourse can and should be reflected in the questions and aims of the research. This dissertation, for example, asks 'how' questions, and refrains from taking the answers to those 'how' questions and turning them into answers for 'why' questions, as in Popke's case. As this dissertation will demonstrate, Fund discourses have particular effects, yet I do not ascribe those effects to any master plan or overarching interest on the Fund's part; this is not because one does not exist, but because it goes beyond the scope of this dissertation's research for it to be able to demonstrate that, unlike the case, for instance, of Robert Wade's (1996) look at the World Bank.

Research Process

As stated in the introductory chapter, this dissertation began with a curiosity as to how two opposing groups of people, the Fund and debt cancellation campaigners, formulated and supported their arguments in support of their positions on debt matters. Looking further into Fund texts, certain statements stood out – often recurring statements – that sometimes directly contradicted Jubilee arguments, arguments of academics involved in debt cancellation, and sometimes even other Fund statements. This was not only the case with qualitative arguments, but also with quantitative, numerical arguments dealing with GDP and debt-to-export ratios, and their relationship to poverty and social spending in terms of what the correct ratios should be. What was noteworthy in this respect was how these "technical" arguments, about what the appropriate ratio should be, worked alongside arguments based on theories of development, notions of social justice and rights, and ideas about poverty and the relations between different country groupings. Along with this was an interest in the latest policy to come out of the Fund dealing with debt, the DSF. Rather than a specific research question, then, this project began with a few general points of interest that provoked further exploration, and the following general questions, which I outline here:

1. How does "debt sustainability" work, i.e., what are its effects?
2. What is the relationship between "debt sustainability" and "debt cancellation"?
3. How do IMF conceptions of "debt" and "sustainability" feed into broader IMF discourses about "development," (and vice versa) and with what effects?
4. Does the separation of economics as a discipline from other social sciences affect what policy options are brought to the table and how they are presented?
5. How does "debt sustainability" affect possibilities for alternative voices?

Having decided to look further into these questions, the first step was to accumulate a corpus of Fund texts dealing with debt, the HIPC Initiative, and debt sustainability. In the beginning, this was done for both the Fund and for the Jubilee movement and other debt cancellation campaigners; however, in the end I decided to focus solely on the Fund. The vast majority of these documents were accessible on-line at the Fund's official website. Going through these texts, many ideas and statements recurred frequently, and I began to organize, or code, these statements into various "thematic clusters" (Karim 1997: 157) – such as responsibility, moral hazard, and governance – and prevalent metaphors, cutting and pasting the various statements into different files. This resulted in the corpus of Fund documents that chapter four examines and that provides the groundwork for an examination of the DSF in chapter five. I then applied the same coding process to the DSF, pulling out what I saw to be the major themes.

The choice of documents for the corpus was quite expansive, in that the only qualifications a document needed were that (1) it had to be an officially sanctioned Fund text (i.e., it had to be a product of the Fund, and not an IMF working paper, for instance); regardless of the Fund department, it had to be recognized by the Fund as an official Fund document, and an official Fund statement, and (2) it dealt with debt. One could view IMF working papers, for instance, as part of the Fund's research role and, in that respect, as a reflection of the Fund; however, I felt that it would be too easily refuted to attribute a statement by researchers perhaps only moderately linked to the Fund and not officially representative of it, to the Fund itself. I also accepted the statements of Fund staff in press conferences, speeches, and letters to the editor; as public statements made by representatives of the Fund speaking on behalf of the IMF, I felt that the speakers would be speaking in their capacity as Fund staff on these occasions. As the dissertation shows, the public statements of Fund staff mirror those of other Fund texts available on its website, and, in fact, most of the speeches and other statements I have used are publicly available on the Fund website. Because the focus of this dissertation is on the HIPC Initiative and the DSF, the focus in compiling documents was on countries classified as low-income, particularly HIPCs; emerging markets and middle-income countries were (and are) not a focus. The focus is primarily on HIPCs, on countries with significant debt burdens with the least capacity to repay, and, therefore, primarily on countries in Africa.

I based the use of the DSF as the primary document dealing with debt sustainability because it is the primary document for the Fund's debt sustainability framework for low-income countries at this point in time. It outlines not only the policy itself, but also the Fund's conception of debt sustainability and its relationship to the HIPC Initiative. The DSF is also the document that numerous groups and organizations have based their assessments of debt sustainability on (UNCTAD 2004, Seshamani, n.d., Berensen 2004); in other words, this is a document that has spurred a great deal of discussion on the merits and pitfalls of debt sustainability and the policy stemming from the idea of sustainable debt. The DSF is an important, prominent, and influential Fund text, and is thus worthy of close analysis.

The decision to examine both a corpus of Fund texts dealing with debt and to look closely at one document is, in part, an attempt to address issues surrounding the choice of documents, discussed above. The examination is both expansive, in order to get a good overall look at Fund arguments, and close, in order to go through one core document in detail and see how both levels of analysis and the arguments and themes contained in each reinforce and feed off each other.

One limitation of this approach is that, while there is strength in looking at the Fund in an expansive and more detailed way, this approach relies heavily on Fund texts. There was a great deal of insight gained from only one interview, and this would certainly have been heightened by more discussions with Fund staff, which I did not have access to at the time.

Conclusion

This chapter attempted to outline the basic elements of discourse and discourse analysis, as well as this dissertation's own particular research process. Discourses are both representative and constitutive; they may be hegemonic, marginalized, and everywhere in between; they are fluid, always open to change and adaptation, and are constantly absorbing and shedding elements and ideas in order to either stay or become relevant. Discourse analysis is an attempt to uncover the implicit meanings behind discourses in order to increase awareness of the constitutive effects of discourses and to open up possibilities for new ones. While the following chapter departs from the realm of discourse analysis to provide background on the Fund and matters relating to debt and debt cancellation, the bulk of the dissertation, using DA, examines Fund debt discourses in such an attempt.

CHAPTER THREE

BACKGROUND

"Loans that turn out very badly usually mean poor decisions by both lenders and borrowers" (Evans 1999: 268).

Introduction

This chapter outlines the major initiatives that have, over the years, attempted to deal with these resulting loans, focusing on the Heavily Indebted Poor Countries (HIPC) Initiatives and the Debt Sustainability Framework for Low-Income Countries (DSF). Whereas the following chapters attempt to examine the effects of these policies not so much in terms of what they say they are going to do, or whether they are successful in their stated aims, but in terms of their unstated, unintended, or unconscious effects, this chapter outlines what the initiatives are supposed to do, what effects on debt burdens they are supposed to have, and issues surrounding their implementation.

Beginning with a look at the IMF's mandated role in international finance and in debt matters specifically, this chapter goes on to discuss a brief history of what is termed the 'debt crisis', outlines several major debates surrounding the IMF, outlines how certain countries came to amass large amounts of debt and why this is an issue, and then outlines the various rescheduling agreements that led up to the 1996 adoption of the HIPC Initiative. The chapter then examines the HIPC Initiative and the movement to the Enhanced HIPC Initiative (HIPC II), followed by an examination of the latest debt proposal to come out of the international financial institutions, the DSF. Lastly, this chapter takes a look at the development concept and its changing influences over time.

The International Monetary Fund

At the 1944 United Nations Monetary and Finance Conference, more commonly known as the Bretton Woods conference, the International Monetary Fund and its sister organization, the International Bank for Reconstruction and Development (the World Bank), were born. Coming out of World War II and the earlier Great Depression, world leaders gathered in Bretton Woods, New Hampshire in an attempt to build a framework for a new international financial architecture that would increase global economic stability and prosperity, as well as address the needs and concerns of war-torn states. The trade barriers, exchange controls, and beggar-thy-neighbour policies of the 1930s that many felt were responsible for the Great Depression, combined with the need for reconstruction and the idea that economic ties were a way forward to peaceful relations, set the scene for a desired new beginning that people hoped could remedy some of the missteps of the past and forge a better, more economically liberal, and open future. Conference delegates established the IMF in order to stabilize the free workings of the market and to prevent potential market failures through what they intended to be a rules-based game.

The Fund's Articles of Agreement (see IMF 1990) lay out its mandate. Article I sets out the Fund's purposes, which include:

i. to promote international monetary cooperation,
ii. to facilitate the expansion and growth of international trade and high levels of employment,
iii. to promote exchange rate stability,
iv. to assist in the establishment of a multilateral system of payments,
v. to give confidence to members by making general Fund resources available to them so that they may avoid "measures destructive of national or international prosperity", and
vi. to shorten the duration and severity of disequilibrium in members' international balance of payments.

While the World Bank's aim, as the longer form of its name suggests, was to assist in the rebuilding of Europe post-World War II, the Fund's was to work towards the stabilization of currencies and exchange rates among states in order to stem market failures (Buira 2003a: 4). In this line, the focus at Bretton Woods was largely on industrialized states – the countries of

Western Europe devastated after the war and those countries with world currencies that were major market players.

At its inception, the Fund existed within the Bretton Woods system – a system of fixed exchange rates with currencies tied to the US dollar, which was itself tied to the price of gold. The Fund's job was to oversee this fixed exchange rate system and ensure that countries adhered to it. Bird (2001: 825) outlines four key IMF functions under the Bretton Woods system. First, the Fund was an adjustment institution that offered advice "and some degree of compulsion" in domestic macroeconomic policy. Secondly, the Fund was a financing institution providing loans to eliminate balance of payments deficits; the Fund was "the central bank's bank" (Pool et. al. 1991: 41). Third, the Fund was an advocacy institution, encouraging countries to design policies in support of the fixed exchange rate system it oversaw. Lastly, the Fund was a forum where people could debate issues relating to international monetary reform.

Bird (2001: 825) calls the 1950s and 1960s the Fund's "golden age". During these years, there was little criticism of the Fund, and moving into the 1960s the major debates centred on the Fund's contribution to increasing global liquidity and what the Fund's response should be to the changing needs of its newest members – countries of the global south. Two important happenings occurred in this time period. First, in the 1950s, the Fund introduced conditionality. Originally, the Fund did not attach conditions to its loans. As time progressed, "the USA continued to fear that it might in effect be required to underwrite the Fund's lending operations" (Bird 2001: 825), and the Fund introduced conditionalities to "ensure the 'revolving character' of Fund resources" (Buira 2003b: 58). The second important development was the changing demographic of Fund borrowing. The Marshall Plan of grants assisted in rebuilding war-torn Europe, and industrialized countries found private banks an increasingly appealing source of finance. Consequently, the Fund's original clients – industrialized countries – began taking their business elsewhere.

Moving into the next decade, the 1970s were critical years for the Fund with several major developments. First is the rise of Euromarkets and private bank lending. Banks could bypass domestic banking regulations that limited the amount of money they could lend and what was then the USSR could keep American dollars away from the USA by depositing funds in these unregulated markets. Private banks also became more active in international lending at a time when bilateral Official Development Assistance (ODA) was decreasing. Countries of the global south seemed like a good investment at a time when no one thought countries could go bankrupt, and when people viewed state-led development projects as secure investments. Banks were happy to lend, and southern states were happy to borrow. The second development, the oil crisis, fuelled lending to the south as countries needed money to buy oil and did not posses the domestic savings to do so independent of outside financing. At this time, industrialized countries were in recession, the American dollar was weak, and non-oil commodity prices (of particular importance for the south) were in decline. The London Inter-Bank Offered Rate (LIBOR), the interest rate at which banks lend money, soared, increasing the cost of these loans multiple times (Corbridge 1993: 26-41). From outstanding loans of around US$11 billion during the 1970s, by the early 1980s African countries held over US$120 billion in external debt, mostly to multilateral and bilateral creditors (UNCTAD 2004: 5). At this point, then, there is heavy borrowing and heavy lending, the south needs money and financiers view them as a sound investment, there is recession in industrialized countries, and repaying these loans is becoming more expensive.

Last and most importantly, the 1970s saw the demise of the fixed exchange rate regime the IMF was designed to oversee. "The IMF in particular lost its chief raison d'être" (Strange 1998: 94) and "became marginalised as an institution" (Bird 2001: 826). As Bird outlines, the Fund's

> lending role was overshadowed by international financial inter-mediation by the private banks. Its macroeconomic co-ordination role seemed less relevant where it was believed that flexible exchange rates would insulate countries from external shocks. Even its role as a forum for international monetary reform was reduced by the trend towards regionalisation in Europe and the existence of other fora with overlapping spheres of responsibility (2001: 826).

At this time, the Fund opened the Extended Fund Facility (EFF), a Trust Fund financed by gold sales providing concessional (subsidized) loans to developing countries. The EFF was "initially relatively little used and seemed to be unpopular both among borrowing countries and the IMF" (Bird 2001: 827). This happened at a time when the most powerful political leaders were moving away from the Keynesian consensus of the Bretton Woods era (Bird 2001: 827); the rise of Reganism and Thatcherism did not bode well for the aspiring interventions of a multilateral IFI.

At the beginning of the 1980s, it became evident that countries could not pay their debts – principal or interest. Banks "took steps to minimize the loans they had to make available to debtor countries" and "took steps to rebuild their capital bases in other markets" (Corbridge 1993: 58). As Wade and Veneroso (1998: 9) explain, "[i]nternational bankers have a powerful incentive to follow the herd, because the banker who does not make money where others are making it risks being seen as incompetent but does not suffer by making losses when everyone else is making losses too." In other words, realizing the reality of potential sovereign default banks left the business of lending to developing countries and minimized their exposure as much as they could – and there was a lot of exposure. For instance, the Bank of America Corporation and Manufacturers Hanover lent over 70 per cent of their common equity to Mexico alone (*Economist* 16 October 1982: 23 in Corbridge 1993: 58).

The prospect of sovereign default resulted in a wave of rescheduling. Rescheduling is the process whereby creditors shift the timeline of a borrowing country's repayment plan in order to make it easier for the borrower to make payments. Along with increasing concessionality and new concessional lending, rescheduling is considered a traditional debt relief mechanism. For example, creditor groupings could expand a loan with an original payment plan of five years to eight years, giving the country more time to get its house in order. The amount of money the country owes does not change; no part of the loan is reduced (although there may be a reduction due to inflation adjustments), the original payment plan is merely extended. If anything, this can result in a more expensive loan than in the original agreement as interest continues to add up over the years, which there are more of due to the rescheduling.

People treated the prospect of sovereign default, what was termed the debt crisis, as a liquidity problem. "For much of the decade, the conventional wisdom was that the debtors were illiquid but solvent if given enough time to pay" (Evans 1999: 268). Corbridge (1993: 44) notes that by "defining a crisis as a liquidity crisis the authorities are able to downplay a possible financial panic (including a run on the banks)." Rescheduling does solve the immediate problem, so defined: lenders and borrowers both avoid the fall-out of default. It does not, however, solve the root causes of default or address the long and short-term implications of repayment. For the banks, rescheduling was profitable; for borrowing states, rescheduling was expensive and signaled the end of an important source of finance. The debt overhang "argued against an infusion of new money", which increased the prospect of repudiation of already existing loans (Corbridge 1993: 58):

> [t]he effects of the containment strategy on development are not hard to guess at. In the early 1980s most African and Latin American countries began to 'underdevelop'. [...] The whole unhappy edifice was then capped in many countries by rampant inflation, as governments sought to minimize the potential impact of austerity measures by borrowing at high interest rates and/or printing money (Corbridge 1993: 60).

In the mid-1980s, US Treasury Secretary James Baker proposed a plan promising US$9 billion from multilateral agencies and US$20 billion from commercial banks in exchange for market-oriented (neoliberal) reforms. The 1985 Baker Plan, however, increased debt loads and did not result in countries moving or growing out of debt; as commercial debt stocks decreased, multilateral debt stocks increased, resulting in a transfer of private to publicly held debt (Vásquez 1996). Furthermore, the plan focused on Latin America and commercial debts with little mention of sub-Saharan Africa and its mostly multilateral and bilateral debts. The next major proposal, the Brady Plan, named for the next US Treasury Secretary Nicholas Brady, aimed to encourage commercial banks to voluntarily engage in debt-reduction schemes in exchange for borrowing states adopting neoliberal policies, but also met with little success (Vásquez 1996).

With the official demise of the fixed exchange rate system in 1978, the IMF's only clients became "the poorest countries, to which no bank would lend, and those middle-income countries dealing with macroeconomic crises" (ODC 2000: 2). As the Fund's involvement in industrialized countries decreased, lending by private banks in countries of the global south decreased. Combined with the demise of the fixed exchange rate system the Fund was designed to oversee, the 1980s ushered in a new era of Fund activity. As time went on, debates increased over whether the debt crisis was really one of liquidity or solvency, and over who should be doing what to deal with it. The Fund faced criticism that it was under-emphasising the supply side and the social consequences of adjustment (Bird 2001: 829). In response, the Fund introduced the Structural Adjustment Facility (SAF), followed by the Enhanced Structural Adjustment Facility (ESAF) in 1987, both of which were concessional facilities targeted at low-income countries featuring a broad range of conditionalities. "Rather than simple stability, the goals of ESAF were "to promote in a balanced manner" the objectives of payments viability and *growth*" (ODC 2000: 2, emphasis original). Stand-by arrangements between the Fund and developing countries now regularly had conditionalities attached to them that went beyond monetary issues.

Alongside these new Fund facilities, the G7 created a set of arrangements designed to facilitate repayment through the Paris Club, a bilateral grouping of major creditors. The Paris Club provides debt relief on debt incurred before a particular cut-off date, which is established at a country's first meeting with the Club. Named after the hosting city, the 1988 G7 summit in Toronto ushered in the first of these agreements, providing up to thirty-three and a third percent debt relief (through stock of debt or debt service reduction) in Net Present Value (NPV) terms on countries' external debts; these are known as the Toronto terms. The

NPV is the amount of money needed at the beginning of the repayment period to repay the loan with accumulated interest over time. The Toronto terms were followed by the 1991 London terms of up to fifty percent debt relief and the 1994 Naples terms of up to sixty-seven percent debt relief with a minimum of fifty percent for the most indebted countries.

These arrangements dealt only with external, bilateral debt, and from the ever-increasing amount of debt relief the G7 provided and the culmination of these arrangements in the HIPC Initiative (1996 Lyon terms) and HIPC II (1999 Cologne terms), which this chapter discusses in greater detail below, it is evident that these bilateral agreements did fairly little to deal with borrowing states' loans. During the years of structural adjustment and Paris Club arrangements in the 1980s and early 1990s, African countries external debts only increased, peaking in 1995 at US$340 billion with over US$41 billion in arrears on principal payments, almost all of which owed by countries in sub-Saharan Africa (UNCTAD 2004: 5). This demonstrates the potential dangers of rescheduling: these debts increased at a time when multilateral and bilateral lending increased as a proportion of overall debt stocks (UNCTAD 2004: 7). Along with the fact that these rescheduling terms did little to alleviate the debt overhang, there was also debate around eligibility, which continues into the HIPC Initiatives: "every one of the twenty-one SILICs [Severely Indebted Poor Countries] on the Toronto list can be included or excluded on one ground or another. And at least the same number could find reasons for being added to the list, many on the grounds that the fiscal burden of the debt on state revenues is unsupportable" (Strange 1998: 107).

Over time, while the Fund's basic functions as outlined in the Articles of Agreement remain intact, the Fund's role has expanded. "Finding an alternative role in the surveillance of developing countries brought [the Fund] by stages into partnership with the World Bank" (Strange 1998: 94). It became more difficult to sustain the demarcation between the IMF and WB, and the Fund faced criticism over its expanding activities – that it was becoming more of a development institution and less of a monetary one (Bird 2001: 829-30). Pahuja (2000: 766) locates the expanded move from stabilization to structural adjustment in the context of the Cold War: creditors did not want borrowing states to "stray from the fold" ideologically speaking, and it was easier to insist on certain changes through a multilateral institution than through individual creditor states alone. As well, by using the Fund rather than the WB, lenders could maintain a distinction between their role as donors and their role as creditors. Bird and Rowlands (2003: 1264) offer a different interpretation, citing the influence of international financiers over major Fund shareholders. Another possibility is that the repeated failure of rescheduling plans alone seemed to necessitate a broader approach to achieving macroeconomic stability; Dallaire (2000) notes that debates in international development circles in the mid-1980s emphasized poverty alongside the economy. The Fund was also responding to critics who lambasted structural adjustment's effects on poverty and inequality (ODC 2000: 2), attempting to address poverty and development through adjustment: "[t]he expansion of conditionalities is, in many ways, a logical result of the uneven success of Fund programmes" (Killick 1995 in Evans and Finnemore 2001: 3).

Although it is by no means the most significant lender, the Fund is intricately involved in debt matters due to the specialized nature of its work and its influence as a multilateral financial institution. Surveillance, technical assistance, and financial assistance are the Fund's core areas of operation. Surveillance involves Article IV consultations that take place between the Fund and the host country, whereby Fund economists visit with a country's ministers, central bank representatives, and other pertinent players in order to assess the country's financial situation and gather data. The aims of surveillance are to prevent and foresee any balance of payments problems, improve and streamline central bank regulations, assess weaknesses in capital markets, and address issues such as transparency, accountability, and governance in the financial sector. The Fund also conducts multilateral surveillance at an international level. Complementing its surveillance role, technical assistance involves building human and institutional capacity in macroeconomic policy, taxation, banking regulation, and exchange rate systems – areas of Fund expertise. Assisting countries experiencing balance of payments crises, the Fund also offers financial assistance as a lender of last resort. The Fund's surveillance and technical assistance activities bring it into intimate contact with the economic and financial life of its one hundred and eighty-four member countries even before a loan is agreed to.

Even though the Fund "has material resources to distribute, [...] it is the coupling of these resources with detailed knowledge and "expert" analysis that both legitimates the way it distributes funds and amplifies its advice" (Evans and Finnemore 2001: 8). Yes, the Fund is a lender, but its strength lies in its surveillance and technical assistance roles. There are often competing views amongst the parties involved in Article IV consultations, "particularly between the 'spending ministries' and the financial authorities, in particular, the ministry of finance and the central bank." Outside intervention "in the form of IFIs offering financial support in exchange for the adoption of certain policies, may tip the balance of favor of the 'financial' view" (Buira 2003b: 59). As well, the Fund has a powerful role as a gatekeeper to other sources of finance; the Paris Club, for example, requires countries to be under an IMF-supported program before it will consider any rescheduling.

The Fund's involvement in country affairs is also an important channel for the propagation of certain ideas and policies. "Formally, the Fund is an unequal property-based democracy, in which votes are determined by historical contributions to capital" (Evans and Finnemore 2001: 6) and the resulting voting quotas tipped in the favour of G7 countries impact upon Fund practices. Examples of this include the Côte d'Ivoire criterion (Gunter 2003: 97), whereby the HIPC qualifying criteria were adjusted at the behest of the French government to ensure that its former colony made the list, or the oft-cited Treasury Complex, whereby interests of the United States Treasury are passed down directly to Fund staff rather than through the appropriate US representatives at the Fund; as a Former Executive Director of the Fund states, the US Treasury is "extremely influential, and ultimately a decisive factor" (Interview, Anonymous, 03:12:04). There are also the interests of private financial institutions and corporations, who want to ensure they are not excluded from profit-making in the south, are desirous to minimize risk from potential economic mismanagement in the south, and would prefer to deal with economic institutions in the south that are similar to those in their own countries (Evans and Finnemore 2001: 4); the case of the Fund and South Korea is one instance of this, when the Fund's prescribed conditionalities went beyond the realm of standard IMF programming to involve reforming the Korean financial system to be more in-line with a western one (Wade and Veneroso 1998: 11).

While the Fund began strictly as a monetary institution, its expanded work and use of conditionalities force it to face "the intellectually murkier terrain that the World Bank has long been forced to deal with" (Evans and Finnemore 2001: 10). The notion that the World Bank deals with poverty and development and the Fund with balance of payments crises does not hold; apart from the fact that matters in the portfolio of the Ministry of Finance affect all other ministries and therefore all aspects of life, the Fund itself consistently couples poverty reduction and economic growth and its involvement in HIPC and the PRSP process demonstrates its work in areas not immediately related to a country's balance of payments. A popular question is whether the Fund has the necessary expertise to deal with these issues of poverty and development, and is linked to various aspects of the Fund's organization.

While Fund staff stem from countries all over the world (so-called 'passport diversity'), "[t]he expertise resident in the Fund is almost entirely economic", more specifically composed mostly of macroeconomists trained at Anglo-American universities (Evans and Finnemore 2001: 8). In his examination of the World Bank, Wade (1996: 30-1) asks how such a large institution with staff from many countries manages "to deliver what the outside world hears as a single central message", and concludes that the "art of paradigm maintenance begins with the choice of staff". There are debates as to how much staffing practices affect outcomes: while staff members' goals and orientations affect the decisions they make, there are certainly constraints on staff action due to the Fund's system of country quotas and voting shares; in other words, the more powerful position of creditor countries in the Fund greatly impacts upon Fund policy, and this filters down (and back up) to the staff level.

"There is a convenience for Staff in dealing with debt relief because right from the beginning the debt relief process was driven by the G7, and the instructions came effectively from the G7" (Interview, Anonymous, 03:12:04):

> [w]hen it comes to money and finance, it doesn't really matter too much what the [staff] composition is, because the creditors will eventually get their way. When it comes to policies and, for example, conditionality, there's a possibility that it could matter, although it's unlikely. There's a possibility that the individual – not so much the nationality, but the individual teams and the individuals working in teams on country issues – there's a possibility that it could help influence the outcome of the policy mix and the policy proposals that come through in the case of a particular country from the Fund side. And that depends on the nature of the experiences that the Staff people have had, which other countries they've worked on, how sensitive they are to developing country challenges, that kind of thing. [...] And my sense was that Staff were reasonably sensitive anyhow, it's just they were constrained by creditor country dictate (Interview, Anonymous, 03:12:04).

Furthermore, one's position in the Fund hierarchy can depend on one's compliance with the overarching Fund view: "although no one will say it, I mean, your career will hinge on the extent to which you comply with whatever is the approach in the PDR; the PDR's approach was very clearly a creditor-driven approach, unambiguously in my view. So, you know, you're not going to get Staff in the HIPC Unit taking an explicitly debtor view" (Interview, Anonymous, 03:12:04). "Once that's there and the Board decision has been made, the hands of the Staff are very much tied. Then it's a matter of unraveling whether they really are being genuine about being sympathetic or hiding behind the fact that the Board has come to a majority decision on a particular issue" (Interview, Anonymous, 03:12:04); either way, the Board has made its decision and that is what becomes policy. Fund policies, therefore, are certainly influenced by organizational aspects like staffing, internal promotions, and review procedures; there is, however, certainly room for debate as to how much staffing procedures can affect the choice of policies in an environment where institutionalized inequalities so strongly affect outcomes.

Along with choice of staff, Wade's (1996: 30-1) discussion of the art of paradigm maintenance at the WB continues with the internal review process and editing system. Bank documents go through many rounds of discussion before they are deemed fit for public consumption, and these discussions progress up a hierarchy where staff are increasingly more concerned with "the Bank's and the system's integrity". Editors' positions depend on their ability to produce documents that, "being in line with 'Bank thinking', will not attract criticism". Evans and Finnemore (2001: 10-11) make the same point in relation to the Fund's tendency to what they term "intellectual monocropping": the Fund's strong knowledge base, access, and influence give it great potential to make innovative contributions to policy, but this potential is restricted by a lack of intellectual diversity and the recruitment and career patterns within the organization.

Much like at the Bank, Fund documents also go through successive rounds of editing up the organizational hierarchy: a staff member(s) prepares a document and then discusses it internally in that department (i.e., the PDR Department if it is on a key debt relief issue), resulting in a first draft. They then circulate the document to other relevant departments, receiving comments. They then edit the document, and pass it on to the Deputy Head of PDR, and then the document is endorsed by the PDR Director. The document then goes to the Board, who discusses it, and if it is passed it becomes policy. Throughout this process, there is dialogue between creditor countries.

> Very rarely will a debtor country Executive Director have sight of the document in the process of preparation – in fact, almost never. But, there is a strong suspicion, which is part of the wink-wink-nudge-nudge kind of thing, that there is a process there where ideas are being fed in from all the membership (Interview, Anonymous, 03:12:04).

This editing process is important because, as Harper states in relation to Fund staff reports, "[a]s a staff report goes through the various stages of its career, so what it "means", what it implies and what it stands for, gets gradually whittled down. One may characterize this as the tightening of the grip, a *gradual fixation of meaning*" (1998: 45, emphasis added). Editing and review procedures ensure that things run smoothly – that "the policy analysis presented to the Executive Board contains no surprises" (Harper 1998: 113), and that the Fund conveys exactly the message it wants to convey.

In Harper's (1998) ethnographic account of information technology and document systems at the Fund, he found that each type of document serves a particular purpose. Briefing papers, for instance, are designed to outline activities that staff can orient their country missions to. What was striking in his account was the way the documents filled what seemed to be a need for a smooth and predictable flow of information. As he states in relation to staff reports, "they should not present information that makes the reviewing function within the Fund pause and hold its breath; they should present what I have described as a "no surprise" analysis"" (Harper 1998: 123), or an analysis that is in line with present Fund views; if a briefing paper makes a prediction, "then the team that wrote it knows that they must live up to those predictions; if it is a guide, it must be something that they can follow" (Harper 1998: 127). This is important because what is in documents today may imply future actions (Harper 1998: 234), and alludes to how the Fund approaches things as a conservative financial institution (i.e., cautiously) as well as possibly relating to Evans and Finnemore's (2001) earlier discussion of the relationship between organizational characteristics and the Fund's scope for innovation.

There are many debates surrounding the IMF, and the preceding paragraphs have only touched on those most directly related to its roles and organization. The quota and voting system, the nature and knowledge base of the Fund's staff, its work in countries under Fund-supported programming, and the disparity in influence over policy outcomes are only some of the major issues here. This is not to suggest that there is a monopoly on power and interest on the G7 side; the aforementioned Côte d'Ivoire criterion also "revealed the power of the lobbying of those governments in the low-income countries against their former colonial masters, to say you can't let us down while everyone else is getting debt relief" (Interview, Anonymous, 03:12:04). As the next section demonstrates, the Fund's increased and more involved activity in borrowing states raises many other issues related to the debt overhang and the resolution of its effects.

Defining a Crisis

The preceding section gave some background regarding how countries of the global south amassed their debts. Here, we briefly look at why this is an issue. After all, do not most individuals carry debt? Do not most countries carry debt? The largest debtor in the world is also the most powerful country in the world, the United States; surely debts cannot be all bad?

It is first necessary to distinguish between productive and unproductive debt. Student loans, a loan used to start up a small business, or a loan used to purchase a piece of agricultural equipment may all be considered productive debt: they facilitate a return on their investment. Student loan debt is an investment in an individual that they will use in order to find employment and will eventually pay off their debt, a small business loan will generate profits that will spur on the economy and facilitate repayment, and new equipment will increase efficiency and farm productivity. These debts all have income-generating effects.

An unproductive debt, on the other hand, provides no future stream of income. A loan used to purchase a new car radio system is one example; another example is debt taken on for the sole purpose of repaying old debts. It is not that lending is inherently bad; loans can be an excellent source of capital for development. It is the case, however, that unproductive debts do nothing to increase future returns on the investment, because there is no real investment. This has been the situation for many countries, particularly in sub-Saharan Africa, which, rather than using money for infrastructure development, increasing educational opportunities, or health promotion, have used Paris Club rescheduling arrangements to facilitate repayment. In effect, Paris Club rescheduling arrangements have fulfilled their purpose: they have facilitated repayment and prevented default. This is known as the debt trap: a continual cycle of borrowing and repayment with no hope of ever paying off the principal. "[O]nly debt forgiveness reduces the total amount of outstanding debt" (International Working Group 1988: 28), and countries "cannot reduce existing debt levels unless they achieve faster growth, which itself depends on a substantial reduction in existing debt levels, and this is not possible without faster growth and development. The circle is thus complete" (Abbott 1993: xiv).

While an individual in this predicament has the option of declaring personal bankruptcy, there is currently no such mechanism for sovereign states, although there have been several proposals (collective action clauses (CACs), the Fund's Sovereign Debt Restructuring Mechanism (SDRM), and Fair and Transparent Arbitration Proposals (FTAPs)). Combining the lack of a sovereign default mechanism with the potential political and economic fall-out of non-payment, at a basic level this means that countries identified by the World Bank as having the worst human development standards in the world divert Official Development Assistance (ODA) and foreign exchange earnings to debt service. As of 1996, one quarter of total bilateral aid was diverted to service multilateral debt (Ambrose and Stewart 1996).

It is necessary to sketch here the effects of the debt overhang not only to demonstrate the importance of the issue, but also to illustrate the way the issue has been defined as a 'debt crisis' and how all debt initiatives, including the proposed DSF, reflect this framing. Thus far, debt initiatives treated sovereign debt as a liquidity crisis. When this was no longer a feasible position, Paris Club rescheduling arrangements rhetorically recognized sovereign debt as a solvency issue, yet treated it at a surface-level – rescheduling was designed to facilitate repayment and prevent default, not address poverty and underdevelopment (or even economic growth). As Bouchet (1987: 7) stated over fifteen years ago, "[w]hen the exporter facing protectionism is also the debtor under financial stress, the lack of adequate capital flows is compounded by a lack of adequate trade markets". Demarcating a 'debt issue' allowed creditor groupings to treat (with little positive effect) only a country's external debt; failing to connect debt with trade and institutionalized inequalities in global governance structures facilitated repayment but did nothing to address debt or any other debt-related struggles.

Treating debt as an individual country issue rather than as a global issue, borrowing states "have no alternative but to adjust their economies" (Bouchet 1987: 16); debt initiatives treat debt as an individual, isolated, sovereign issue brought on by domestic factors unrelated to multilateral structures of global governance – to use Strange's (1998: 106) phrase, these initiatives are best described as "system-preserving":

> [u]nder existing relief mechanisms as well a any pre-defined country list the cancellation of whatever many percentage points depends on the creditor's good will or reason. [...] Systemically this approach looks at over indebtedness as the disease as such and not as a symptom of an underlying power imbalance between debtor and creditor (Kaiser and Luithlen 2004: 2).

<u>The HIPC Initiative</u>

Thus far in our mini-history of the debt build-up, rescheduling initiatives dealing with bilateral debt are the only initiatives on the table for borrowing states unable to repay their loans. The 1996 HIPC Initiative marked the first time that all of a country's external debts were taken into consideration. The IMF and WB are preferred creditors whose debts must always be repaid first, and under the Paris Club's 1996 Lyon (HIPC) terms multilateral debts were eligible for relief alongside bilateral debts. Several factors may explain the movement towards the HIPC Initiative and the inclusion of multilateral debts for the first time. Firstly, there was strong pressure from civil society groups and from citizens in G7 states on their governments, all of which led up to the Jubilee call for debt cancellation in 2000:

> I think the most key driving factor was the sense that, in some of these countries, European countries now, there was a sense that the movement to improve the debt relief package [...] had come to influence electoral politics, and therefore the government, the powers that were there, started feeling the pinch and therefore decided to act. [...] [T]here wasn't a sense of generosity or anything particularly that was the spur to it. [...] [Y]ou would get conservative governments which had a strong faith-based strand to them which did see some sort of moral requirement for giving debt relief, and that contributed to it, and in fact that was part of the support base that was threatened through the NGO activity [...]. And that started HIPC off as a fairly serious factor, I think (Interview, Anonymous, 03:12:04).

Secondly, there was the fact that the present debt initiatives were not working: that debts were increasing and there was little positive effect on development. "[F]rom '96 and then increasingly thereafter, the lower-income countries were becoming much more clearly recognized as being vulnerable to exogenous shocks on the external account" and there was a significant outcry from these countries about the effect debt service was having (Interview, Anonymous, 03:12:04). This was particularly so after the East Asian crisis, the repercussions of which "spread into low-income countries which suddenly saw the costs of trade for them increasing [...] and then they started becoming more susceptible both to natural disasters at that time and also to deterioration in their exchange rates" (Interview, Anonymous, 03:12:04).

In answer to the question why it took so long to get such a debt relief package on the table, Evans (1999: 269) notes, "there was a strong [...] conviction that helping heavily indebted countries with poor policies [...] would be pointless, since excessive indebtedness was only one of a number of factors damaging such economies." In terms of the Fund's involvement, "the Fund, which saw itself as a monetary institution, was not entirely happy with being cast into the role of *chef d'orchestre* of the cacophony of Third World debt" (Pahuja 2000: 765, emphasis original). The fuzzy delineation between the Fund and the WB's responsibilities harkens back to staffing issues and how staff views their work and the Fund's role: the "staff doesn't want to see itself as a development agency; they want to see the World Bank as the development agency and the Fund as being the cold-nosed economists, and they would prefer that division" (Interview, Anonymous, 03:12:04). In the end, though displaying "all the reluctance of the other creditors", "with pressure from the US, the UK and others, and with the World Bank out in front, the Fund decided in early 1996 that it had to join [HIPC]" (Evans 1999: 277). Along with pressure from other parties, HIPC also enabled the Fund to refinance existing loans currently in arrears, and ensured that the Fund "could continue to do business" (Evans 1999: 271) in borrowing states.

"The HIPC Initiative was first launched in 1996 by the IMF and World Bank, with the aim of ensuring that no poor country faces a debt burden it cannot manage" (IMF 2003b). At the outset there is an understanding that what the Initiative will focus on will be attaining a sustainable debt level in HIPCs. The HIPC Initiative's aim is to provide debt relief so that a country can permanently exit the never-ending cycle of repeated reschedulings that have thus far characterized creditor-led debt initiatives, and achieve what the Fund and WB define as a sustainable debt level; it was "not intended to solve the debt problems of all countries; but rather to assist the poorest and most heavily indebted" (Gunter 2003: 96) – indebtedness measured by threshold debt ratios, and poverty defined by whether the country is an IDA-only country (meaning that its GDP is low enough, making it eligible to receive loans from the International Development Association, an arm of the WB that offers highly concessional loans to countries unable to secure loans on market terms).

In order to qualify as a HIPC, a country must first face an unsustainable debt burden. Under the HIPC Initiative, a country has an unsustainable debt burden when it is has acquired the maximum amount of relief it is entitled to from the Paris Club. This definition is particularly important, because it determines the amount of overall debt relief:

> a lot of the discourse in the early years, '96 on, was very much driven by what's the total amount of debt relief this scenario would require: oh, it's too much, let's curb it and bring it down to something else, and then package your debt sustainability definition around what that lower threshold happened to be, or higher threshold, whatever it was, based on a ceiling on the total indebtedness that would be forgiven. And you see this in the documentation itself. From the very first, what's the total debt relief that will be provided under this scenario, that scenario, the other scenario – a great preoccupation of the G7, and all creditor countries, but particularly them (Interview, Anonymous, 03:12:04).

Secondly, a country must be under a Fund-supported adjustment program, and, thirdly, the country must complete a Poverty Reduction Strategy Paper (PRSP), which is a consultative document designed to solicit feedback from all interested parties on the way forward and ensure that funds "freed up" by debt relief are targeted towards poverty-reduction expenditure (that each country defines differently, but typically involves spending on education and health, and may include other areas such as agriculture or infrastructure).

HIPCs are eligible for multilateral and bilateral debt relief, which is a two-stage process: decision point and completion point. At decision point, countries are under Fund-supported programming, they have established a good track record of such performance, and they have completed a PRSP or an interim PRSP (iPRSP) – i.e., they are on their way to completing a full PRSP. On the lending side, creditor groups commit to provide debt relief sufficient to make a country's debts sustainable; at decision point, the Fund carries out a debt sustainability analysis using threshold targets to determine sustainability, which for most countries is the NPV debt-to-export ratio; if a country's NPV debt-to-export ratio exceeds 200-250 percent at decision point, the Fund deems its debt unsustainable, so sufficient debt relief means tackling that ratio and getting it down to a sustainable level. Creditors may grant interim relief between the decision and completion points, but this is not guaranteed and may be suspended. At completion point, if the country has prepared a full PRSP and is carrying out Fund-supported programming to the satisfaction of the Fund (and the WB), the country gets the debt relief agreed to at decision point.

Multilateral and bilateral creditor groupings, borrowing states, and numerous civil society groups soon concluded that the HIPC Initiative and the Lyon terms were not providing the amount of relief necessary for countries to achieve the Initiative's own debt sustainability targets. Five years after the implementation of the HIPC initiative, only two countries, Bolivia and Uganda, saw their total stock of debt reduced, reaching completion point (Telatin 2001: 1). By the end of 2001, out of forty-two eligible HIPCs almost half had not reached decision point (Greenhill 2002: 8). Assessing the situation of Bolivia, Uganda, Burkina Faso, Côte d'Ivoire , Guyana, Mali, and Mozambique in 1999, van Trotsenberg and MacArthur found that the "total external debt [...] will fall from $31 billion in 1996 to $19 billion in 2000" (van Trotsenberg and MacArthur 1999: 3); while this represented an over US$10 billion decrease in debt payments, US$19 billion still remained, and this amount far exceeded countries' capacity to repay, particularly if the HIPC Initiative was to make the connection between debt relief and poverty reduction. Furthermore, because HIPCs were not allowed to have arrears, many HIPCs' debt service payments actually increased, as now they had to make payments on debts they were previously not repaying. The cancelled debt may not have made a difference in terms of a country's debt service, as it may be the case that it was not making payments on the cancelled portion of the debt in the first place.

HIPC II

"By 1999 it has become pretty clear as well that the original HIPC wasn't working and was completely unsustainable basis for debt relief" (Interview, Anonymous, 03:12:04). The Enhanced HIPC Initiative was the Fund and World Bank's answer to critics who said that the original HIPC Initiative was not enough, and was also a response to its own experience with and data on borrowing states that demonstrated that the majority of countries were neither making it to decision point in a timely manner nor achieving HIPC sustainability targets. The current initiative, HIPC II, differs from the original HIPC Initiative, firstly, in the threshold values it uses to determine debt sustainability at decision point; from 200-250 percent, HIPC II lowers the NPV debt-to-export ratio cut-off to 150 percent. Secondly, the Paris Club replaced the Lyon terms of eighty percent debt relief with the Cologne terms of ninety percent debt relief (or more if necessary to achieve set HIPC sustainability targets). Lastly, the Fund and WB introduced a floating completion point that exists between the originally-designed decision and completion point, so that countries no longer had to wait until completion point for debt relief. With HIPC II, then, countries qualify for greater amounts of debt relief carrying less debt (in relation to exports), and may do so sooner.

While HIPC II took into consideration many civil society recommendations, particularly in relation to the threshold targets, it has also faced severe criticism. Gunter (2003) outlines six major problems with HIPC II, many carried over from the original HIPC Initiative: inappropriate eligibility criteria, unrealistic growth assumptions, insufficient debt relief, over reliance on rescheduling as a form of debt relief, lack of creditor participation and financing, and, finally, the use of currency-specific short-term discount rates. Regarding the eligibility issues Strange (1998) noted earlier, Gunter concurs, "[u]sing more comprehensive measures of poverty and indebtedness would give us a considerably different group of HIPCs" (2003: 97). Along with the political factors evidently at work in the choice of countries, there are also issues with the IDA-only criterion and the use of threshold values. The IDA-only criterion is based mainly on GDP per capita, and has been criticized for its narrow, income-based definition of poverty (Gunter 2003: 96) that, by using a GDP measurement, overlooks inequality and may underemphasize the extent of citizens' vulnerability. The use of the debt-to-export ratio may actually discourage an export-led growth strategy, in that increased exports may lead to decreased relief (Gunter 2003: 97). Making countries wait until completion point negatively affects poverty-reduction spending, and makes little sense when "the point in time at which HIPC debt relief is provided is not important for the creditor" (Gunter 2003: 101), at least in terms of cost, as the amount of relief is fixed at decision point. While the HIPC Initiative does deal with both multilateral and bilateral debts, it does not take into account countries domestic debt portfolio, debts which are typically of shorter maturity with higher interest rates than external (typically concessional) assistance. While the HIPC Initiative stipulated that each creditor should provide its share of relief, it did not stipulate the manner in which they were to provide it, and "due to political constraints" creditors were allowed to provide their relief through rescheduling, rather than through debt stock or debt service cancellation (UNCTAD 2004: 58).

The HIPC Initiative is the first time countries' entire external debt portfolio has been eligible for relief. It marks the first time all creditor groupings have come together to form a unified effort to deal with the debt overhang. As such, it should be commended, and it has had positive effects: the HIPC Initiative has brought a significant amount of attention onto the policies and practices of multilateral institutions, catalyzed numerous civil society groups into action around and against its practices, and Fund data demonstrates an impact on poverty-reducing expenditures: on average, HIPCs' poverty-reducing expenditures have risen from 6.4 percent of GDP in 1999 to 7.9 percent of GDP in 2003 (IMF and WB 2004c: 12). This chapter demonstrates, however, that this is not enough – that the HIPC Initiative's focus on bringing countries debts down to what it defines as a sustainable level has not been feasible for the majority of HIPCs or realistic for those few HIPCs reaching completion point. Of twenty-seven HIPCs that reached decision point by the end of 2003, only Burkina Faso is expected to spend less than five percent of government revenue on debt service (UNCTAD 2004: 37). What it comes down to, as Greenhill notes, is that "even with 100% debt cancellation, the HIPCs will require an additional $16.5 billion if [Millennium Development] goals 2 to 7 are to be met, and this is without the additional $30 billion needed for goal 1" (Greenhill 2002: 19). Debt cancellation is one part of a grander group of events that must take place for the Fund's own pronounced aims of poverty reduction and economic growth to take place.

Debt Sustainability Framework

> The aim of the proposed framework is to guide borrowing decisions of these countries in a way that matches their need for funds with their current and prospective ability to service debt, tailored to their specific circumstances. At the same time, the framework provides guidance for the lending and grant-allocation decisions of official creditors and donors. The proposed framework is to serve as a forward-looking analytical tool beyond the HIPC Initiative and will have no bearing on the implementation of the Initiative itself (IMF 2004a).

While the various Paris Club rescheduling terms and both the HIPC and Enhanced HIPC Initiatives addressed past, historical loans and their resulting debt burdens, the Debt Sustainability Framework for Low-Income Countries (DSF) aims to deal with countries' future borrowing practices, offering guidance and tools for all involved parties to ensure that they make decisions that maintain flows needed for development while preventing the kind of debt build-up that necessitated the HIPC Initiative and has had disastrous developmental consequences. As the Fund makes sure to point out, the DSF has no bearing on the HIPC Initiative, and is a completely forward-looking proposal designed to inform future lending and borrowing decisions. As Evans (1999: 268) notes to open this chapter, loans that turn out badly are the result of poor decisions by lenders and borrowers, and the DSF's purpose is to ensure that future loans turn out well; according to the Fund, the DSF should put "low-income country indebtedness on a sustainable track, while contributing to the achievement of sustainable growth and the Millennium Development Goals" (IMF 2004a).

> **The proposed debt sustainability framework is based on two broad pillars: (i) indicative country-specific external debt-burden thresholds that depend on the quality of the country's policies and institutions; and (ii) an analysis and careful interpretation of actual and projected debt-burden indicators under a baseline scenario and in the face of plausible shocks** (IMF and WB 2004a: 4, emphasis original).

The DSF categorizes countries as debt-distressed or non-distressed. "Debt-distress episodes are defined as periods where countries have either a large arrears stock relative to the total debt stock, receive debt relief in the form of Paris Club rescheduling, or receive exceptional [assistance] from the IMF" (IMF and WB 2004a: 55). The Fund and WB define non-distress episodes as periods of five consecutive years during which a country demonstrates none of the above three characteristics of debt-distress. Within the category of debt-distress, the DSF also differentiates degrees of distress: low-risk, moderate-risk, high-risk, and in distress. At the low-risk level, a country is meeting is debt service obligations and its threshold indicators are below the danger line. At the moderate-risk level, a country is servicing its debt but occasionally runs into arrears and stress tests project "a breach of debt-stock ratios" (IMF and WB 2004b: 27). At the high-risk level, a country is running into arrears with a history of default and is breaching debt-stock and/or debt-service ratios. A debt-distressed country is at risk of default without major rescheduling or restructuring and is in breach of threshold values. When a country is in debt-distress, the DSF notes that there should be an emphasis on providing grants over loans: "**[t]he Bank's primary response to debt distress would involve increasing concessionality, including by the provision of grants where feasible**" (IMF and WB 2004b: 30, emphasis original). Except for a reevaluation of its debt servicing commitments and overall debt portfolio, there is no blanket or specific prescription or indicator for a country experiencing a debt distress episode.

Groups have criticized the DSF's delineation of debt-distressed and non-debt-distressed episodes; "a clearer distinction must be made between countries in crisis and countries that are simply *poor*" (ODC 2000: 5). For instance, a middle-income country going through a temporary balance of payments crisis, borrowing heavily, may experience a period of instability before things get back to normal. A low-income country, on the other hand, is chronically reliant on outside assistance, has wanting human development standards, little foreign investment, relies on primary commodities to earn foreign exchange, faces agricultural protectionist policies on those commodities when trying to export them to industrialized countries, and has a heavy debt load – is this country experiencing a period of debt-distress, or is this the situation for the foreseeable past and future? This leads back to definitions of sustainability, and how important that definition is because it determines the response. "**As with any "early-warning" system, a crucial decision is which probability of debt distress one is willing to tolerate**" (IMF and WB 2004a: 19, emphasis original), and the criticism here is that the DSF tolerates too much – not only of the narrowly-defined debt-distress, but of poverty and the development situation in HIPCs and low-income countries generally.

Whereas the HIPC Initiative uses set threshold indicators, the DSF uses a "menu of indicators" and "their evolution over time under realistic macroeconomic assumptions" (IMF PDR 2003b: 3). In other words, there is more flexibility for countries in measuring debt sustainability, including a move away from the HIPC Initiative's sole focus on external debt: as the DSF states, "**[w]hen domestic debt is high or on the rise, it is not sufficient to focus on external debt sustainability**" (IMF and WB 2004b: 44, emphasis original). Furthermore, if, for instance, the debt-to-export criterion is less relevant for a country, another indicator, such as the debt-to-revenue ratio, could be used instead.

Stress tests and projections are another important element in the DSF, aim to foresee any potential problems with a country's debt servicing, and are important in the DSF's forward-looking intent; "the stress tests are designed to mimic relatively plausible shocks" and "avoid an unduly conservative approach to new borrowing" (IMF and WB 2004a: 28). Because export earnings, exchange rates, and investment all affect countries balance of payments, the DSF aims to model the future vulnerabilities in these areas using stress tests, in order to better predict countries' future debt servicing capacity and risk.

The major criticism of the DSF is in its definition of sustainability:

> [t]he paper also brings out the dilemma that countries could face: meet the debt sustainability criteria and be left with inadequate resources for development-related spending or raise enough resources for development by incurring debt and thereby fail to meet the sustainability criteria (Seshamani n.d.).

The DSF defines sustainability as "the condition that this debt can be serviced without resort to exceptional financing or a major future correction in the balance of income and expenditure" (IMF and WB 2004a: 8). While the DSF acknowledges that "it is best to base debt sustainability analyses on a variety of indicators, acknowledging that each is important in signaling current or prospective constraints that a country may face in meeting its debt service obligations" (IMF and WB 2004a: 16), there is no mention of social or human development indicators playing a role in signaling constraints on debt service. If this were the case, all HIPCs and a number of low-income countries would, by definition, have unsustainable debt loads. The basic argument here is that, for the poorest countries in the world, the Fund and WB put out a document that methodically goes through how to assess how much money it is "sustainable" for them to pay back the rich when, by any human development standard, the only sustainable transfer takes the form of grants flowing in the opposite direction:

> [s]ustainability of debts cannot be assessed in isolation, but must be seen within a holistic context of country-specific circumstances relating to the international trade and financial system and domestic development objectives. In Africa, the latter would include the attainment of the MDGs, in particular halving poverty by 2015 (UNCTAD 2004: 63).

The Fund and WB recognize the necessary holistic nature of assessment, but stop far short of a human development or MDG-based approach to debt sustainability.

The closest the DSF comes to non-monetary measures of debt sustainability is in its incorporation of "governance factors" via the Country and Policy Institutional Assessment (CPIA) Index. While this section would have liked to examine the CPIA in more detail, it is unavailable for public consumption. The DSF suggests that "debt sustainability assessments incorporate an explicit evaluation of a country's institutions and policies", an evaluation that "inevitably requires judgment" (IMF and WB 2004a: 22). The CPIA Index would be complemented by a WB governance index, other indexes such as a transparency and/or index of country risk and bureaucratic quality, and track records of compliance with Fund and WB-supported programming (IMF and WB 2004a: 22).

The Development Concept Part I

It is necessary here to give some background on the idea of development, as this is fundamentally what these specific questions about debt sustainability are about. One can trace the meaning of the word 'development' as far back as 1828, when Webster's dictionary defined it as "an unfolding", a meaning that followed the term into the twentieth century: that this unfolding "proceeded through knowable processes toward a predetermined end" (Cullather 2000: 642). Taking from biology, the metaphor of growth proved important in understandings of change – change as "natural, directional, immanent, continuous, necessary, and proceeding from uniform causes" (Nederveen Pieterse 2001: 19). Into the twentieth century, ideas about development were largely associated with colonial economics – resource management and trusteeship – and ideas about industrialization and how colonies needed to catch up with the rest of the industrialized world (Nederveen Pieterse 2001: 7). While there are numerous definitions of development, often central to those definitions is the use of the term as "simultaneously descriptive and evaluative: as referring to specific features of processes and at the same time as inherently good, good by definition"; on one hand meaning "modernization, industrialization and/or transition to capitalism, and [on] the other meaning improvement of quality of life" (Gasper 1996: 149).

"The form of the development idea that captured the imagination of many people across the world from the 1940s onward had quite specific origins – in the crisis of colonial empires" (Cooper and Packard 1997: 7). Colonial powers attempted to protect themselves from criticism and uprisings by demonstrating their commitment to improving the lot of people in their colonies. The goal of raising colonial standards of living, however, had the unintended consequence of forming the framework within which colonies' citizens asserted the right to carve their own development path. From "its roots in exploitative colonialism" (Kaufmann 1997: 107) and professed claims to a "civilizing mission" (Cooper and Packard 1997: 1), the idea of development became a rallying call for independence and justice; the idea of development – that there was potential for change – gave citizens in both the colonies and the colonizing states "a share in the intellectual universe and in the moral community that grew up around the world-wide development initiative of the post-World War II era" (Cooper and Packard 1997: 1). In other words, the development idea was an idea that both colonial powers and newly independent states and peoples could get behind: during the time of post-war reconstruction and the establishment of the Bretton Woods institutions, at a time of renewed multilateralism aiming for peace and prosperity after the war, development was something to work towards, together, for a better future.

Many scholars divide the post-war period into two main phases of development and development discourse; not existing in isolation, these phases coincide with the day's major shifts in political economy (Moore 1995: 2). The first phase, from 1945, is the phase of state intervention – intervention by industrialized countries' governments in the economies of their own states, and intervention by these states in the affairs of what came to be known as the 'third world'. This was the time of Keynesianism and "state-mediated capitalism" (Moore 1995: 2). In this phase of what Hart (2004: 3) calls "Big "D" Development", coming out of WWII and the decolonization process there was an emphasis on what some refer to as the "development orthodoxy": "that foreign aid and investment on favorable terms, the transfer of knowledge of production techniques, measures to promote health and education, and economic planning would lead to impoverished countries to be able to become "normal" market economies" (Cooper and Packard 1997: 2). As such, the aim was to create the conditions favourable for economic take-off and growth, so that newly-independent southern states could follow the path worn by their northern counterparts.

Defining development as economic growth and industrialization heightened the importance of economics and a particular branch of development called development economics, devoted to tackling the problem of countries growing their way out of poverty and catching up with the industrialized countries of the north. The Rostowian idea of take-off and industrialization, a strong influence on the development economics of the time, fed into the influential modernization theory of the 1950s, which maintained the focus on economic growth through particular stages while adding the notion of social and political progress along that same continuum. The end result was to be not only economic organization similar to industrialized countries, but whole societies fashioned after countries of the north: to make the transition from the functional category of 'traditional' to that of 'modern'.

Partly in rejection of modernization theory's narrow version of development, and against the idea that countries of the global south should emulate those countries supposedly at the end of the "path to modernity", dependency theorists of the 1960s advocated state-supported, national development initiatives that looked inward and away from the export-led growth strategies they felt fostered reliance on and exploitation by industrialized countries. Dependency theory and its resulting policies, like import-substitution industrialization (ISI), failed to bring the desired economic growth and developmental effects dependency theorists felt could only be gained by not doing business with the north. As well, the theory's pitting of the industrialized north against the developing south actually reinforced the functional categories of modernization theory – reinforcing "development as a category" (Cooper and Packard 1997: 2). While the dependency school's influence is certainly felt in notions of alternative and post-development, it may have also influenced the rise of a discourse its complete opposite – the failures of the dependency school's inward-looking orientation may have helped push policymakers and theorists to the extreme opposite: what came to be known as the Washington Consensus.

The Washington Consensus

With the Washington consensus (WC) we enter into the second main phase of development discourse, away from the state-mediated development of the immediate post-war international order and toward that of advocating minimal state intervention and the reign of the free market. Coined by John Williamson in 1989, the term 'Washington consensus' originally referred to a set of market-oriented reforms designed to foster growth in the lax economies of 1980s Latin American states by addressing their governments' inward-looking, state-led policies (Clift 2003: 9). Main reforms associated with the WC include privatization, deregulation, and liberalization: the privatization of state-owned assets, trade liberalization (the elimination of duties and protectionist trade barriers), and openness to foreign investment.

The rise of neoliberalism and the shift away from Big "D" Development coincided with the increase in power of the Fund and World Bank (Hart 2004: 3). The Fund's connection with the WC came largely in the form of structural adjustment policies (SAPs), which saw countries exchange compliance with the WC for loans, and it is in connection with SAPs – and the rising debt loads and decreasing human development standards that accompanied them – that the Fund came under extreme criticism. Under the WC, "[d]evelopment is primarily economic development and is as such measurable" (Nederveen Pieterse 2001: 24); this statement is the basis of much of the criticism of the Fund, SAPs, and the WC generally: that SAPs' focus is too narrow, the economic measures they implement (privatization, deregulation, etc.) do more harm than good, and even if they do facilitate improvement in a country's balance of payments situation they do so at a devastating societal cost.

It is in part a reaction to this criticism and in part a realization that neoliberal policies have not resulted in the desired developmental benefits that the Washington Consensus has, over time, moved away from its strict non-interventionist focus and incorporated some of its critique. This "revamped" Washington consensus is the subject of chapter five and is termed the post-Washington consensus (PWC).

Conclusion

"The IMF's role in *development* has been central, either implicitly or explicitly" (ODC 2000: 1, emphasis original). While the Fund began as a monetary institution designed to oversee a fixed exchange rate system, through its surveillance, technical assistance, and lending roles its purview expanded to involve areas traditionally in the realm of the World Bank – poverty and development. From dealing almost exclusively with industrialized countries, the Fund's greatest involvement is now with countries of the global south, the only countries to which the Fund now lends. The debt build-up in Latin America and sub-Saharan Africa resulted in massive unpayable debts and a deplorable human development situation that the US Treasury debt initiatives, the Paris Club's successive debt rescheduling arrangements, the structural adjustment years of the 1980s and early 1990s, and the HIPC Initiative all tried to resolve, but failed. Combined with other global issues, such as declining terms of trade, protectionist trade policies, and the rise of HIV/AIDS, the majority of these countries are not on the path to reaching the internationally agreed-upon human development standards: the MDGs. With civil society groupings' significant influence in debt and debt-related issues, there remains a great deal of work to be done in changing the structures of global inequality that are replicated at an organizational level in the IMF and that act as a major constraint within, through, and outside the Fund in gaining ground on more progressive debt-related policies.

This chapter attempted to give some general context about debt and the IMF, as well as to outline some of the major debates surrounding the Fund and debt-related initiatives. It is "only by understanding this context that one will begin to tell the difference between the things that documents need to say and those that can be taken for granted" (Harper 1998: 112); the predominant development idea of the day is an important part of that context. The Fund is the most powerful financial institution in the world, and it is intimately involved in the lives of countries of the global south as well as having unprecedented access to G7 states. The Fund's core clients are countries of the global south, countries with the worst human development standards in the world; the Fund's influence and the severity of this so-called debt crisis necessitate a response. The question is, what kind of response? How does the Fund effect its traditional macroeconomic role alongside its newer roles in explicitly poverty- and development-oriented work? With all of these past failed initiatives, what is this new "forward-looking framework" all about – what makes it new or different, if anything? The following chapters attempt to begin answering some of these questions.

CHAPTER FOUR

THEMES AND ANALYSIS: THE IMF AND DEBT

"...what we are concerned with is not an abstract set of philosophical or scientific propositions, but an elaborate contraption that *does* something" (Ferguson 2003: xv).

Introduction

From a discussion of what the HIPC Initiative and the DSF propose to do, this chapter turns to the question of what other work these policies do – what the effects of these policies, and the arguments and discourses they contain, are; this will be the aim of the following two chapters: to map a logic of Fund arguments surrounding debt.

This chapter outlines three major themes of Fund documentation dealing with debt and the HIPC Initiative. Firstly, the delineation of respective roles and responsibilities: what particular organization or country grouping is responsible for fulfilling what particular role in issues surrounding debt and debt relief. The main discussion here centres on the responsibility of borrowing states, as that is the focus of the Fund's own discussions in the corpus. Secondly, moral arguments: from discussion surrounding the validity of debt cancellation to notions of equality and moral hazard, what the Fund labels as "moral arguments" take up a significant amount of space and are extremely important in framing debt issues, particularly debt cancellation. Lastly, the relationship of poverty, debt, and development: although there may be tension between Fund discussions of debt as if it existed apart from notions of poverty and development processes and the Fund's inability to elude the real-life implications of debt in circumstances of poverty and development processes, it is difficult to deny that discussions on debt and debt cancellation are inextricably linked to wider developmental aims, such as the MDGs. In this respect, the Fund's arguments surrounding debt and its relationships to poverty and development comprise an important theme and one that one that relates to the Fund's approach to development issues.

The three themes briefly sketched above are vague markers of a logic this chapter aims to map. Within each theme there are multiple mini-themes that push us through the Fund's arguments, from what each party's respective role is in the international lending system, what responsibilities each has, what the issues are, and how these issues are framed, explored, argued, and (de)emphasized. This foray into a Fund logic seeks to better understand how the Fund, in its documents, constructs its arguments, how it frames its positions, and how these arguments work – what effects do they have?

This look at a corpus of Fund documents dealing with debt and the HIPC Initiative serves as important background information for the following chapter dealing solely with the DSF; it is also a necessary look into the Fund's presentation of ideas in support of its positions. In terms of the DSF, ideas about debt sustainability are partially built from and supported by grand notions about equality, poverty, responsibility, and so on, and it is therefore important to go through those here.

Roles and Responsibilities

Responsibility is a central theme running through IMF arguments and documentation. Closely linked to notions of agency, responsibility seeks to assign duty for past, present, and future decisions – why countries are indebted, why countries are poor, and who should do what to get them out of it. What is important here is not only what the IMF says, but also what it does not say, and the degree to which it stresses the responsibility of certain groupings over others. There are three lines of argument here. The first deals with the responsibility of the international community, including the IMF and other "development partners" (IMF PDR 2003a: 6), to changing policies and practices in all countries in order to "level the playing field" for countries of the global south. This includes measures such as improving terms of trade and increasing aid. In the second, the IMF outlines its own specific responsibilities (and what are not its responsibilities) in dealing with debt, poverty, MDG fulfillment, and development generally. Little is said of responsibility for past actions in either of these two lines of argument. The third stresses the responsibility of countries of the global south, in their various categorizations (LICs, HIPCs, etc.), in bettering their own lot, so to speak – in helping themselves; here, there is discussion of prior acts. I shall go through each of these lines of argument, detailing how the concept of blame/responsibility works to streamline potential Fund policy options, elude discussion of structural change, and place overwhelming responsibility for "development" on the "least developed" (in other words, how the first and second lines of argument work to support and reinforce the third), examining the implications of these conceptions of responsibility for ideas about agency.

The International Community

The IMF acknowledges that all countries have a role to play in making the fulfillment of the MDGs, the internationally agreed-upon development goals, a reality – that "[s]ubstantially more concessional resources need to be provided in support of effective national policy initiatives to achieve the MDGs" (IMF PDR 2003a: 23). The IMF acknowledges the need for improved terms of trade, better market access, more aid, and an increase in grant funding (over loans):

> [s]ustained improvements in economic outcomes in low-income countries depend significantly on the policies of the rest of the membership. An important role for Fund surveillance is to assess the implications of polices of the major economies for global economic growth and to encourage policy reforms in industrial countries, including in trade policy and agricultural support, and in the provision of development assistance that are critical to the economic prospects of low-income countries (IMF PDR 2003a: 9).

> While appropriate economic policies and reforms can greatly increase the net benefits from new financing, the international community plays an important role in supporting low-income countries through responsible lending; provision of grants; and close coordination among donors to maximize aid effectiveness and establish an allocation mechanism that encourages strong policies while providing effective risk-sharing against exogenous shocks. Arguably the most effective and lasting support the international community can provide is a reduction in existing trade barriers and an increase in markets access for low-income countries' products. In sum, the challenge for low-income countries – to meet ambitious development objectives without compromising debt sustainability – calls for strong domestic policies, a prudent borrowing strategy, and support from abroad (IMF PDR 2003b: 18).

The Fund "believe[s] that the best way for the international community to support the poverty reduction strategies of the low-income countries is by opening their markets to the exports of poor countries and by increasing new concessional flows" (IMF and WB 2001a). (In other words, not through debt cancellation, but I shall return to this later).

> Accordingly, in the March 2002 Monterrey Consensus, the international community adopted a two-pillar strategy for achieving the MDGs. The first is the pursuit of sound policies and good governance by the low-income countries themselves. The second is larger and more effective international support, including official development assistance and trade liberalization to open markets to developing country exports (IMF 2003c).

These are certainly actions that could be helpful to countries of the global south, and the above paragraph is certainly logical in its statement of how important policies in major economies are for other countries. The IMF states that all countries have a responsibility, as members of the international community, to doing what is in their power to help countries reach the MDGs. These are present and future responsibilities. Before dealing with the present, what, however, of the past?

Taking a closer look at the Fund's take on the causes and origin of the debt build-up, the Fund begins a discussion under the heading, "**How the poor countries became heavily indebted**" (IMF 2000c, emphasis original). Below is a history of the debt build-up, according to the IMF. While this is quite a lengthy selection, it is useful in the way it lays out the Fund's narrative logic in its outline of the debt build-up.

> Worldwide events in the 1970s and 1980s – particularly the oil price shocks, high interest rates and recessions in industrial countries, and then weak commodity prices – were major contributors to the debt build-up in the HIPC countries. After rising by 12 per cent per year from 1970 to 1980, commodity prices dropped sharply in the early eighties. Countries partly compensated for declining terms of trade with increased foreign borrowing.
>
> Domestic factors, however, also played a large role in the debt build up. Many countries were already living beyond their means, with high trade and budget deficits and low savings rates, and had no way to cushion themselves from external shocks. Instead, they borrowed more heavily, often without any change in policies to reduce their dependence on loans. Poor public sector management, including at times poor project selection by donors, meant that much of the foreign borrowing was squandered, bringing no long-term benefit in terms of capacity to produce or to earn foreign exchange. Vagaries of weather, protracted civil wars, weak economic policies and poor governance all played a part in the build-up.
>
> Some poor countries increasingly resorted to new borrowing simply to service debt. Funds for new investment became more scarce [sic], economic growth slowed and debt dynamics were set off that became unsustainable in many cases. Developing (including middle-income) country debt rose from $500 billion in 1980 to $1 trillion in 1985 and around $2 trillion in 2000. The 41 HIPC countries – among the poorest of the poor – saw their total indebtedness increase from $60 billion in 1985 and $190 billion in 1990, and would have been, in the absence of debt reduction, near $200 billion in 2000.
>
> Initially, creditors believed the debt service problems of the poor countries to be temporary. Accordingly, debt relief took the form of payment rescheduling, sometimes on concessional terms, sometimes coupled with new packages of loans [...]. Indeed, an elaborate mechanism developed to ensure that all of a country's bilateral creditors contributed equally. Creditor governments formed a committee to agree on the needed debt relief, in consultation with the IMF, and to try to make sure that all creditors offered terms at least as favorable as those agreed by the Committee. Hosted by the French Treasury, this committee became known as the 'Paris Club'. Repeated reschedulings for many debtors led official lenders to recognize that a new approach was needed for these countries that went beyond rescheduling debt service. At summits of the G-7 industrialized countries in Toronto (1988), Trinidad (1990), London (1991), and Naples (1994), new and increasingly concessional mechanisms were devised to bring more lasting relief. Thus,

> increasing amounts of debt reduction were written into the terms of Paris Club reschedulings, so that by 1994 when the Paris Club began to offer 'Naples terms' at the reschedulings, up to two-thirds of the stock of official debt was being cancelled. Around $60 billion in debt and debt service has been cancelled through the Paris Club process.
>
> Still, the debt of the poor countries remained high. By the mid-1990s, it had become evident that the combination of existing debt relief mechanisms, new official assistance, and policy packages aimed at reducing borrowing needs were still not enough to reduce debt to sustainable levels. In October 1996, the IMF and the World Bank jointly announced the HIPC Initiative to provide a comprehensive solution to the problems of poor country indebtedness (IMF 2000c).

While I discuss the significance of the section's title later on, here I shall examine the way this section's content serves to downplay the role of industrialized countries and the IMF. One can group the reasons the IMF offers for the debt build-up into three categories: i) those countries of the global south are responsible for, ii) those industrialized countries are responsible for, and iii) those that seem to have just happened, or that just were, without any related actor or interest. In the first category, the Fund lists countries living beyond their means, lack of necessary policy changes, poor public sector management, civil war, weak economic policies, poor governance, and borrowing just to service debt. In the second category is poor project selection by donors. Under the third, they list oil price shocks, high interest rates, recession in industrialized countries, weak commodity prices, declining terms of trade, and bad weather.

The list of factors the Fund attributes to poor countries is extensive. Poor project selection by donors is the only factor contributing to the debt build-up the Fund attributes to industrialized countries. What is interesting about the third category is the way processes like declining terms of trade, for instance, are reified and cited without caveat or explanation, as if one day everyone awoke to find declining terms of trade. "Poor countries" are held to be completely responsible for the multiplicity of factors leading up to the debt build-up.

Nearing the end of the section, the Fund states, "creditors believed the debt service problems of poor countries to be temporary" (IMF 2000c) and so provided loans and debt rescheduling into arrears; the Fund does *not* state that rich countries were living beyond their means and over-lending. The Fund does *not* state that poor countries borrowed to service debt believing that debt service problems were temporary; the Fund states that poor countries were living beyond their means and borrowing heavily. It is not only important, therefore, to note what the Fund says, but also what it does not say and to note its phrasing. While the fact that the IMF lent into arrears could not be ignored, it was included in such a way that it is depicted as a minor technical error, and is the sentence that leads immediately into a lengthy discussion of the various initiatives the Fund and lending states have put into place in order to help borrowing countries deal with their debts – initiatives that, the Fund notes, have failed *despite* the best efforts of lenders. Furthermore, there is no discussion of the effects of debt build-up, only its supposed causes, de-linking debt figures from their real life consequences (I take this up below). All of this works to minimize the role of industrialized countries in the debt build-up by decreasing their visibility, in this Fund narrative, in factors leading up to the debt overhang.

The theme of lender responsibility also runs through the DSF: "the occurrence of debt distress, as measured, depends not only on an indebted country's difficulties in servicing debt but also on the response of creditors and donors – e.g., on whether to reschedule debt service or provide "new" financing" (IMF and WB 2004a: 17). Here, creditors and donors have a role to play, however it is the nature of that role that is important. Who are these creditors and donors? They are the same countries the IMF asserts need to change their trade and agricultural practices, yet here the IMF categorizes these *countries* as *creditors* and *donors* (much, as I discuss below, the Fund categorizes other countries as *debtors*). A low-income country's occurrence of debt distress here depends on creditors' provision of new money (loans or grants) when "trouble" arises (defined according to the DSF). A low-income country's occurrence of debt distress, to use the DSF's term, does not here depend on the trade or agricultural policies of creditor countries, but on whether new money is provided to reschedule existing debt. There is no discussion here of prior actions that might have, on the part of creditor countries, contributed to the debt loads of borrowing countries. Furthermore, there is no discussion here of what creditor countries can do apart from providing fresh money – there is no potential for structural changes here, as there is no historical basis that warrants them.

This past absence has implications for future practice. This lack of historical basis is important because history grounds future action. At the beginning of this section, I outlined several of the Fund's statements regarding the need for change in developed countries: how they should lower trade barriers, increase aid money, and offer more grants instead of loans. The Fund, then, does not offer a completely distorted picture of the global economy; it officially recognizes that there are structural imbalances that contribute to the debt build-up and that decrease the likelihood of countries meeting the MDGs. While I discuss this later, I focus here on the overarching impression the Fund gives of the debt build-up, which is one that downplays the role of the Fund and of lenders.

Speaking of creditor countries as creditors, rather than as countries with governments that make politically motivated, contextually specific decisions, is not only a convenient semantic shortcut, it is a convenient semantic shortcut that works in a particular way to structure the debt debate around a kind of simple economic relationship between a creditor and a debtor: one who is owed money, and one who is *responsible* for paying it back. The Fund depicts wealthy countries and organizations as *creditors* and *donors* – entities other groups owe money to and that give money – more often than as *lenders*, i.e., entities that make decisions for particular reasons *before* they become creditors. "Creditors" are categorized in opposition to "debtors" with differing roles and clear delineations of responsibility. This distinction is important because it reinforces the presentation of "developed actors" as non-complicit (neutral) market players in the debt build-up (and poverty) in borrowing states by downplaying their agency in the effects of the choices they made (and continue to make) affecting countries of the global south.

The Fund's Role: The IMF as Development Partner

The way Fund documentation defines the IMF's responsibility in the debt build-up links closely with the way it defines its role both as a multilateral financial institution and as a development partner. Beginning with the role of the Fund, I continue with a discussion of the IMF's presentation of its responsibilities within that role. I am looking more at how the IMF describes its role in debt and development, rather than what its mandated functions are as listed in the Articles of Agreement, dealt with in chapter three. "The objective of the interpretation is to critically examine the samples of discourse compiled in the corpus not for what *facts* it is telling us, but for what it is telling us about the speaker's *worldviews* through the way they have chosen to put together their account" (Ballard 2002: 60, emphasis original). This leads into an analysis of the way the Fund presents itself and its relationship with its member states – more specifically and important for the purposes of this dissertation, its role with its borrowing members.

The Fund is clearly one of the most powerful development partners, coming in contact with so many countries and acting in many ways as a gatekeeper to other forms of development finance. Earlier, I outlined how the Fund primarily depicts developed countries and the institutions they control as creditors and donors, rather than as lenders, stressing how countries owe them money while downplaying the decisions they made directly involving them in poverty and the debt overhang. This section will demonstrate how this downplaying goes even further when it comes to the Fund's own role: the role of creditor is downplayed and the Fund typically speaks of itself in the role of a development partner – of helper, provider, and facilitator.

> The IMF finds itself in such a central role in many different ways for two very broad reasons. First, macroeconomic and financial policies interact with virtually every other strand of countries' policymaking and national aspirations. For example, poverty reduction requires economic growth, which requires macroeconomic and financial stability, including low inflation. The evidence is clear that low inflation helps the poor. Therefore, the IMF can make a vital contribution to poverty reduction. That role makes sense in the poorest countries, even if the detailed work on social policies is done by other agencies. Second, the IMF is the only international agency whose mandated activities routinely bring it into an active dialogue on economic policies with virtually every country (IMF 2000b).

"The IMF seeks to help countries put in place the policies that make globalization work – macroeconomic policies, structural policies that help markets function, social safety nets" (IMF 2000b). Speaking of its role in technical assistance, the Fund emphasizes its goal of helping countries benefit from the global economy. The Fund aims to assist countries in making globalization work for them by helping them adjust to it – by helping them put into place the economic reforms, policies, and social safety nets to get the most out of what today's global economy has to offer. As the IMF states, "[o]ur contribution to better macroeconomic policy choices and in cushioning the adjustment to shocks and imbalances is the principal means through which the Fund contributes to poverty reduction" (IMF PDR 2003a: 11).

The role of a development partner is also stressed in terms of debt and the HIPC Initiative. The Fund states, "[b]ut more than just debt relief, we look forward to being there to support their [countries'] development over the long term" (IMF and WB 2001a).

> But I want to stress that our overall objective is to provide debt relief in a way that provides an exit from unsustainable debt burdens as well as a cushion against exogenous shocks. But our fundamental aim is to do this in a way that reinforces the tools the international community uses for what is really the basic objective here, which is sustainable development in poor countries, with a particular focus on poverty reduction (Anthony Boote, Division Chief, Official Financing Operations Division, PDR, IMF, Press Conference 1999).

The Fund largely speaks of itself in terms of its role as a development partner – in technical assistance, providing development financing, and working with other groups (the World Bank, civil society) towards policy reform. When the idea of one hundred percent debt cancellation arises the Fund, taking a somewhat defensive stance, speaks of the necessity of repayment; this includes IMF loans. In such instances, the Fund stresses the revolving nature of its finances and the necessity for repayment in order for the organization to function and sustain itself – any other course of action would "imperil" (IMF and WB 2001a) funds for present and future development needs and "undermine the confidence of existing and potential investors whose funds are vital for the long-term development of the low-income countries" (IMF and WB 2001a). As Ahmed states, "[i]t's not possible to take away those large amounts of money and leave those institutions functioning as they are" (HIPC Debt Relief Press Conference 2001). The IMF speaks in these situations as a creditor, stressing that total debt cancellation would undermine the proper functioning of international financial and lending institutions, thereby imperilling developing countries that need their assistance.

Cooperative Development

> The IMF's mandate and expertise are in the areas of international monetary system and macroeconomic policy. The IMF's limited expertise in other areas means that it cannot take the lead in extending advice to countries on the details of social spending, or environmental policy, or many aspects of institutional reform (IMF 2000b).

In the Fund's discussions of its role as a development partner, a recurring theme is the need for cooperation amongst multilateral organizations. As in the discussion of the responsibility of the international community, the Fund highlights its role as well as the role of international financial institutions, multilateral forums (e.g., the G7), and creditor groups (e.g. the Paris Club) in development. This emphasis on cooperation makes a good deal of sense, in that different organizations have different specializations, and should work together to share that expertise and experience. The Fund's area of expertise, for instance, is in macroeconomics, and "[i]n most cases, the IMF staff largely relies on the World Bank to take the lead in the design of social safety nets, which are then incorporated into IMF-supported programs" (IMF 2001a). This division of labour also makes sense to the international community, with the Monterrey Consensus recognizing "that development partners have complementary responsibilities toward low-income countries, and that there are clear advantages to each partner specializing in its area of expertise" (IMF PDR 2003a: 11).

The Fund, therefore, advocates this kind of cooperation between institutions, such as the International Labour Organization (ILO) and the World Bank:

> [t]he International Labour Organization is working to promote core labor standards, aimed at reducing worker exploitation, especially the practices of child or forced labor. The IMF fully supports these efforts (IMF 2000b).

> To this end, we have been working closely with the World Bank and other organizations, whose primary mandates and expertise lie more in the social realm than that of the IMF (IMF 2000a).

Though the "Fund and other development partners" (IMF PDR 2003a: 6) may support each other in efforts to end child labour, the question is whether support is enough? To be more specific, is it enough for the Fund to focus on macroeconomic policy while leaving the "social realm" to others, when the IMF is intricately involved in that realm? As a matter of fact, what is the social realm? Does economics exist apart, in an "economic realm"?

While there are benefits to a cooperative division of labour, the cooperative theme that runs through Fund discussions of its roles and responsibilities toward its borrowing members also reinforces the division of social sciences upon which the respective organizations are based (see Pletsch 1981). While I discuss the effects of this in greater detail later on, I bring it up here because the way cooperation works in the Fund's discussions of its roles and responsibilities relates strongly to the nature of the discipline they practice; here it is enough to say that what this division does is to reinforce the Fund's special status as an institution of economists. That they are an institution of economists, rather than say, political scientists, is important because of the special status accorded economics within the social sciences, because of the use of numbers, statistics, and graphs, and the linkage of economic presentation with a kind of scientific validity not as strongly associated with other social sciences. This further elevates the IMF into a superior position over groups advocating debt cancellation from a social justice standpoint – a place devoid of ratios and scientific "truth", and effectively allows the separation of "economic arguments" from "moral arguments", as we shall see.

Regarding the roles and responsibilities of the Fund, the recurrent theme of cooperation, while potentially beneficial (even necessary), works once again to downplay the responsibility of the Fund in debt by sectioning the Fund away in an imaginary "economic realm" where debt exists on the balance sheet rather than in the equally imaginary "social realm" where debt has human consequences. To state that the Fund only deals with matters of finance is to deny that matters of finance are tangible processes that have tangible effects. Once again, this downplays the real life consequences of debt by facilitating a focus on what are presented as technical questions of debt and sustainability that downplay examination of what these statistics mean for people outside the balance of payments. This downplays the Fund's (past and potential) roles and responsibilities in processes, such as debt cancellation, that stem from such an examination.

Blame and the Good Doctor

Examining the doctor/patient metaphorical binary that often arises in Fund discussions dealing with poverty and debt builds on the notion of the Fund as a development partner while leading into the Fund's more detailed explanation of its roles and responsibilities. The IMF compares the relationship between the Fund and borrowing states to that of a doctor and a patient. The IMF here is the development partner, there to provide a cure for countries in crisis. Why are countries in crisis? According to this logic, patients (countries) fail to see the doctor when symptoms arise, preferring to wait until the cancer has spread and is far more difficult to get under control, at which point treatment will necessarily be more severe. The Fund asks, is it fair to blame the doctor for the patient's illness? Is it fair to blame the doctor for the harshness of necessary treatment?

> **To blame the IMF for hardships that countries in crisis face is to blame the doctor for the patient's illness!** (IMF 2003a, emphasis original).

> Like a patient with a toothache avoiding a trip to the dentist, a debtor country will all too often delay a necessary restructuring until the last possible moment, draining its reserves and increasing the eventual cost of restoring sustainability (Anne Krueger, IMF, First Deputy Managing Director 2002).

The answer to these questions depend on whether the doctor had any part in the cause of the illness – on whether the doctor had any part in failing to catch early symptoms of disease or in prescribing the appropriate medicine; in other words, malpractice. The doctor/patient metaphor tells us not only about the Fund's roles and responsibilities, but also of those of borrowing states. "Once we employ a trope [figure of speech], our utterance becomes part of a much larger system of associations" (Chandler 2002: 124). When Krueger compares a debtor country to a patient with a toothache avoiding a trip to the dentist, she depicts countries as children who do not want to face the consequences of their actions or do not want to 'take their medicine'. Not only does this further emphasize the responsibility of the borrower, portraying the Fund as a well-intentioned curer of crisis-ridden states, it depicts borrowing states as irresponsible: even if they knew what was best for them (which they apparently do not), they fail to do it. Furthermore, they fail to do it because of a lack of interest or a lack of desire, not because, for instance, there were any sound reasons why Fund prescriptions were felt to be unsuited to a particular country's circumstance. The Fund here is a responsible guardian, giving advice and hoping countries have the sense to follow it at the risk of facing harsh 'corrective' measures.

The Doctor/Patient metaphor is not only infused with the kind of health imagery discussed above – good policies equating to good medicine, for instance. It is also a binary that pits an established, recognized, and respected form of knowledge and expertise against what is presented as a less informed agent that, by virtue of her lack of expertise in the field, must rely on the doctor for information, advice, and a correct prescribed course of action. While there is no denial that the resources at the Fund's disposal and the depth of training of its staff certainly outweigh that of many borrowing states, the point here is that, rather than recognizing that governments may have sound reasons for delaying an IMF program or for refusing to initiate one in the first place, the Fund takes the rejection of its advice to be a rejection of what is known to be factual, true, and correct in economic thought and policy. This also has the important effect of reinforcing a perception of a neutral economics where certain things are correct and should be carried out because that is what works according to a model, and where messier factors, such as domestic politics, are downplayed or missing from a simplistic binary opposition where one group knows best and it is up to the other to follow.

The union of this role of the Fund as "doctor" with the emphasis on cooperation and partnership culminates in a larger theme of benevolence on the part of Fund, encapsulating notions of consent and generosity.

> This would, as under the current Initiative, require the consent of all creditors involved (IMF and WB 1999).

> While an overly conservative approach to new borrowing may unnecessarily constrain net inflows – hampering the efforts of low-income countries to attain their development goals – too permissive a framework risks sowing the seeds of future debt-servicing problems (IMF and WB 2004a: 12).

Noteworthy here is the use of the word 'consent'. Replacing 'consent' with 'agreement', for instance, in the first statement, would not alter the message the Fund wants to convey in terms of the need for all parties to accept the terms before proceeding. In the second statement, note the opposition of the words 'conservative' and 'permissive'. One could easily contrast 'conservative' with 'liberal', as is common; the two terms are often contrasted when referring to opposing political views on the right and left, yet instead here the choice is 'permissive'. In the same way, one could just as easily replace 'generous' with 'considerable', 'significant', or any other word denoting a large amount in the first statement below.

> The (HIPC) initiative aims for countries to make debt service burdens manageable, through a mixture of sound policies, generous debt relief, and new inflows of aid (IMF 2000c).

> Governments, even the most generous, take seriously their role as trustees of their citizens' money. They therefore need assurances that debt relief will be used effectively for poverty reduction (IMF 2000c).

The choice of words is important here because the "choice of words reflects more than a predilection for vocabulary: it comes from a combination of background, politics, and training. More significantly, it reflects the way in which the developer conceptualizes the task at hand" (Kaufmann 1997: 127). That one word was chosen over another is important because it was a *choice*; consciously or unconsciously, words were chosen that reinforced the conception of an IMF that knows what is best, what is correct, and is in a position of superiority over borrowing states – a "prescriptive essentialism" (Gasper 1996: 157); this superiority is not merely one of having access to resources, knowledge, and powerful leaders, but also a kind of inherent moral superiority, of being inherently better. Using the word 'consent' implies that it is in the Fund's purview to grant consent. 'Generous' implies acting out of the goodness of one's heart, doing something nice for someone. This brings back the image of the doctor and the patient, of the parent and the child, the guardian and ward. As a development partner involved in cooperation with both other multilateral organizations and borrowing states, these binaries are reminiscent of what Pincus and Winters, in reference to the World Bank, call a "taxicab approach to partnership, in which the country is in the driver's seat, but no one is going anywhere until the Bank climbs in the back, gives the destination, and pays the fare" (2002: 14).

In these statements the IMF and various governments, notably lenders, are generous donors doing what they feels is right to better the health of the "patients", recognized to be in less powerful positions. What is interesting about these themes of benevolence is that they stand in contrast to the moral arguments discussed below in that they do not stem from ideas about principles of social justice (at least the Fund's conception of principles such as equality and so on) – they do not stem from the idea that these acts are the right and moral thing to do. These themes also stand in contrast to economic arguments, in that these themes have nothing to do with what is economically sound. Instead, these arguments stem from ideas about the Fund's position in world affairs and in its relationships with borrowing states: borrowing states should take the Fund's advice, not to uphold a moral imperative or because the course of action is economically sound, but because the Fund says it is what they should do. This is only one example of the Fund's competing arguments, of its multiple strategies for arguing around the debt issue in support of its positions. These arguments do not always fit neatly together when looked at as a whole, but they do work in a similar way to frame debates around debt issues in a particular way.

Contributing Factors

> Many factors contribute to poverty in developing countries: economic and political history, poor economic management, weak governance, armed conflict and such external factors as deteriorating terms of trade and climatic problems. In about half of the 80 poorest countries, unsustainably high external debt has also become a key constraint on development (IMF and WB 2001a).

I showed above how the Fund downplays the role of lenders in the history of the debt build-up while recognizing, as above, the external constraints countries of the global south face, citing deteriorating terms of trade and high external debt burdens. Does this mean that the Fund's argument has changed course? Has the Fund's recognition of these constraints served to reinforce the responsibility of the international community? Most of the factors listed here are domestic and internal to the developing country in question: weak policies, weak governance, war, and the weather. The Fund also mentions the small area of economic and political history in this explanatory listing of things both causing and perpetuating poverty in developing countries, effectively eliding any discussion of history, power, and context with fleeting, glossed over mentions of complex processes. In the final sentence, the IMF tells us that half of the 80 poorest (not developing, not low-income) countries have a debt level that hinders their development (I shall discuss how this kind of categorization works later on).

Stating that "[t]he HIPC Initiative process encourages countries to tackle the whole range of factors currently limiting their growth performance, including poor infrastructure, the lack of effective policy making institutions, and governance problems" (IMF 1998), the Fund continues to emphasize the role of "developing" countries in their issues and downplay that of their "developed" counterparts, simultaneously outlining (albeit in a simplified fashion) the constraints countries of the global south face while emphasizing their overwhelming responsibility for their own problems and their solution. That is one point this and the above selection tell us; another is the power of lists.

In the above selection deteriorating terms of trade is cited as a cause of poverty along with climactic problems. Throughout this paper, various Fund statements present factors contributing to poverty or to the debt build-up in lists, citing one factor after another without further explanation or clarification with regards to the individual factors or their relationships with each other. Fairclough (2000) discusses how such lists constitute a "logic of appearances – things are connected only in so far as they appear together, and no deeper explanations are sought" (2000: 162). This logic of appearances, due to its lack of explanation, gives equal weight to each item in the list. Imagine a shopping list: one needs milk, eggs, and bread. The shopping list does not give any information as to whether you need milk more than bread, just that you need them both. In the Fund's list, deteriorating terms of trade are collocated with climactic problems. "[C]onstructing elements as equivalent hides hierarchical and asymmetrical relations between them" (Fairclough 2000: 49). At the risk of minimizing the significant effects of the occurrences of droughts, floods, and the like, there are significant differences between weather and trade: the Fund equates the effects of a changeable, structural inequality with the effects of the possibility of bad weather on levels of poverty and debt. Such lists vastly simplify complex process: remember the factor "economic and political history" discussed earlier – an example of the logic of appearances in its own right, yet even more so as it is also one of the factors cited in the deteriorating terms of trade and climactic problems list.

It is worthwhile here to take a look at the causal chain that runs through statements made about contributing factors to the debt build-up:

> [d]ifficult problems also remain in HIPCs that have not yet been able to reach their decision points. Some of these countries are plagued by uneven policy records or poor governance, which in turn may be caused by the serious problems that their governments confront, including civil conflict (IMF 2003b).

To begin with, one sees a similar list – weak policies, weak governance, and war – that the IMF tells us are responsible for the problems HIPCs face. These are some of the reasons, the Fund tells us, that HIPCs have been unable to reach their decision points – the point at which they are assessed for debt relief. Do we expect the Fund to outline here all the various reasons individual HIPCs have been unable to reach their decision points? Perhaps not, yet that is not the point. The point is that the Fund consistently implicates certain factors in the story of increasing debt burdens in LICs, while pushing others aside. HIPCs do not reach their decision points due to poor governance, which is due, in turn, to other major problems such as conflict, resulting in delays in debt relief. Furthermore, the Fund continually invokes civil conflict and war as causes of malgovernance and unsustainable debt burdens. The IMF presents conflict as a direct cause of poor governance and debt, where it could, conversely, be the case that poverty, unemployment, and/or the unequal access to resources makes societies that more prone to conflict (for instance, see Willett (2002)).

Further emphasizing the responsibility of the borrowing party, the Fund notes that "[w]hile the specifics differed across countries, a common theme is that the financing provided to these countries did not generate the economic growth envisaged or, in other words, that borrowing decisions were predicated on growth predictions that never materialized" (IMF PDR 2003b: 9). Note here the mention of borrowing decisions without the corresponding mention of the simultaneous lending decisions that had to take place.

In sum, the IMF argues that HIPCs do not yet qualify for debt relief because they cannot get their governance in order (exactly what constitutes good governance being unclear; I discuss this later). There is no recognition of how debt affects these "serious problems", and there is a consistent battery at internal governance factors without a corresponding emphasis on governance by creditors – both multilaterally and in their own countries. The minor role of creditor parties in the Fund's list of contributing factors to the situation of HIPCs and borrowing states works to amplify the past and future roles and responsibilities of countries of the global south in development; they are primarily responsible.

Before beginning the following section, it is important to note that, by demonstrating the way the IMF places primary responsibility for the actions of third world countries on third world countries and how the actions of creditor groupings are downplayed, I am in no way alluding that borrowing states should not, and do not, have a responsibility in their circumstances, in either their cause or in their resolution – of course they do. While I assert that the main thrust of Fund logic works to downplay such responsibilities, that is not to say that it is outright denied or completely absent; it is merely to say that the general effect of this particular Fund logic is to downplay the responsibilities of these groups in the debt of countries of the global south, and that the main line of argument tends to favor blaming borrowing states.

In his analysis of the discourses of globalization in the Philippines, Philip F. Kelly discusses how the state represented a power plant project as necessary and fundamental to the life of a community through the state's appeal to "the logic of capital flows in global space" (1997: 166) – to the unstoppable forces of globalization. Kelly makes the point that "to explain a phenomenon at a particular scale is a political judgment and not a technical one" (1997: 153). By focusing on the particular domestic factors in its explanation of the debt build-up and its maintenance, the Fund is not merely making a statement about the domestic factors that may play a role in a country's balance of payments; the Fund is not simply explaining the issue and the factors involved, but it is offering a particular understanding and representation (a representation that affects potential courses of action) of a problem. Focusing on the local level serves a particular political purpose, and, while certainly not arbitrary or unfounded, is a political choice.

This dissertation's aim is to demonstrate how this reasoning, how this presentation of history, allows the IMF and lending states to say, "it's not our fault." And they are correct – it is not their fault (not completely, anyway); but there are certain responsibilities there. For a debt to exist, there must be both lenders and borrowers, and both parties must share in the fruits (or spoils) of that transaction. As I go on to show, this takes place neither in reality nor in the operationalizing logic the Fund puts forth.

Primary Responsibility

> Section IV examines implications of the framework for creditors and donors, focusing on the need to provide financing on appropriately concessional terms and to design instruments that mitigate the impact of exogenous shocks. Section V probes the main implications for borrowers, acknowledging that they bear the ultimate responsibility for ensuring that their debts remain sustainable (IMF and WB 2004a: 7).

> A floating completion point approach would add a desirable incentive for countries to implement reforms quickly, and develop program ownership by empowering the government to affect the length of the interim performance period. It could also help countries focus on the key reforms needed for sustainable development and would highlight the responsibility of the beneficiary country for satisfying the reforms monitored under the HIPC Initiative (IMF and WB 1999).

"**While donors and creditors can help low-income countries achieve debt sustainability, the primary responsibility lies with low-income countries themselves**" (IMF and WB 2004a: 5, emphasis original). The IMF tells us that low-income countries are responsible; they are responsible, as shown above, for past actions leading to their current situation. As I demonstrate in this section, this historical responsibility lays the ground for present and future responsibility in managing the sustainability of their debts, conforming to mandated reforms in order to qualify for relief, accelerating economic growth, furthering sustainable development, and fulfilling the MDGs. This position, and the way the Fund presents it, adequately addresses neither the constraints borrowing states face in pursuing these objectives nor the role lenders play in the existence and maintenance of those constraints.

The Fund speaks of reforms LICs need to undertake without acknowledging the constraints they face and, more specifically, where those constraints come from; when they are mentioned, they are background factors to the main story of primary responsibility.

> Most importantly, while donors and creditors can help low-income countries achieve debt sustainability, the primary responsibility lies with the countries themselves. As they strive to reach the MDGs, low-income countries will need to preserve debt sustainability by keeping new borrowing in step with their capacity to repay, adopting better policies and institutions that help accelerate growth, managing debt prudently, and increasing resilience to exogenous shocks (IMF 2004a).

Here we have another list, this time a list of what developing countries need to do in order to reach the MDGs. Donors and creditors (remembering that those labels serve a particular purpose, that of emphasizing a neutral "helping" role) exist to "help" LICs undertake such reforms. Such "help" seems to primarily consist, at least on the Fund's part, of more lending, even when placing a greater emphasis on grants; i.e., there is a preference for assistance via lending over assistance via change in trade policies, for instance. The Fund states, "[i]n rare instances where countries amass unsustainable debt burdens, they must restructure their obligations" (IMF January 2003j). To begin with, that this is a rare instance is widely contested; secondly, there is no mention here of the responsibilities of countries without "unsustainable" debt burdens. The Fund suggests that countries should be held solely accountable for factors largely outside their control (trade policies, IMF voting structures, agricultural subsidies). The implication of this is that, if Fund programs do not work, if they are counterproductive, it is not due to program design, but due to the *lack* (of initiative, of desire, of competence) in developing states: the Fund is there for countries willing to help themselves, and it is those countries that were and will be successful in development.

Helping Others….

> In the past, despite access to low-cost financing, many low-income countries accumulated high levels of debt that imposed a heavy burden on their economies and ultimately required costly debt relief to be resolved (IMF and WB 2004a: 6).

> For many developing countries, despite decades of their own efforts and assistance from the international community, progress has been woefully inadequate, especially in poverty reduction (IMF 2000a).

> For decades, concessional lending has been an important element of international assistance to the developing world – often, for the poorest countries, at interest rates of 1 percent or less and maturities of over 30 years. Despite these favorable terms, many poor countries have had increasing difficulty making payments on their debts, mainly because they have not grown as rapidly as had been hoped (IMF 2000c).

What is telling in the above selections is the use of the word "despite". Despite having access to low-cost financing, despite decades of effort and assistance, and despite concessional interest rates, developing countries continue to hold massive amounts of debt and high levels of income poverty. With all of these benefits, provided by the international community, there remains little progress on the road to the MDGs. Why is this so? What explanation does the Fund give for the little progress achieved despite the best efforts of the international community?

...Who Help Themselves

"**How Africa can help itself**" (Ouattara 1999, emphasis original): with this heading begins a section of Alassane D. Ouattara's speech, in 1999 the Deputy Managing Director of the IMF. Developing countries are, at present, not going to reach the MDGs. This is not due to the actions, past or present, of the international community; the Fund downplays this part of the story. In fact, it is *despite* the actions of the international community (that is, developed countries and the organizations they control) that developing countries remain burdened with debt and mired in poverty, unable to make any significant movement towards the 2015 goals. The Fund's initiatives are designed to help countries that help themselves; that is, to help countries that pursue sound policies, good governance (however opaque these definitions may be), and other Fund-supported programming. So when such initiatives, such as the HIPC Initiative, or the PRSP process, fail to deliver the promised outcome, or are criticized for having harmful consequences, what is the IMF response?

> The [HIPC] Initiative is aimed at helping countries that pursue prudent economic policies to reduce their external debt burden to sustainable levels; that is, to levels that will enable them to service external debt through export earnings, aid, and capital inflows (IMF 2000a).

The HIPC Initiative helps countries that want help – does that mean that, when, for instance, debt is not reduced to "sustainable" levels – that the countries in question are not acting in their best interest? The current Managing Director of the IMF states that "we also need a Fund that can say "no" – one that is selective in supporting only programmes that put members firmly on the road to external viability, and one that does not protect the imprudent from the consequences of their decisions" (de Rato 2005). Does that mean that those "unsuccessful" countries do not want to be "helped", that their bad decisions are the cause of poverty and debt? Speaking of the HIPC Initiative, the Fund states, "[i]t sets the stage for determined countries, supported by the international community, to overcome other constraints to exiting from poverty" (IMF and WB 2001a). Note the use of the word 'determined': is determination measured? If countries do not overcome constraints to exiting from poverty, does that mean that they were not determined (enough)? Once again, only the decisions, only the agency, of borrowing, developing countries is highlighted, and developed countries and the organizations they control are largely absent, along with frank discussion of the constraints borrowing states face in exiting the debt and poverty traps.

The IMF states, "Fund arrangements play an important role in helping authorities *committed to reform* advance politically difficult policy decisions, and in instilling internal discipline in policy execution, especially across departmental or institutional lines" (IMF PDR 2003a: 14, my italics). In this sentence, the IMF conveys one of the roles of Fund arrangements. By removing the italicized phrase, would the general meaning of this sentence change? It would not appear so – the message about the role of Fund arrangements remains intact. Why, then, does the Fund feel it necessary to emphasize the borrowing state's willingness to reform in this manner? It seems as if the Fund wants its audience to remember that it cannot help countries that do not want to help themselves. While acknowledging that governments must be willing to address these matters, the implication of this argument, when Fund programming has often not had the desired effect on poverty reduction and economic growth, is it that those countries did not want to improve their economic outlook. These types of nudges at country responsibility are prevalent.

> The key is to ensure that the money freed by debt relief will be used for sustainable development, so that the countries will not again face unmanageable debts and their people can exit from extreme poverty. The needed polices are not simple and take time to formulate and to attract a consensus, but an increasing number of countries are earning the help of the international community by adopting policies that help themselves (IMF 2000c).

By stating that countries must earn the help of the international community, the Fund falls into an old line of argument about "self-help" and "the (homogenized) poor". Why are countries poor? They are poor because they cannot get their act together. Why can they not get their act together? They cannot get their act together because they are poor (*despite* the best intentions of the international community). This rationale tends towards the idea of "'the culture of poverty'" (Harriss 2002: 60), where people are income-poor due to some inherent characteristic that causes and perpetuates inequality, an approach that essentializes rather than explores.

The theme of blame/responsibility is now leading into a more detailed look at why developing countries are off-track on the road to the MDGs. Thus far, the responsibilities and the decisions of developed states and lending organizations are downplayed and the choices and, consequently, the responsibilities, of developing countries is the prevailing theme. Developing countries made past decisions that, for the most part, are responsible for where they are today; this is so despite the best intentions of the international community (i.e., industrialized countries and the organizations they control). The Fund downplays the actions of lenders, highlighting the same countries and organizations' acts of giving (as donors) and of being owed (as creditors). The Fund states, "[t]hese countries can achieve long-term debt sustainability only if they directly address the underlying causes that triggered the debt problem in the first place" (IMF and WB 2001b). I will now examine the rationale the Fund offers in order to answer the question of why, despite the best efforts of the international community, developing countries remain poor and indebted: what those underlying causes are that, according to the Fund, triggered the debt problem in the first place.

Bad Policies and Bad Luck

"**Countries don't seek IMF loans when their economies are in good shape**. They come to the IMF when, through some combination of bad luck and bad policies, they have already run into deep financial difficulties" (IMF 2003a, emphasis original). Countries seek IMF assistance (loans) when they are in financial difficulty, and countries are in financial difficulty because of bad policies and bad luck. The Fund states, "[b]ad luck, bad policies, or a combination of the two may create balance of payments difficulties in a country – that is, a situation where sufficient financing on affordable terms cannot be obtained to meet net international payments" (IMF 2003d). The same document continues, "[t]he causes of such difficulties are often varied and complex" (IMF 2003d). Are they? Earlier the Fund states that balance of payments difficulties are the result of bad policies and bad luck, neither of which sound particularly complex. The argument continues, "[b]ut with sound policies, and with a little luck, growth could rise above 3 percent next year and reach 4 – 4 ¼ percent early in the new millennium" (Ouattara 1999). Bad policies and bad luck caused the problem, and the equally vague good policies and good luck could save the day. This does not sound like a particularly technical explanation of the origins of balance of payments difficulties from an institution populated by macroeconomists. What is going on here?

The IMF uses overly simplistic language, much like overly technical language, to avoid the complexities of poverty and debt, and the role of the world outside developing countries in those processes. Complex processes are either oversimplified in their explanation (diminished to bad policies and bad luck), or we are told that such processes are complex – evidently too complex to explain. Are deep financial difficulties really a direct result of bad luck and bad policies? Firstly, what constitutes a bad policy? If the IMF only helps countries that help themselves, do bad policies equate with policies not recommended by the Fund? Does this necessarily mean that they are "bad"? Secondly, what constitutes bad luck?

Natural disasters – droughts, tsunamis, earthquakes, and the like – are destructive. The amount and severity of that destruction, however, is not just bad luck; it depends on the vulnerability of people and their livelihoods – on how precarious their situation is. For example, is a drought-causing famine bad luck? One could consider a lack of rain bad luck (although some environmentalists probably have a story to tell about global warming, its causes, and the inequitable distribution of its effects), however an example is illustrative. If both countries experienced a drought, are people in Canada or people in Malawi more likely to suffer hunger? The IMF attributes poverty, debt, and the social ills that come with them to bad luck, when, in fact, such circumstances are profoundly rooted in industrial countries' policies and in the structural foundations of global governance. In this way, the IMF conveniently skips a few steps in the story of balance of payments difficulties: yes, a country may (unluckily) experience bad weather, but the effects of that (unlucky) experience deeply depend on its position in the global economy.

In cases where the Fund discusses situations, like the example above, considered the result of bad luck, and does relate them to the vulnerabilities associated with poverty, it is still poverty that is both the causal and perpetuating factor, as in the following statement.

> Poverty can both aggravate and be aggravated by environmental problems. For example, poverty may combine with population pressures to cause forests and other natural resources to be exploited inefficiently and unsustainably. Equally, many environmental problems bear heavily on the poor. Because they tend to live in less favored locations, poor people may be the greatest sufferers from air and water pollution and the effects of natural disasters (IMF 2004b).

Poverty is the actor. Poverty may cause natural disasters, and poor people suffer disproportionately because they live in "less favored locations". This argument tends to tautology: people are poor because they are vulnerable, and people are vulnerable because they are poor. Poverty may cause natural disasters, and natural disasters may cause poverty; poor people suffer disproportionately because they are poor. A few steps in the links in the chain of poverty and development are consistently missing. This is an example of how the Fund elides discussion on the root causes of debt and poverty in which it is complicit, emphasizing the responsibility of countries of the global south, reinforcing notions of self-help and blaming "the poor".

Moral Arguments

The concept of 'forgiveness' is deeply woven into issues of religion and morality, into issues of good and evil, into equality and justice. As an international financial institution focusing on macroeconomics, the Fund often refutes what they call the "moral" arguments of those advocating increased debt cancellation as unrealistic, unaffordable, or just plain naïve – such proposals, they say, do not fully appreciate the economic underpinnings of the international system or the resources lenders have at their disposal. The Fund, however, has its own set of moral arguments used both in defense of its lending practices and in its opposition to proposals for one hundred percent debt cancellation.

To begin, I will outline the Fund's use of the term 'forgiveness' in referring to debt cancellation. I follow this with a discussion of the Fund's notion of uniformity of treatment, followed by its conceptions of fairness, moral hazard, and equality. I discuss the Fund's use of moral arguments, and how this works to defend the Fund's arguments about debt and debt cancellation, ending with a brief comparative look at arguments for debt cancellation based on principles of social justice and from a rights perspective.

Forgiveness

> Even if all the external debts of these countries were forgiven, most will still depend on significant levels of concessional external assistance for many years (IMF 1999b).

> High debt levels can be problematic as they may require debt restructuring and forgiveness which is disruptive and costly [sic] and the burden of a debt overhang may undermine urgent progress on policy reform (IMF 2004a).

The notion of forgiveness is the principle metaphor (Fairclough 1992: 197) associated with debt; it is the most obvious example of the way the Fund's argument surrounding debt and debt repayment works to emphasize the responsibility of the borrower, downplay the actions of lenders, and position the Fund and lending parties in a superior position over borrowing states. While the IMF does not use 'forgiveness' exclusively to describe debt cancellation, it is typically the Fund and other creditors, such as the World Bank, that use this term; numerous civil society groups and social movements reject the use of this term outright. What is important here is that there are many words one can use to describe the process by which a country's debts are reduced: debt reduction, elimination, relief, cancellation, write-off, nullification, to name a few. Somebody, somewhere, at some point, decided that the appropriate word to use to describe this process was 'forgiveness'. With the layered process Fund documents go through before acceptance and release, many people along the way also decided that 'forgiveness' was the appropriate term. As well, it is not only Fund documents that use this term, but also Fund staff and representatives whose choice of words consistently mirrors Fund documents in speeches, press conferences, and public statements. For instance, take this quote, which I shall revisit later on:

> But even if we were [to expand PRGF resources], the other issues that I raised about how those resources could be most effectively used, whether they should be used to cancel or forgive some part of existing debt of some subset of poor countries or whether they should be used to provide new flows to old poor countries on the basis of how effectively they can use them stays very much on the table (Masood Ahmed, Deputy Director, PDR, IMF. HIPC Debt Relief Press Conference 2001).

While Ahmed uses the word "forgiveness" here interchangeably with "cancellation", the claim I am making here is that they are not synonymous at all and have completely different meanings. What are the implications of this? Does it really matter what word the IMF uses to describe debt cancellation? This dissertation asserts that, yes, it does matter.

To illustrate this, I find Ramesh Krishnamurthy's (1996) examination of the use of the words 'ethnic', 'racial', and 'tribal' useful. Reading newspapers, he came across writers using the three words differently depending on the group they were referring to, while all seeming to refer to the same types of differences – for example, linguistic, cultural, or religious divisions; in fact, it was often unclear exactly what was meant by the use of the three terms. Turning from media sources to dictionary definitions, he found similar results: the three terms definitely had similar denotations, yet strikingly different connotations: "the frequent use of 'racial' and 'tribal' obscures any distinctions" (1996: 136) with 'ethnic', however they were used in different contexts. The word 'ethnic' was often used in reference to European divisions, for instance in the Former Yugoslavia, or in reference to minorities (although in Britain only minorities of colour – i.e. not to describe Irish or Scottish minorities in England). Use of the word 'tribal' was made most often in reference to African peoples and locations, most often in travel books or in the leaflets of environmental groups "warning of the dangers to 'tribal' people of the rainforest timer trade" (1996: 140), and in reference to animals and plant groupings. "[T]he pejorative connotations of 'tribal' are as clear in the corpus as in the newspapers and the dictionaries" (1996: 146), co-occurring with words such as 'primitive' and 'rebels' more often than the other terms (with 'ethnic' not occurring with 'primitive' at all).

The author suggests that "language not only affords us a means of understanding a language and its users, but also might cause us to unwittingly adopt their attitudes and opinions" (Krishnamurthy 1996: 146-7). Words have meaning beyond their dictionary definition, which, as Krishnamurthy demonstrates, may not be as neutral as one might suppose. When we use these words we, regardless of whether we are aware of it, simultaneously evoke these meanings, and they affect how we understand the world around us. Why do people use the term 'tribal' to refer to African groupings, and 'ethnic' in reference to European ones? As Krishnamurthy (1996: 147) asks,

> [w]ho actually sponsors the usages of 'ethnic', 'racial' and 'tribal'? We need to know not only which particular text the term occurs in, but also the identity of the speaker or writer of the individual sentence in which the term occurs, whether authorial or fictional, and the degree to which the context reflects a deliberate choice, whether sincere or ironic.

With the editing and bureaucratic process Fund documents go through, the way representatives of the Fund tread carefully in their statements to the media and the public, and the way the language of such statements mirrors that of Fund documents, one can only conclude that the language the Fund uses is chosen carefully for a particular purpose: "[l]anguage has always been used as a tool, very deliberately, to keep the door open for situations that might not be expected or for situations, for example, that are expected, but where the circumstance hasn't arrived at that point" (Interview, Anonymous, 03:12:04). As a starting point of analysis, this dissertation asserts that the Fund chooses its words carefully, as such a major international player is wont to do, and does so for what is, in its view, good reason: the word 'forgiveness' made sense in terms of the arguments the Fund was trying to convey; it fit with the particular worldview of those involved in the decision of what words to use and what policies to follow. In other words, while this word choice may or may not have been chosen to intentionally reinforce the Fund's arguments about responsibility, it was not random or without an understanding of its meaning.

What Krishnamurthy's examination of 'tribal', 'ethnic', and 'racial' demonstrates is the importance of word choice – that words with similar definitions carry connotations that may be greater signifiers of meaning than their denotation. In the case of 'forgiveness', this is taken further, in that a word whose denotation has nothing to do with the reduction of something is used in reference to the reduction of sovereign debt; i.e., a word is taken out of its typical context and used in order to fulfill a particular purpose that, it would seem, no other word (such as the aforementioned 'cancellation', 'reduction', etc.) could fulfill. So, the question becomes, how does 'forgiveness' work? What difference does using 'forgiveness' make in IMF arguments instead of a word such as 'reduction', one that clearly describes the process of lowering the amount of sovereign debt?

Forgiveness links closely with blame in the sense that, for forgiveness to take place, a wrongdoing must occur. One party, the forgiving party, acknowledges the wrongful act of the soon-to-be-forgiven, and takes the moral high ground by saying, "we forgive you" (when who asked for 'forgiveness'?). By accepting forgiveness, the wrongful party also accepts that they are at fault (at least publicly), acknowledging their "misdeed"; in this case, that necessary admission translates into much needed debt cancellation. Because it is only borrowing states that have debt, and borrowing states are developing countries, it is only developing countries that require 'forgiveness', and it is only creditor groups that do the 'forgiving'. The implication for the relationship between the Fund and developing countries is that the Fund sets itself up as the over-arching authority figure; this authority is not only that of mandating reforms, but in the context of forgiveness, it is a kind of overarching, inherent *moral* authority (discussed below). The Fund and its fellow creditors place themselves rungs above developing countries on the ladder of the global hierarchy, implying that they are in the right, that they are superior, and that the overwhelming responsibility for the debt and poverty of the global south lies primarily, if not solely, at the feet of low-income countries.

Uniformity

> To lower program standards for the PRGF, placing an emphasis on institutional development rather than macroeconomic reform, in the recognition that access to longer-term concessional resources would be desirable to encourage policy continuity and ensure the continuation of donor support [sic]. However, this approach, which could be characterized as 'PRGF-light,' would violate the requirement that PRGF arrangements have upper credit tranche conditionality, as well as uniformity of treatment among low-income country members (IMF PDR 2003a: 19).

The Fund emphasizes the necessity of uniformity of treatment, at least with respect to low-income countries. It is important not only to treat low-income members the same, in terms of lending and programming, but also to aspire to a uniform level of debt among the various categories of low-income countries:

> But if you look at the HIPC countries after the HIPC Initiative, their debt burdens in terms of stocks are brought down to the average of other poor countries, and their debt service numbers are actually significantly better than other poor countries (Masood Ahmed, Deputy Director, PDR, IMF. HIPC Debt Relief Press Conference 2001).

One can see this emphasis on uniformity amongst low-income countries when the Fund states, "[t]he agreements in place for the 23 countries mentioned above, with other sources of debt relief, reduce their total debt by two-thirds, bringing their indebtedness to levels below the average for all developing countries" (IMF and WB 2001a). It seems that it is not only important to reduce poverty and bring down the debt, but also to bring HIPCs' debts down to the levels of other low-income countries that are not classified as HIPCs; in essence, measuring various groupings of "poor countries" against each other, in Ahmed's statement, and comparing "developing countries" in the IMF and WB statement (while I discuss the effects of such categorization later on, it is important to note here that 'HIPC', 'low-income', and 'developing' all refer to different Fund groupings of countries of the global south). Setting aside for now the composition of such groupings, what the Fund says is that what is important here is uniformity of treatment among member countries of the global south; there is no mention here of uniformity of treatment among IMF members generally.

Reading Ahmed's above statement, one must wonder whether bringing poor countries' (classified as HIPCs) debt levels down to the levels of other poor countries (not classified as HIPCs), constitutes uniform treatment. Perhaps this is the question of whether one can treat someone equally by treating them differently. What is important about this uniformity argument is the way it is used to defend against proposals for increased debt cancellation: because it is not affordable to cancel the debts of all poor countries, it would be unfair to cancel the debts of a few. While the idea that increased debt cancellation is unaffordable is widely refuted (see Greenhill 2002, Jubilee Research 2003), let us take a look at the logic of this argument. The Fund is stating, in essence, that because there are not enough resources for everyone, no one should benefit, or, at least, no one should benefit more than anyone else: this would be unfair.

Fairness

Grouping countries of the global south into various categories, why does the IMF view it unfair to write off more of one grouping's debt than another's? According to the

Fund, "[i]t would be unfair for the IMF and other multilaterals to write off the debt of one set of poor countries but not do anything for other countries that are just as poor, but have pursued sound policies, and so have manageable debt" (IMF 2000b). In this logic, debt cancellation has less to do with poverty and the pursuit of the MDGs and more to do with whether a country *deserves* relief, and whether a country pursued "sound" policies (i.e., policies advocated by the IMF). Uniformity of treatment is also important here, as it is unacceptable to treat "poor" countries differently.

Several questions arise here. Firstly, does the IMF actually treat all countries of the global south in the same way? Secondly, if countries are "just as poor" as HIPCs, why are they not classified as such? How useful are these multiple categorizations of poor countries in determining debt relief? Third, can these "just as poor" countries have manageable debt? What is manageable debt? Fourthly, why does the Fund assume that the debts it would be writing off all belong to countries that acted in an imprudent manner? Lastly, if these "sets" of "poor" countries are so similar in terms of their actual debt burdens, and seem here to differ mainly in terms of how the Fund views their respective policy paths, what is so unfair about writing off the same amount of debt in both "sets" if the goal of debt relief is poverty reduction, economic growth, and the attainment of the MDGs?

When phrased as a question of MDG attainment and debt burdens, it might not seem so unfair that countries currently not close to meeting the MDGs should receive debt cancellation regardless of their former policy preferences if what is at issue here is, as the Fund claims, poverty reduction and sustainable economic growth. When, however, the question becomes one of good debtors and bad debtors, a moral question about taking a loan, pursuing sound policies and paying back that loan, rather than pursuing damaging or self-interested policies that result in default, it *does seem* unfair to reward such behaviour. Take the following statement:

> [o]ther developing countries, including some two dozen low-income countries that – through good polices or kind circumstances – did not become heavily indebted, would pay higher costs because of the big debtors. Fairness dictates that this be avoided (IMF 2000c).

Aside from the effects of the Fund's use of "good policies" and "kind circumstances", which are discussed later on, this statement emphasizes the responsibility of the debtor and, by posing the question of debt cancellation as a moral one, effectively presents HIPCs in a negative light: of course HIPCs should be responsible for paying their debts; after all, is that not the morally responsible thing to do? Anything less would be unfair to those countries that are not heavily indebted. The Fund stresses the importance of treating all low-income countries the same. Uniformity of treatment is important, and the Fund bases its importance on a notion of fairness, on a particular conception of fairness based on a moral question of good vs. bad behavior – on whether countries chose to follow "sound" policies in the past.

Moral Hazard and Free-Riding

> The State moral hazard problem is that countries anticipating an IMF bailout might have less reason to take a prudent economic course. The creditor moral hazard is that lenders that anticipate being protected from default might have a greater tendency to take unwarranted financial risk (Schwarcz 2004: 5).

Moral hazard "refers to the greater tendency of people who are protected from the consequences of risky behaviour to engage in such behaviour" (Schwarcz 2004: 4-5). The Fund acknowledges that "**it is difficult to imagine that countries borrow imprudently because they believe that they can always rely on IMF money to bail them out of a crisis**" (IMF 2003a, emphasis original), and states, "[*w*]*e take concerns about moral hazard seriously, but evidence suggests the extent of moral hazard induced by the existence of IMF lending is small*" (IMF 2003a, emphasis original). While the IMF acknowledges that moral hazard risk in Fund lending is low, moral hazard is, nevertheless, a prevalent Fund theme and one that brings together discussions of responsibility and fairness.

Concerns about moral hazard affect Fund programs in both their design and implementation:

> [t]he maintenance of these [HIPC sustainability] thresholds – albeit at reduced levels – is recommended to avoid moral hazard related to revenue collection and to ensure that the fiscal window remains targeted to open economies where the NPV debt-to-export ratio may understate the overall debt burden (IMF and WB 1999).

> A sunset clause was stipulated in the 1996b Program of Action to prevent the HIPC Initiative from becoming a permanent facility, minimize moral hazard, and encourage the early adoption of programs of reform (IMF and IDA 2004: 2).

The IMF cites moral hazard as one of the motivating factors behind setting the HIPC Initiative's sustainability thresholds and deadlines; these guidelines are in place in order to ensure timely loan repayment and minimize excessive use of Fund resources. One of the strongest arguments associated with moral hazard deals with the conditionalities attached to Fund loans. The argument is that conditionalities ensure adherence to sound economic policies, increasing the possibility of timely repayment and effective poverty-reducing expenditure. Conditionalities work to minimize moral hazard by ensuring that countries cannot take out loan after loan, relying on the Fund to continually reschedule payment, or bail them out. While one could certainly debate the degree to which Fund lending induces moral hazard, the focus here is on the mutually reinforcing relationship between the Fund's concerns with moral hazard and its discussions of fairness and responsibility.

> Beyond HIPC, the consensus is that available aid money should be put to the best possible use in new poverty-reducing programs – including in those poor countries that never got into trouble with debt – rather than giving a free ride to those who borrowed too much in the past (Thomas C. Dawson, Director, IMF External Relations Department 2001).

Dawson makes several claims in the above statement. Firstly, he asserts that there are two groups of poor countries: those that have large amounts of debt that they are unable to pay back, and those that do not. Secondly, he characterizes these groups in a particular way relating to intent and agency: countries that have "sustainable" debts that they are able to repay, having never "got into trouble with debt", and countries that borrowed excessively. Dawson implies that this excessive borrowing was careless and was the sole responsibility of the borrowing country. Dawson makes a third claim, further characterizing his two categories of poor countries as either deserving or undeserving: countries that did not get into trouble with debt in the past are deserving of present funding for poverty-reducing programs, while countries with excessive debts are not – to fund such debtor states would not be the best possible use of limited resources due to the fact that such states pose a high moral hazard risk, having continually sought funds without any demonstrable improvement in their ability to function without IMF assistance. The Fund continues this theme, stating, "[h]igh debt levels also force lenders to allocate scarce concessional resources keep [sic], high debtors afloat, often at the expense of other deserving countries" (IMF 2004a).

Remembering that moral hazard refers to the tendency for those protected from the consequences of their risky behavior to engage in such behavior, the Fund draws a causal line between non-repayment and intentional engagement in risky behavior (risky behavior referring here to practices that, according to the Fund, substantially increased debt levels). Countries with large debt loads are countries that took on successive IMF loans while knowingly pursuing unsound economic policies, and it is at this point in the Fund's argument that the discussion of moral hazard resembles discussions of fairness and responsibility. Countries with large amounts of debt are assumed to have pursued policies that were beneficial neither to their economies generally nor in terms of poverty reduction and an improved quality of life for the majority. According to the Fund, these countries are undeserving of debt relief. Since debt relief is often necessary for poverty-reducing expenditure, one could read this argument as stating that these countries are undeserving of reaching the MDGs; although the Fund would never state such a thing, the idea that certain countries are undeserving feeds into policy discussion. It becomes unfair to facilitate debt relief for certain countries because of their overwhelming responsibility for their own circumstances.

Interestingly, while in this line of argument it is unfair to treat all countries the same by providing debt relief across the board due to their apparent differing past policy choices, the Fund's discussions around equality make the same case by different means: because all countries must be treated equally, it is not possible to facilitate increased debt cancellation In the first case, one cannot provide all countries with debt relief because some countries are deserving and others are undeserving, and that would be unfair to the deserving countries; i.e., the Fund cannot treat all countries the same. In the second case, one cannot give all countries debt relief because one must treat all countries equally, and there are not enough resources to relieve every country's debt; i.e., the Fund cannot treat countries differently. The result is the same in both cases: the Fund defends its stance on increased and total debt cancellation with an argument about equality.

Equality

> But we must also be there to support the future development needs for **all** countries. That is why the goal of the Initiative is to help countries achieve debt sustainability, and is focused specifically on the most highly indebted poor countries. Total debt cancellation for those countries alone would come at the expense of other borrowing countries, including those non-HIPCs which are home to 80 percent of the developing world's poor. Those who call for 100 percent cancellation for the HIPCs alone, must recognize that this would be inequitable for other poor countries (IMF and WB 2001a, emphasis original).

The IMF argues that it is unfair to provide debt relief for countries facing large debt loads due to imprudent past policy choices, as this rewards bad behavior while punishing both countries that pursued sound policies and are not indebted as well as countries that are indebted due to no fault of their own (i.e., the agent-less unkind circumstances). The Fund argues that it is inequitable to provide total debt cancellation for HIPCs because it is to the detriment of the Fund's work in other developing countries, thus privileging a certain grouping of poor countries over another. Rather than a global view of equality among nations, when the Fund speaks of equality it speaks of equality between poor countries; the following statement illustrates this more clearly.

> So going further on canceling the debt of the HIPC countries raises problems of equity vis-à-vis other poor countries who have the same levels of debt as the HIPC countries have after the HIPC Initiative but who wouldn't be covered. So the first issue is simply one of equity. It's not fair to the poorest countries who are not part of HIPC (Masood Ahmed, Deputy Director, PDR, IMF. HIPC Debt Relief Press Conference 2001).

In terms of assessing "sustainability", distinguishing the poorest of the poor and earmarking them for relief when only limited resources are available intuitively makes sense. When, however, the Fund uses these categorizations to make arguments about fairness and equality, about uniformity of treatment, particularly in the context of an initiative supposedly designed to address inequalities between rich and poor countries just as much, if not more so, as between poor countries, the categorizations' utility breaks down. Does it make sense in this context to talk about unequal treatment amongst, as Ahmed states, "the poorest countries", when what these countries all have in common is human development standards below that of the MDGs, and when countries are already treated "unequally" through their divisions into HIPCs, LICs, LICUS, and post-conflict countries, to name a few? The Fund is effectively saying that, if one cannot feed everyone, one should feed no one; that may be equal treatment, but does it make sense if one's goal is to relieve hunger?

The Fund's equality argument works to defend the Fund against calls for increased and total debt cancellation by reframing that call for global equality and social justice firstly as a moral question of fairness and, secondly, as a call, yes, for equality, but a kind of inter-poor country equality that focuses attention onto poor countries and away from drawing comparisons with countries in the north. Once again, this is not to say that there is necessarily anything the matter with looking at poverty in its absolute sense, as opposed, for example, to looking at relative poverty, or that absolute poverty cannot be a useful tool in conceptualizing poverty or formulating practice; there are strong arguments both for and against measuring poverty in an absolute sense.

The Fund's insistence on measuring poverty in its absolute sense, comparing what it categorizes as the poorest countries with those it categorizes as poor (i.e., slightly better off), works to reign in possibility and emphasize constraint – often outright impossibility. This has to do with conceptions – conceptions of what poverty is, of what Africa is, for instance, of what we can *really* expect from such places in the world where the majority of HIPCs exist. Why bother comparing Tanzania with England in terms of its infant mortality? Would it not be more appropriate to compare it with, say, Uganda, a fellow HIPC? When these "poor countries" are sectioned off in this way, what is lost is the realm of possibility: HIPCs futures are circumscribed and the notion that these countries were poor, are poor, and will be poor is reinforced. Furthermore, wealthy countries are further removed from contributing towards attaining the MDGs and are made less visible in potential solutions to debt and development. The result is that the Fund focuses on comparison between "poor" countries, without a simultaneous emphasis on the impact of *global* inequality and the actions of those at the other end of the income spectrum.

Ethics

Because the Fund's conceptions of fairness and equality serve to maintain the idea of poverty as a founding characteristic of countries of the global south, and because they are used to buffer against calls for increased debt cancellation by claiming to uphold what the previous section defines as a narrowed version of equality, it might not come as a surprise to find other moral claims in IMF arguments. In the following statement, the Fund describes itself as having an ethical commitment to helping countries in need – that is, those countries willing to help themselves.

> In the end, and also out of respect for those poor countries that do not have unsustainable debts that need to be lifted, the HIPC initiative can only move forward with those countries than can show they are ready and wiling to work on their own behalf for that better future. For these countries, the IMF sees an ethical imperative to help, and the institution is moving with all speed to see that the HIPC Initiative provides both a clearing of the books and a long-term path out of poverty (IMF 2000c).

While I discuss the significance of the Fund only moving forward with those countries willing to help themselves later on, what is important in this section is the way the Fund claims an ethical imperative in explaining its decision to help countries through the HIPC Initiative. Here, the Fund claims an ethical imperative while defending its actions and decisions to work with countries under the HIPC Initiative.

The following statement also shows the Fund discussing the relative importance of moral considerations in its decision to work with countries under the HIPC Initiative, however here the Fund discusses moral considerations while defending itself against criticism for not providing enough debt relief.

> Moral considerations, in particular, are at the heart of a number of recent proposals that focus on debt service-to-revenue ratios and on "affordable debt service" derived as a residual after allowing for spending necessary to meet the MDGs [...]. Quite different from the approach followed in this paper, these proposals are motivated by the search for an ethical solution to the debt problems of low-income countries, assuming implicitly a willingness by the donor community to provide potentially vast amounts of additional aid and debt relief. Absent such willingness, however – which is the assumption underlying this paper – the proposed tight debt-service ceilings would imply, in many cases, very restrictive limits on new borrowing, potentially jeopardizing the achievement of the MDGs. Moreover, repeated debt relief can have serious adverse incentive effects on both private investors and debtor governments (IMF PDR 2003b: 16).

In contrast to the first statement where the Fund felt an ethical imperative to help countries (willing to help themselves) under the HIPC Initiative, here, while defending the amount of debt relief the HIPC Initiative provides, the Fund states that moral imperatives are naïve, unrealistic, and do not fully appreciate the economic side-effects of debt relief.

Rebuking calls for increased debt cancellation based, according to the Fund, on moral arguments, the Fund cites several reasons why such proposals are unrealistic and naïve. First, "that the achievement of development objectives depends not only on eternal financing but also on domestic policies", second, that "the proposals are based on the notion that external debt service is, by its nature, problematic and inconsistent with a country's development needs", and, third, that "the envisaged limits on debt service would become counter-productive, as they would imply very tight financing constraints [on the part of donors], making it all the more difficult for low-income countries to meet the MDGs" (IMF PDR 2003b: 17). To begin with, note how the Fund first emphasizes the responsibility of the borrowing state and downplays its own by focusing on "domestic policies". Secondly, the anti-debt argument is caricatured: the idea of debt is not "anti-development" – what is anti-development is massive amounts of unproductive debt. Third, the Fund ends by claiming a lack of affordability, a widely contested argument (for instance, see Greenhill 2002).

In all of the Fund's discussion of ethical imperatives, fairness, and equality, there exists a double standard (or triple standard?) between what is expected of the Fund, of those critical of the Fund, and of developing and developed countries respectively.

> **It is true that some developing countries would make further big gains from trade only of [sic] developed countries reduced their subsidies. However, just because industrial countries do not practice policies that are economically sensible and morally responsible, is no reason for developing countries not to do so** (IMF 2003a, emphasis original).

> *Regardless of what industrial countries do, developing countries would benefit from liberalizing, especially among themselves* (IMF 2003a, emphasis original).

From an argument about the necessity of uniformity, fairness, and equality, the Fund arrives at an argument upholding the merits of global inequity; from an argument condemning what the Fund calls critics' "moral considerations" (IMF PDR 2003b: 16) as naïve and unrealistic in today's global economy, the Fund arrives at an argument upholding the merits of the golden rule in a world where "do unto others' trade barriers as they do unto you" is a more prevalent commandment. "Moral considerations" are useful arguments when the Fund can use them in support of their actions and in their prescriptions for borrowing states. Otherwise, "moral considerations" are pushed aside. Different countries are measured against different standards, different notions of equality are allotted to different categorizations of Fund members, and the Fund's "moral considerations" are impressively elastic. Moral considerations are also linked to the material interests of lenders:

> [w]hile I was at the Fund, I found that moral arguments really didn't carry much weight. And that was because the creditors were very clear about the absolute imperative that their interests as creditors would not be prejudiced. And, therefore, if a moral argument had a financial implication it didn't carry too much weight. What might carry weight was a well argued economic argument which explained that continuation of a particular policy in the long term would not effect an enduring change in the economic framework or policy of the countries concerned, which allowed for the corrective action to take place that the creditors would have preferred to see. So, say improved policy, better budgeting, something of that kind. Where moral arguments had some currency was in things like emergency, natural disasters, but in cases like that, at the Fund, it wasn't grant money given for that, it was loans (Interview, Anonymous, 03:12:04).

With all of this talk of "moral considerations", what exactly is the Fund talking about? What are these "moral considerations"? So far this section has examined the Fund's discussions of fairness and equality, but what does this term "moral considerations" that the Fund uses refer to? The Fund states that "**five fundamental (and often overlapping) types of constraints affect their** [low-income countries'] **ability to generate the resources necessary to service their debts**" (IMF PDR 2003b: 15, emphasis original). The IMF goes on to list foreign exchange constraints, fiscal constraints (a government's ability to tax and raise revenue), limited fungibility of resources, rollover constraints, and "[*p*]*olitical or moral considerations*, associated with the resources allocated to debt service in relation to social or poverty-related expenditure" (IMF PDR 2003b: 15, emphasis original). Moral considerations, here interestingly linked with political considerations, are associated with debt relief for the purposes of poverty reduction and providing state-funded social services.

The Fund speaks of "moral" considerations in the same breath as it does "political" ones, as it does again in the statement below.

> For example, if a given country is judged to be primarily foreign-exchange constrained, exports would seem to be the most appropriate denominator for the NPV of debt and debt-service rations – adjusted in some cases to include remittances or to exclude the import component of re-exports. On the other hand, fiscal, fungibility, and political or moral considerations, suggest the use of ratios expressed in terms of government revenue (and perhaps also certain categories of expenditure) (IMF PDR 2003b: 22).

Political considerations imply choices made to serve a particular interest, an interest currently important to serve a particular constituency or arm of government but whose degree of importance may change in the future. Linking political interests with moral interests brings to mind increased social spending before an election, for instance, designed to improve the governing party's image in voters' eyes. When the Fund speaks of 'political' it refers to government, specifically to the ruling party. The Fund is not referring to grassroots politics rooted in local struggles around issues of poverty and access (issues that the Fund labels as "moral"), instead aligning these "moral" issues with a government's electoral viability.

The Fund denotes poverty reduction and social spending as "moral considerations". Basic education, primary healthcare, clean water, access to land, employment opportunities, and access to anti-retrovirals are only some of the issues that fall within the categories of poverty reduction and social spending. Definitions of 'moral' typically focus on the relationship between right and wrong, and between good and evil, often in reference to individual behavior. What is known to be good, or moral, may not necessarily be what is law; what is moral is what is known to be right. The Fund states that "a compelling moral case can be made that funds provided for humanitarian purposes and unlikely to enhance long-term growth should be in the form of grants rather than loans" (IMF PDR 2003b: 18). Here, the Fund associates 'moral' with humanitarian purposes – i.e., with what is good, with what is right for the welfare of humanity. Basic education, primary healthcare, and access to medicines are recognized as good for humanity; they are beneficial, life enhancing, and even necessary. Certainly, there is a moral element here, and one could readily make a moral argument in support of their provision.

Poverty reduction and social spending are labeled as "moral considerations" and are linked with a particular kind of political interest (i.e., the maintenance of state power). Access to medicines, to take one example, is presented as two things: firstly, it is a "moral consideration", meaning that it is good for the welfare of humanity and the right thing to do; secondly, it is a social service to provide in order to further a particular political end, which, for the Fund, refers to furthering government's interests. What this does is diminish the weight of arguments calling for access to medicines from a fundamental rights perspective by labeling them as a moral issue – as something that is good to do, yes, but can it be done? One way the Fund answers these questions of possibility is through its use of economics; the other way is through its use of moral arguments.

Morality vs. Social Justice

The utility of the Fund's moral arguments is most clear when juxtaposed with the very arguments the Fund dismisses – those that critique the Fund and argue for increased debt cancellation, arguments the Fund calls "moral". The Fund asks two 'moral' questions: firstly, do moral considerations (i.e., poverty) justify increased debt cancellation? Secondly, is it morally right for a country not to repay its debt? A moral question begs a morally informed answer: in answer to the first, the Fund's position is that yes, poverty may justify increased debt cancellation, but not total debt cancellation and relief should only increase for countries with a track record of Fund-supported programming; in answer to the second question, the Fund's position is that, no, it is not acceptable for a country to default on its debt. As debt cancellation is one of the internationally accepted tools used to reduce poverty and reach the MDGs, many ask whether it is morally right for people to face human development standards below that of the MDGs at all, let alone while transferring resources to creditor groups in the form of debt payments. Most would agree that the answer to the question of wanting human development standards is that it is morally wrong for people to live in such conditions. Does that morality, however, does that question of good or bad, right or wrong, dictate a course of action – i.e., does the answer to that moral question demand action or does it exist as a condemnation alone?

Let us compare this with the issue of human rights, taking torture as a specific example. Most people would agree that torture is inhumane, morally reprehensible, and is just plainly wrong. Seeing torture from this perspective certainly condemns those who perform it, yet what kind of action does it mandate? Seeing torture from a rights perspective not only condemns such acts as reprehensible, but codifies and demands a specific course of action to rectify such behavior. Viewing wanting human development standards as unfortunate circumstance or as wrong does may do little in itself to spur change; viewing wanting human development standards as a violation of people's social, human, and economic rights, on the other hand, is a more powerful critique and one that demands a response.

By rebuking calls for debt cancellation by framing them as moral arguments the Fund effectively removes notions of law, rights, and justice from discussions of debt cancellation. These arguments work to frame the question of debt cancellation as a moral one, posing the good behavior of the country that did not become heavily indebted and that pays back its loans against the delinquency of the HIPC calling for relief. This, for example, contrasts with calls for increased debt cancellation from a social justice perspective, grounded in the idea of the right to development.

The Right to Development is a "contested solidarity right" (IDS 2003) with four main propositions (Sengupta 2000: 5), as outlined in the Declaration of the Right to Development, adopted by the United Nations in 1986. Firstly, that the right to development is a human right; secondly, that all human rights and covenants have to exercised with freedom; third, that this implies "*free, effective, and full participation* of all the individuals involved"; and fourth, that all "duty-holders" are obligated to realize the process of development, including individuals, states (at the national and international level), and international organizations. What differentiates the Declaration from the UN Universal Declaration on Human Rights UNDHR) is that in the UNHDR all have the right to an adequate standard – of housing, education, and so on, while the right to development entails that "states shall ensure "equality of opportunity for all"" (Sengupta 2000: 14). While the UNHDR might allow for some redistributive measures following policies to improve growth in order to meet that standard, for the right to development "[t]he structure of production has to be adjusted to produce these outcomes through development policy" (Sengupta 2000: 15) and there is an overt focus on equality.

Approaching debt cancellation from this perspective disallows the lack of engagement with global inequalities and power structures, refutes a sole focus on borrowing states' responsibility, and engages with complex historical processes. This approach, standing in stark opposition to the Fund, is one practiced by debt campaigners, notably Jubilee South, whose approach is fundamentally grounded in principles of social and economic justice based on ideas of global equality and rights, even going a step further to encourage resistance to what they perceive as any financial/economic/moral attempt at neoliberal/neocolonial occupation and control. It is important to remember Kelly's (1997) point about the political nature of what are presented as technical questions. The framing of the question of debt cancellation as a "moral" question with moral implications is a political, contestable choice, and seeing debt as a moral issue grounds potential action: if debt is an issue of justice, then it becomes necessary to talk about things like global inequality; if debt is a "moral" issue, it does not. If debt is an issue of justice, then it is not about blame; if debt is a "moral" issue, it is about who forgives who. The idea here is that social justice is a different way of conceptualizing these debts – a different way of approaching debt and development; coming from a different place, social justice arguments view these problematics differently than the Fund's moral arguments and this feeds into policy prescriptions.

Poverty, Debt, and Development

Is it surprising that Fund arguments do not stem from a social justice perspective? Perhaps not; however, it is necessary to outline why this matters. Presenting debt as a "moral issue" is one way the Fund approaches debt matters. The way the Fund approaches debt relates to its conceptions of poverty and development. There are two main themes in the corpus dealing with the Fund's approach to development. Firstly, categorization: although the Fund is an organization of member states comprising almost every country in the world, only countries of the global south borrow Fund resources. The Fund therefore has a special relationship with these states and an entire array of facilities to deal with their particular needs. This section examines the ways the Fund categorizes these states, and with what effects. Secondly and related to the notion of categorization, is the theme of "the poor"; the way this group is bounded and identified links closely with categorization at the state level.

Categorization: Hierarchies of Poverty (or the Poverty of Hierarchies)

> The eligibility criteria under the HIPC Initiative reflect a broad-based consensus of member governments that the poorest countries should have the highest priority in concessional debt relief (IMF 1998).

In the following statement, Ahmed discusses how to most effectively put limited resources to use in terms of debt cancellation and poverty reduction. While I examined this statement earlier in the chapter for its use of the term 'forgiveness', here it is important to note the way the speaker discusses "poor countries".

> But even if we were [to expand PRGF resources], the other issues that I raised about how those resources could be most effectively used, whether they should be used to cancel or forgive some part of existing debt of some subset of poor countries or whether they should be used to provide new flows to old poor countries on the basis of how effectively they can use them stays very much on the table (Masood Ahmed, Deputy Director, PDR, IMF. HIPC Debt Relief Press Conference 2001).

Ahmed first asserts that it is possible to group certain countries together that share certain characteristics, under the general heading of "poor". Secondly, there are both "new" and "old" poor countries and one may usefully further divide these groups into subsets with similar traits for debt relief purposes. The Fund can, then, divide its members into groups for specialized treatment, even though this seems to contradict the Fund's notions of uniformity and fairness, discussed earlier. The notion that there are "old poor countries", as opposed to countries presently categorized as "poor", perpetuates the idea that "poor" countries are a permanent global fixture. Regardless of the likelihood of this situation, what this does is reinforce the IMF's argument that it must be around in the future to provide for the needs of and to assist "poor countries" and so cannot afford complete debt cancellation. The Fund carves a permanent niche for itself in LICs' development – development that may never happen, the likelihood of which decreases without Fund assistance. This combines with the Fund's focus on decreasing absolute poverty, relative only to other low-income countries, to result in an argument that downplays the role of global forces and international actors in perpetuating *processes* of poverty and indebtedness in LICs, instead presenting a *condition* of perpetual underdevelopment in regions of the global south necessitating Fund intervention.

While there is no denying that there are certain characteristics that distinguish the countries classified as low-income or developing from those classified as wealthy or developed, it is the way these categories work that is of interest here because they work to reinforce some of the main themes looked at so far. The Fund acknowledges that "[m]embers do not fit neatly into the stylized types developed here and they are likely to move along the implied continuum of types at varying speeds and not always in the desirable direction" (IMF PDR 2003a: 16). Notice, however, that there is a progressive evolution of stages, neatly categorized and named, for countries to move along – hopefully in the correct direction, like when the Fund asks, "*[h]ow can low-income countries catch up with the rest of the world?*" (IMF 2000b, emphasis original). When the Fund states, "[t]he low-income countries can:..." vs. "[t]he advanced economies can:..." (IMF 2000b) in the same breath, it is grouping what, in many ways, are vastly different societies and treating them as a homogenous unit. As well, the Fund pits "low-income", a measurable indicator of monetary wealth, with "advanced", an unquantifiable concept carrying an enormous amount of theoretical baggage (modernization theory, for instance). "Advanced" is what Gasper (1996: 155) calls an "asserted attribute", a trait that is "felt to be an empirical truth and yet is placed beyond empirical test." These categories work to reinforce some of the binaries, listed below, that are evident in Fund arguments.

BINARIES	
Developed	Developing
Rich	Poor
Creditor	Debtor
Good	Bad
Economic	Social
Advanced	Low-Income
Doctor	Patient
Deserving	Undeserving

Categories also serve to strengthen Fund arguments. The category 'Heavily Indebted Poor Country' gives the impression that all countries that are income poor and have large debt loads are taken care of under the HIPC Initiative, when there are many countries considered to be heavily indebted and poor by different definitions that fall outside the Initiative. Take the following statement, regarding the Fund's internal governance: the Fund states, "[c]learly, the United States and/or a coalition of industrial countries could veto such decisions. But so could a bloc of developing countries since, as a group these countries represent about 37% of voting power in the Executive Board" (IMF 2003a). Developing countries, as a diverse group, are grouped together here to support a point, when at other times, i.e., when it is time to allocate debt relief, they are divided into innumerable levels of poverty.

Examining the World Bank's construction of Lesotho as an "LDC" (a "less-developed country") Ferguson (2003) examines the way the Bank categorizes Lesotho as an LDC and, along with a host of other countries, attaches certain traits to the tag "LDC", inserting these countries as LDCs into a "development" narrative that explains their situation and the role of the Bank in alleviating it. In this narrative,

> "(1) poor countries are (by definition) "less developed"; (2) less developed countries are (by another definition) those which have not yet been fully brought into the modern economy; therefore, (3) poor countries are those which have not yet been fully brought into the modern economy" (Ferguson 2003: 55-6).

By not being in the modern economy, the LDC is placed in the modern's binary – the primitive, traditional, subsistence economy. It then becomes the Bank's role to help bring LDCs out of that condition and into the modern economy – of progress, "development", and markets. Categories do not merely name, they are loaded with meanings, and these meanings are not merely conceptual notions; they work to delineate roles and responsibilities, courses of action, and working relationships.

The Poor

Within the varieties of low-income country classifications, there exists "the poor":

> [b]ut it doesn't mean that the work that we are doing in other ways, whether it is through our surveillance work or through our work in systemic issues globally or whether it is through our work in middle-income countries – doesn't have an impact in different channels on lives of people and on the lives of the poor (Masood Ahmed, Transcript 2000).

> Globalization is playing a positive role as the growing integration of countries and peoples (and the internet) makes information more accessible to poor people in remote parts of the world, thereby empowering them in their efforts to hold decision makers accountable (IMF 2003a).

In the above statement "the lives of the poor" are distinct from "the lives of people". Why? Surely, while economic reform may affect different people differently, it affects everyone in a society. Is all of this talk about "the poor" due to poverty reduction efforts – is this a neutral category simply defining who these programs are meant to aid? "[W]hen "people" are invoked in developmental discourses about civil society – whether the World Bank singing the praises of the ordinary African worker or the geographer lauding peasant science – who the people are, and how they are constructed, are precisely political questions" (Peet and Watts 1996: 27).

In her examination of historical understandings of urban poverty and its impact on policy, Beall (2000: 845) notes how, when urban poverty was analysed as a separate category (i.e., apart from broader political factors, for instance), there was a separation of its symptoms and its causes. Much like there is only discussion of "equality amongst the poor" without reference to a global conception of equality that would encompass all states, a concentration on "the poor" without a corresponding examination of "the rich" or other particular groupings, isolates "the poor" from outside influence. This was also the case in the Fund's discussion of factors contributing to the debt build-up: the Fund emphasized factors internal to borrowing states and downplayed external actors. Poverty (and debt) is about what the poor did and what the poor will do, not about the actions or choices of those on the outside.

There is one outside actor the Fund mentions in its above statement about "the poor": the unstoppable force of globalization. Globalization impacts these lives of the poor positively, aiding them in holding (local) decision makers accountable (because these countries have poor governance – which wastes resources "freed" by debt cancellation) – globalization does not even have a "dark side". While the Fund states that the "hope is that by involving these groups, the voices of the poor will be heard and reflected in the policies that have a direct effect on them" (IMF 2003a), this is reminiscent of taxicab development and guardianship: we are left with an essentialist category that, "strategic" (Spivak in Torfing 1999: 306) or not, replicates the categorizations at the state level at the local level, resulting in the decontextualized lives of "the poor".

In reference to the earlier discussion of how the Fund presents the history of the debt build-up, I examined a section of a Fund document entitled "**How the poor countries became heavily indebted**" (IMF 2000c, emphasis original). While I earlier examined the content of the section itself, it is worthwhile here to take a closer look at the section's title. The Fund presents countries here as two things: poor and indebted. "Poor" and "indebted" are taken to be characteristics, traits, and states of being. They are not discussed as processes: they are not what happens to countries or processes that countries go through, they are not the results of choices. The Fund does not discuss a relationship between poverty and indebtedness, or between the processes and influences that result in large-scale poverty or high levels of debt. "Indebted" is taken to be an innate characteristic of "poor countries". This reinforces the idea that certain countries will always be poor and indebted and the goal should be to manage that poverty or indebtedness into something manageable, or sustainable, something that it is possible to deal with, rather than eliminate. Regardless of one's position on the possible elimination of world poverty, this is important because of the way it affects policy options; I discuss this in greater detail in chapter five.

Conclusion

This chapter attempted to map a logic of Fund arguments surrounding debt and debt relief through an examination of a corpus of Fund documents. Beginning with roles and responsibilities and moving on to the clusters of economic arguments, moral arguments, and the debt, poverty, and development triad, the discussion of these themes tracked the Fund's official arguments surrounding debt, debt relief, and borrowing states. This examination found an overwhelming degree of responsibility placed on borrowing states for the debt build-up and its resolution, a hierarchy of states and development partners, and a tendency toward the technical over the messiness of contextualized processes. Complementary and somewhat contradictory to the Fund's technical approach, its "moral arguments" – from the metaphor of 'forgiveness' to the Fund's conceptions of equality and fairness – focused the issue of debt cancellation on a reinforced binary of developed and developing, deserving and undeserving, doctor and patient, asking the far from technical question, are these countries really worthy of forgiveness?

Having examined the Fund's discursive strategies, what effects do they have? What work do they do? Thus far, Fund official arguments tend to downplay the roles of lenders in debt matters. There is also a contextual gap, served by the tendency toward lists, in that grand category of economic and political history, in analysis that would help explain the *processes* of lending and borrowing, of poverty and development, of choosing certain policy paths over others. Listing is one characteristic of the oversimplification or generalization that accompanies much Fund analysis. Further, this tendency involves an inclination towards the technical and "isolated economic", a realm the Fund presents as existing apart from the complexity of a social reality that cannot be modeled.

Continuing into the next chapter, the focus is on one particular Fund text: *Debt Sustainability in Low-Income Countries – Proposal for an Operational Framework and Policy Implications* (IMF and WB 2004a), the DSF. This builds on the work done in this chapter, on the arguments and themes explored here, which provide the larger background arguments that enable us to more fully understand the Fund's move toward an explicit debt sustainability framework and its arguments therein. While the following chapter explores different themes, these all carry the baggage of primary responsibility and the other discursive strategies discussed so far, with similar effects.

CHAPTER FIVE

THEMES AND ANALYSIS:
THE IMF AND DEBT SUSTAINABILITY

"...each approach to debt is rooted in a particular conception of development" (Bouchet 1987: xv).

Introduction

Earlier chapters discussed how there are innumerable discourses – discourses that are constantly morphing to stay relevant, discourses that are in constant motion and are always open to change and contestation. As a discourse, development is no exception – there are many different discourses of development, of sustainability, of sustainable development; "the question is, whose development?" (Nederveen Pieterse 2001: 10). The following pages deal with the *Debt Sustainability Framework for Low-Income Countries – Proposal for an Operational Framework and Policy Implications* (IMF and WB 2004a) (DSF), taking a closer look at a logic dealing with a specific development initiative. The arguments in the DSF build on the themes chapter four examined, such as issues of responsibility, moral arguments, and categorization. In particular, this chapter goes further to examine areas only briefly touched on thus far – ideas about development, governance and policies, the economy vs. society, and other concepts emphasized in the DSF such as sustainability, shocks, and judgment.

Chapter four was an examination of the major themes in a corpus of Fund documents, and was about what these discourses are saying; this chapter examines the results of these themes – what they do and what effect they have when they come together in one policy document. The focus is on linking these arguments to broader discourses and processes in an aim to understand what this dissertation claims is one of the major effects of the DSF – the depoliticization of debates surrounding debt issues; as well, this chapter directly addresses the research questions outlined in chapter two: the relationship between debt cancellation and debt sustainability, how conceptions of debt and sustainability feed into discourses of development and economics, as well as the DSF's impact on the emergence of alternative voices.

This chapter begins with the second installment of this dissertation's look at the development concept, examining the major discourse at work in the DSF – the post-Washington consensus (PWC) – taking us into broader issues regarding economic discourses and the nature of economics in the social sciences. The second section examines the major themes at work in the DSF and links them to the PWC and other discourses: firstly, the theme of sustainability – what sustainability means in its various incarnations and how it combines with other discourses (i.e., development discourses) to form powerful new ones, like that of sustainable development; secondly, shocks and crises – the effects of delineating high debt burdens as crises episodes rather than long-term structural issues ; and, finally, the theme of governance – how the PWC's emphasis on the importance of institutions relates to good governance and participatory development discourses, as well as conceptions of sovereignty. The final section assesses the theme of judgment, one of the strongest in the DSF, and brings this chapter's analysis to a close and gets down to what is the focus of this dissertation: how these themes feed into discourses that have certain effects that, taken together, culminate in a policy that, while potentially creating space for other voices future dialogue, depoliticizes issues surrounding debt cancellation and associated struggles.

The Development Concept Part II: the PWC

In order to fully understand the way the DSF works, it is necessary to begin with a look at the main themes and discourses operating within it. For this reason, this chapter begins here with the post-Washington consensus (PWC). The PWC emerged from the heavily criticized Washington consensus and attempts to address its critique; in this way, it demonstrates the flexibility of discourses, growing and changing in order to stay relevant. Hayami (2003) cites three main factors in the move away from the strict neoliberal focus of the structural adjustment era: the inability of Latin American states to sustain economic growth (viewed as the governments' failure at fiscal discipline), the East Asian financial crisis (viewed as a market failure due to imperfect information), and SAPs' failure to encourage economic growth – particularly in sub-Saharan Africa. While the Washington consensus advocates the invisible hand and stresses structural adjustment as the route to economic growth, the PWC advocates state intervention where necessary, stresses poverty reduction and social spending alongside economic growth, emphasizes the importance of institutions, and uses the idea of market imperfections and information asymmetries to explain the inefficiency, failure, and absence of markets. This stems from the belief that government failures may be as just, or more, damaging than market failures (Hayami 2003: 60-1); therefore, the task is to find out "what makes markets work better" (Stiglitz 1998). The PWC also uses the presence of market imperfections "to explain non-market behaviour – institutions, customs, culture, and so on – as the rational response of optimising individuals" (Fine 2002b: 2).

Proponents of the PWC view it as a progressive step away from the stringent, non-interventionist position of the Washington consensus towards a more flexible approach to policymaking that takes into account countries' institutional capacity and development needs, rather than focusing solely on adjustment. This is particularly the case for economies with underdeveloped markets – i.e., developing countries (Hayami 2003: 56). For instance, rather than instituting a SAP based on what economic fundamentals a country needs to improve on, from a PWC perspective it is important to take into account the wider circumstances within a particular country: its institutional capacity and needs, its human development position, and culture. Country-specific institutions are important because their presence and efficiency may contribute to the prevention of both market and government failures. In this argument, the PWC has greater potential for progressive change because it recognizes that state intervention is sometimes necessary in implementing successful economic policy, at the same time recognizing that in order for economic policy to have the desired developmental effects those policies must be supplemented with social service delivery; the PWC explicitly makes poverty reduction and social spending state tasks, moving away from SAPs' trickle-down. Without overstating the degree to which the PWC advocates state intervention,

> the old [Washington] consensus was caught in the trap of arguing for minimal state intervention and, hence, precluding itself from addressing what the state should do. In contrast, the new consensus can be understood as strengthening and extending the scope of permissible intervention in recipient countries (Fine 2001: 14-15).

Furthermore, unlike the Washington Consensus, the PWC opens up space for looking at factors outside a country's financial situation, increasing the scope for other voices in economic debate; "the new consensus deploys more variables on a wider scope and less dogmatically than the old" (Fine 2001: 4).

Although it sounds like the PWC should be a welcome sign to the Washington consensus' critics that the proponents of structural adjustment – notably the IMF and World Bank – have heard their cries, such is not the case. Some critique takes apart particular aspects of the PWC, as in Hayami's (2003) case; he questions the PWC's sustainability, noting that while the PWC focuses on social service delivery, it neglects "production-oriented infrastructure and services needed to supply profitable work opportunities" for the majority (Hayami 2003: 40). The most scathing critique, however, attempts to break down the entire discourse.

Perhaps the PWC's most severe criticism is that there is no PWC, only the same old Washington consensus with added development buzzwords like "sustainability", "culture", and "governance" thrown in to appease neoliberalism's opponents – so-called "linguistic accommodations" (Pincus and Winters 2002: 19). This argument contends that "[e]ducation, good governance, policy ownership and democracy are all about doing what the World Bank/IMF would do but appearing to do it by yourself and willingly" (Fine 2001: 12). Are these "linguistic accommodations" (Pincus and Winters 2002: 19) merely just "linguistic accommodations", though? No – they have effects, and according to Fine (2001) one of their major effects is to complete the final step in economics' colonization of development studies and other social sciences (Fine 2001: 8, Fine et. al. 2003: xii).

The PWC does this by reducing the social to the economic (Fine 2002b: 2). The constructive effect of this is to value economic work that is separated from reality. As Gill and Law (1988: 5-6) outline, with Adam Smith's notion of the invisible hand the emergence of capitalism marked a decisive shift away from the primacy of the state, security, and sovereignty in mercantilism. The idea that there could be automatic coordination of economic activity without (necessarily political) intervention fed into the idea that there was a natural separation of activity into the political and economic spheres. While also emphasizing the actions of the rational individual making self-interested decisions that maximized social gains, these early liberal ideas fed into what is present-day neoliberalism, epitomized in the Washington consensus, a discourse that privileges and isolates the economy over and from society.

Patnaik (2005) calls this disconnect the "illusionism of finance". Building on Polanyi's (2001) idea of fictitious commodities, where the labelling of land, labour, and money as commodities obscures and destroys social relationships, in the illusionism of finance the world of finance (doubly) obscures the real world of commodities: "the real material world of things appears to be an illusion while the world of finance appears as the real world" (Patnaik 2005: 1). Patnaik offers the following example to illustrate this illusion: after the introduction of neoliberal policies there remains little economic growth; to explain this, the proponents of these policies state that these policies simply were not introduced properly or to the necessary extent. This rationale demonstrates the illusionism of finance because it demonstrates how the policymakers think within the model: "the apparently unsound functioning of the real economy is an illusion" (Patnaik 2005: 3) – it is not what is outside the model that is not functioning properly; it may just well be the model, which, in this case, is the Washington consensus. Discussing "the likening of finance capital as an *instrument* for "development"" (Patnaik 2005: 9, emphasis original) in India, the author states,

> [t]o see the adoption of this instrument itself as the achievement of freedom, to confuse the mere use of the instrument with the claimed outcome of using it, is precisely what constitutes the "illusionism of finance". [...] The fact that stock markets were booming, the fact that massive inflows of finance were taking place which the Reserve Bank was holding as additional reserves, was itself provided as proof that "India was shining", without looking closely at what the actual conditions of life of the people were (Patnaik 2005: 9).

Put simply, the illusionism of finance is the failure of economics to "join the conversation", as McCloskey (1994: 37) calls it, instead choosing to isolate the fictitious "economic realm" where complex issues of poverty and development are debated *only* as indicators.

The PWC aims to change this WC-type approach. As noted earlier, the PWC aims to improve market functioning by intervening when necessary; in other words, it looks for non-market means to improve how the market works. These non-market means include a focus on institutions, governance, and examining the particular norms and values of a society insofar as they affect the workings of the market; this expands scope for intervention by organizations like the World Bank and the Fund, justifying "intervention more widely across civil society" and ensuring that they can "intervene selectively and with discretion from [their] widened range of choice" (Fine 2002b: 13). In this conception, however, institutions are not established social practices or relationships; they are a non-market means of contributing to the proper functioning of the market and are represented in terms of their potential assistance to the market. In the same way, as critics point out, in the PWC (and some economic theory) the market is not an institution or a relationship, but is a thing existing to fulfil certain economic ends (Fine et. al. 2001: xvi). The PWC, then, takes on societal and power relations where the Washington consensus does not, but fails because it does so in a manner that abstracts from real situations and their context (Pincus 2002: 81); these relations are stripped of their meaning because the PWC views them primarily in terms of their utility in the market mechanism.

The PWC widens the scope for intervention in areas of life outside a country's financial situation into its institutions and governance structures. Critics note that this has important ramifications for policy and scholarship. While creating space for dialogue with other social sciences, the PWC frames development issues in a market-oriented way: the PWC "allows economists to address the social and social scientists to be taken seriously by economists. But it only does so at the expense of perceiving the economy (and market) as non-social, at least at first" (Fine 2002a: 204). This may partially negate the flexibility gained in opening these areas up to work outside economics, in that the ideas, issues, and concepts previously ignored by neoliberalism are not merely taken on, but absorbed. Without denying that the PWC opens up space previously denied issues such as governance and sustainability, in the PWC it is not the economic discourse that opens itself up to transformation; instead, that discourse pulls from others what elements it needs to stay relevant and transforms those elements to fit its already existing mould. It is in this sense that critics refute the idea of a true shift to a *post*-Washington Consensus: the change is superficial.

Debates around PRSPs and the notion of social capital nicely illustrate these concerns. PRSPs are an attempt to bring civil society into the decision-making process on poverty-reduction expenditure and economic policy; they are an attempt to make governance more open, transparent, participatory, and accountable by bringing in the experiences of groups close to where these policies effect. In this aim, many groups have commended PRSPs. On the other hand, however, Craig and Porter (2003: 57) note that "[w]hile the policy messages are not always as hard sharp, narrow, doctrinaire as before, much of PRSP seems little more than re-labeling", partly due to the continued use of predominantly "money-metric and "social gap" approaches" (2003: 61) to poverty and vulnerability and their use of a similar framework across states. PRSPs take on issues of governance and democracy, but what does 'good governance' mean? In PRSPs and the PWC, good governance is a precondition for proper market functioning (Harriss 2002: 80) – it is an index (like the CPIA). It is not a contestable process, it is not messy, it does not deal with overarching power structures, and it differs little within or between states.

The notion of "social capital" faces similar criticism. Social capital, or "non-economic social relations" (Fine 2002b: 8), is a concept the World Bank and others use to describe the non-economic resources available to people in their communities that they can use to further economic and political development (Harriss 2002: 7). According to advocates like Robert Putnam, a society's progress in a particular area (economic development, HIV/AIDS incidence, etc.) is related to its amount of social capital, which one can measure by the number and membership of civic organizations. The task, then, is finding a way to increase the amount of social capital in order to facilitate the desired result. Social capital relates to the PWC in the way it maintains the tenets of economic liberalism and takes on areas previously overlooked – social relationships – but takes them on as non-economic components that can be manipulated, like economic variables in a model, for a desired end: this reified form conception of capital "allows the social to be mopped up in an all-embracing notion that complements rather than challenges its economic analysis" (Fine 2002b: 4). As with the case of PRSPs and governance, this works to depoliticize what are messy and contested relationships by completely stripping social relations of the social – 'good' democracy, like 'good' governance, boils down to apolitical (i.e., not trade unions) civic organizations (Harriss 2002: 117).

Where Acronyms Meet: the PWC and DSF

Sustainability: From Environmental Conservation to Sustainable Development

From the PWC itself, this chapter now moves into the DSF proper, looking at its major themes and how they relate to the PWC. Unsurprisingly, the most important theme in the DSF is that of sustainability. Acknowledging that "debt sustainability is a particularly blurred concept in [low-income] countries" (IMF and WB 2004a: 8), the DSF defines sustainability as "the condition that this debt can be serviced without resort to exceptional financing or a major future correction in the balance of income and expenditure" (IMF and WB 2004a: 8). Before looking closely at this particular idea of debt sustainability, this section will first examine where this idea of sustainability comes from, and how it made its way from environmental discourse to development studies and Fund economics.

Sustainability is at the forefront of the DSF, but it is not new to debt-related initiatives. The very idea of rescheduling assumes that there is an amount of debt a country can afford to make payments on today and into the future without default. The idea of sustainability, therefore, was implicit in the US Treasury initiatives of the 1980s as well as early on in the HIPC Initiative. The HIPC Initiative's Lyon Terms explicitly introduced the concept of debt sustainability in 1996 (UNCTAD 2004: 12). The Paris Club's increasing concessionality coincided with the move away from the Washington Consensus and towards the mainstream popularity of what Moore (1995: 2-3) terms "developmental 'buzzwords'" – buzzwords carrying concepts of defining importance to the PWC. How did this ecologically grounded idea of sustainability gain such currency in mainstream development and economic practices?

"The concept of sustainability originated in the context of renewable resources such as forests or fisheries" (Lélé 1991: 609), and therefore has its roots in environmental discourses. Growing concerns with global warming and the human impact on natural environments led to both increased international awareness of previously sidelined environmental issues and the United Nations' establishment of the Brundtland Commission. The Brundtland Commission is responsible for what is probably the most popular definition of sustainability: meeting the needs of today without compromising the ability of future generations to meet their needs. The way the Commission's influential report directly linked environmental issues with concerns over human actions and lifestyles, coupling the idea of sustainability with that of development, helped bring the idea of sustainability into the mainstream.

Sustainability is now a major aspect of development work and sustainable development is something that projects claim they perform and aim towards. If "[t]he term 'sustainable development' suggests that the lessons of ecology can, and should, be applied to economic processes" (Redclift 1987: 33), what exactly are these lessons that are such parts of today's development work? What does sustainable development look like? "What is to be sustained? For whom? How long?" (Lélé 1991: 615). Sustainable development means different things to different people; as Lélé (1991: 608) notes, some people use the term interchangeably with "environmentally sound development", while others use it to mean "sustained growth" or even simply "successful development". Depending on one's conceptualization of development, sustainable development may even mean "sustaining the growth in material consumption" (Lélé 1991: 609), a meaning in stark contrast to the term's roots in conservationist environmental discourses. In this line, "it is not the environment which needs to be sustained, above everything else, but present and future levels of production and consumption" (Redclift 1992: 397).

It is precisely because the ideas of sustainability and sustainable development have so many meanings that they are such powerful concepts and have made their way from environmental discourses into the mainstream of development studies. At a time when neoliberalism's critics were taking the Washington Consensus apart for its lack of attention to the societal impacts of structural adjustment, calling for more sustainable, participatory, accountable, and just development, the idea of sustainable development gained ground. After all, who could criticize Brundtland's idea of sustainable development – meeting the needs of today without compromising those of tomorrow? The power of the concept of sustainable development "stems from the choice of an apparently simple definition of fundamental objectives – meeting current needs and sustainability requirements – from which can be derived a range of operational objectives that cut across most previous intellectual and political boundaries" (Lélé 1991: 611-2). In other words, even though one group may be thinking about ecological conservation and the other sustained growth, they are both thinking about "successful development", and this language feeds into policy in multiple arenas even though its meaning may be ambiguous.

For instance, while the Brundtland Commission's definition of sustainable development is one, if not the, most popular, Lélé (1991: 613) notes, the "major impact of the SD [sustainable development] movement is the rejection of the notion that environmental conservation necessarily constrains development or that development necessarily means environmental pollution". In this way, sustainable development may no longer be "a challenge to the conventional economic paradigm, but rather a laboured excuse for not departing from continued economic growth" (Redclift 1992: 396); "economic development can proceed, subject to the provision of adequate resources for succeeding generations" (Redclift 1992: 396). As chapter four demonstrated in the case of the Fund and increasing debt burdens, "sustainable development is usually thought of in the context of developing countries' sustainability, without attention being given to the international structures within which such structures are located" (Redclift 1987: 17).

Debt Sustainability and the PWC

> **The proposed operational debt-sustainability framework for low-income countries aims at preventing excessive debt accumulation, by linking a country's borrowing potential to its current and prospective ability to service debt** (IMF and WB 2004a: 50, emphasis original).

Just as there are various conceptions of sustainability, so are there of debt sustainability: debt sustainability may mean the ability of a country to make payments or the ability of a country to make payments taking into consideration a range of other factors (as in a human development approach to debt sustainability). The DSF is based on

> **two broad pillars: (i) indicative country-specific external debt-burden thresholds that depend on the quality of the country's policies and institutions; and (ii) an analysis and careful interpretation of actual and projected debt-burden indicators under a baseline scenario and in the face of plausible shocks.** [...] These two pillars, in combination with other relevant country-specific considerations, can help in the design of an appropriate external borrowing strategy under which the amount and terms of new financing would facilitate progress toward achieving the MDGs and generate a sustainable debt and debt-service outlook (IMF and WB 2004a: 4, emphasis original).

Designed to inform new borrowing and lending decisions, the DSF's stated aims are to facilitate progress towards countries' achievement of the MDGs and of sustainable debt and debt-service levels, and to link a country's borrowing potential with its ability to service debt. With these aims, the DSF takes a position on the feasibility of meeting the MDGs while having what it terms sustainable debt levels – "the condition that this debt can be serviced without resort to exceptional financing or a major future correction in the balance of income and expenditure" (IMF and WB 2004a: 8). The DSF argues that "it is best to base debt sustainability analyses on a variety of indicators, acknowledging that each is important in signaling current or prospective constraints that a country may face in meeting its debt service obligations" (IMF and WB 2004a: 16).

Sustainability is a neat way of capturing the idea that a country, no matter their human development situation, can afford to make debt service payments, while emphasizing the feasibility of payment over the real life circumstances on the ground. Unlike other debt commentators, such as Jubilee South, the DSF holds that there *is* such a thing as a sustainable debt level for the world's poorest countries, directly linking the idea of sustainability to the ability to pay. Although one of the two stated aims of this framework is MDG fulfillment, the DSF defines debt sustainability only in terms of the ability to pay and uses no human development indicators (like those the MDGs use) in defining and measuring debt sustainability. This is similar to income-based definitions of poverty; while they may be useful in gaining a general idea of people's situation, they say little of the repercussions or experiences that are a result of that empirical test. Defining sustainability as the ability to pay facilitates no direct improvement in MDG attainment; instead, and as we shall see, using the idea of sustainable debt turns the focus away from wanting human development standards towards a focus on calculating and judging how much a country is able to pay. This definition of sustainability, in its empirical ratio-based approach, privileges the technical expertise of Fund macroeconomists in setting the sustainability cut-off over the lived experiences that result from these debt levels. It also downplays the need for debt cancellation initiatives; sustainability remains "the condition that this debt can be serviced without resort to exceptional financing or a major future correction in the balance of income and expenditure" (IMF and WB 2004a: 8).

Crisis Management: Debt as Disaster?

The DSF's conception of debt sustainability is closely linked to its use of debt distress episodes. As chapter three discussed, a debt distress episode occurs when a country is either in significant arrears, is receiving Paris Club debt rescheduling, or is receiving exceptional financing from the Fund. A non-debt distress episode occurs when a country does not experience any of the above three indicators for at least three consecutive years (IMF and WB 2004a: 17-9). The occurrence of debt distress depends "not only on an indebted country's difficulties in servicing debt but also on the response of creditors and donors – e.g., on whether to reschedule debt service or provide "new" financing"; it also depends on "what definitions are used to signal debt distress, and on the sample included in the analysis" (IMF and WB 2004a: 17).

Shocks are causes of debt distress and are an important aspect of responding to debt distress. The DSF defines a shock as "an at least 10 percent decline in real prices from the previous year's level" (IMF and WB 2004a: 32); they may arise as a result of "natural disasters (such as droughts), changes in relative prices (for example, commodity price shocks), politically instability or civil strife (even in neighboring countries), and sudden changes in capital flows (such as the withdrawal of donor support)" (IMF and WB 2004a: 40). Shocks are an important aspect of debt distress because they "**cause liquidity problems and require exceptional financing**" (IMF and WB 2004a: 40, emphasis original) and because they necessitate a response, typically including "**a combination of some additional appropriately concessional financing (or reduced debt service) with adjustment in expenditures in relation to income**" (IMF and WB 2004a: 43, emphasis original). The DSF notes, "it is optimal to finance temporary shocks but adjust to permanent ones; however this prescription is difficult to interpret and apply" (IMF and WB 2004a: 43) – here, judgment is necessary.

Debt distress episodes work to categorize more than levels of debt; they also categorize the experiences that go along with those debt levels. The DSF states, "[i]f countries accumulate debt over time until the debt burden becomes unsustainable, the year prior to debt distress could be interpreted as representing the "tipping point" where any further increase in debt will lead to distress" (IMF and WB 2004a: 54). This "tipping point" is akin to notions of vulnerability, coping, and poverty. Countries debts are "sustainable"; families live above the poverty line. Countries debts become unsustainable; people cope. Countries enter into a "debt distress episode", possibly due to some "shock"; individuals already vulnerable and in precarious livelihood situations experience a loss – of a family member, of good health, of land, of employment – a loss they were already highly at risk of experiencing at least in part due to entrenched practices that sustain inequalities that have no place in the DSF's measurement of debt sustainability. A country must experience an at least ten percent real decline in relative prices in order to be "in distress", yet what is happening in that country at a five percent level or an eight percent level? In this line, severe commodity price declines are not global trade issues, they are shocks – sudden, unpredicted, crises.

Demarcating debt distress episodes reinforces the idea that, when these low-income countries are not in periods of debt distress, that they are fine and doing well – that it is only in these periods of shock and crisis that necessitate a response from the international community due to some unforeseeable or unpreventable event – such as a drought or commodity price shock. As chapter four discussed, these contributing factors (of surprise happening and short-term duration) to isolated crisis incidents prevent a holistic approach to debt management as part of a broader development initiative and downplay the larger questions of global political economy and lender responsibility at the core of any attempt at MDG fulfillment. Hewitt (1995), discussing the International Decade for National Hazards Reduction (IDHR), makes a relevant point about contributing factors and development projects. In an article entitled *Sustainable Disasters*, he states, whereas what are termed "disasters" are "unscheduled, uncertain, unmanageable or counterproductive 'events'", "development is portrayed as being about system and continuity, the *planned* extension or improvement of orderly, managed and, especially, *productive* life" (Hewitt 1995: 119, emphasis original).

Not only is the appropriate response to the chaos, uncertainty, and unpredictability of disaster the order and planning of a development project, but Hewitt (1995: 119) also notes that "the most desirable if not the only response to disasters is seen to lie in advanced and expert counterforce. [...] This kind of knowledge is expected to provide the best ways to inform and warm those at risk, or to plan and manage their responses." In the DSF, Paris Club rescheduling and default are crises; they are periods of distress that necessitate a response. This response is a response by creditors regarding future lending practices, and is one that necessitates judgment – creditors' judgment about loans and the Fund staff's judgment about the appropriate macroeconomic response the individual country should take to reduce future vulnerability to shocks and maintain its debt sustainability (its ability to pay).

Speaking of the World Bank's reasoning surrounding a former 'homeland' under Apartheid, Ferguson (2003: 64) states, "[a]s long as the question is "Why is Qwa-Qwa (as a national economy) poor?" then one must point to a lack of resources, overpopulation, and "dependence." If one asks instead why the people who live in Qwa-Qwa are poor (and why they live in Qwa-Qwa!), one generates a rather different sort of answer". In much the same way, the Fund speaks about the "debt crisis" and "debt distress episodes". What is this crisis?

"One person's debt crisis may be another person's development crisis and another person's export crisis" (Corbridge 1993: 5). If debt burdens are a short-term phenomenon, then rescheduling should be enough to get countries through a rough patch. While there is no longer any real acceptance of the idea that the debt build-up is temporary or that countries will grow their way out of debt, the idea of borrowing states' debt situation as a *debt crisis* is certainly prevalent. If debt is the problem, it can only be solved by eliminating the debt – while this may be a necessary step, it does not deal with the root causes of debt build-up; in this logic, it makes sense to reschedule, to talk about sustainable debt levels, rather than focus on underlying power structures as a route to dealing with high debt levels, if what the issue is about is the severity of countries' amounts of debt. Corbridge outlines how one of the 'myths' of what he calls the system-stability perspective is the very idea of a *debt crisis*:

> [n]aming is a first step to seeing. If we don't name the debt crisis as an export crisis, we might not see its unemployment implications in those regions not directly encumbered by debt. Similarly with the act of ordering: it is one thing to talk of debt and development crises, and quite another to talk of a debt crisis which has certain consequences for development" (Corbridge 1993: 183-4).

Even though the Fund recognizes the connections between debt levels, social spending, and trade, for instance, its arguments work primarily to downgrade the primacy of those relationships in favour of a focus on the amount of debt. When Corbridge asks what the ramifications are when we do not name the debt crisis as an export crisis, he makes the important point that "[n]aming is a first step to seeing." The Fund's discussions of debt and development are equally recognizable for what is missing as for what is there.

Governing Debtors

Along with empirical thresholds, the DSF's other "pillar" is a focus on countries' institutions and governance. "**Irrespective of what probability of debt distress is considered tolerable, the empirical evidence suggests that debt thresholds should be established in light of the quality of a country's policies and institutions**" (IMF and WB 2004a: 21, emphasis original). These empirical thresholds are "based on empirical analyses undertaken at the Bank and the IMF which demonstrate that there is significant dispersion in the debt ratios that countries can sustain", and relate to governance in that they "demonstrate that countries with weaker institutions and policies are likely to experience debt distress at significantly lower debt ratios" (IMF and WB 2004a: 4). Moreover, "**good policies are also likely to attract higher aid flows and eventually move countries along a virtuous circle**

of creditworthiness and growth to an eventual graduation from donor dependence" (IMF and WB 2004a: 46, emphasis original).

The DSF proposes to measure the quality of countries' policies and institutions using an index, such as the World Bank's Country Policy and Institutional Assessment (CPIA) Index. The annual CPIA Index uses twenty indicators grouped into four categories: economic management, structural policies, policies for social inclusion and equity, and public sector management, rating countries from a low of one to a high of six. World Bank studies using the CPIA Index found that countries in the lowest 25th percentile (measured as having the weakest policies) experience debt distress at lower debt-to-GDP, debt-to-export, and debt-to-revenue ratios (IMF and WB 2004a: 19); in other words, countries measured as having the weakest policies are more vulnerable to debt distress episodes.

The DSF's emphasis on governance and institutions is, firstly, an aspect of the PWC's rise in popularity, demonstrated in part by research claiming that "the quality of institutions overrides everything else" (Rodrik and Subramanian 2003: 31). Such scholars claim that "if institutions are the deep determinants of development, then we cannot evaluate traditional policies – fiscal, monetary, exchange rates, structural reforms – simply by looking at their intended effects" (Rodrik and Subramanian 2003: 34). Patomaki (1999) outlines how what he calls participatory development and good governance (PDGG) discourse is a combination of two separate understandings of development – modernization theory and post-Marxist/poststructuralist. PDGG discourse is a compromise, leaning heavily towards modernization theory's present-day incarnation, neoliberalism: whereas post-Marxist and poststructuralist development theory emphasized "the importance of microlevel action-contexts, local resistance, and community participation, as well as "empowerment through participation," both in theory and practice" (Patomaki 1999) beginning the late 1980s, the neoliberal element in PDGG discourse sees governance issues predominantly in terms of corruption, militarism, and accountability. As Patomaki (1999) states, "the lesson has been that there is no point in spending Western banks' and taxpayers' money in financing self-serving, corrupted, and militaristic governments of the South. Hence, "good governance"" (Patomaki 1999) and the "linkage of popular participation to economic liberalization" (Schmitz 1995: 57).

What is this good governance? "The tendency to see poverty as a "lack"" (Craig and Porter 2003: 65) is evident in the Fund's list of contributing factors to the "debt crisis". As well as lacking sound policies, sound judgment, sound fiscal management, poor countries also lack "good governance". Undeserving countries are the corrupt ones that have negligently frittered away countless loans; deserving countries are those fallen victim to some shock, such as a fall in commodity prices, and in these cases the Fund sees no moral impediment to lend. While there is no denying that some countries are not accountable, are under-resourced, have minimal capacity, or are corrupt, it is only the governance issues of borrowing states that are at issue in the DSF. Defining governance in this way is clear cut – it is indexable: governance is about measuring numbers of participating groups (as in Putnam's measurement of civic organizations), putting into effect policies that ensure accountability and transparency, and providing "the conditions for effective and efficient markets" (Harriss 2002: 80) to ensure debt sustainability. As Harriss (2002: 80) asks in his analysis of social capital, however, is democracy quantifiable in a state-led, IFI-designed, top-down index?

The DSF's conception of governance is directly tied to the CPIA index; it is also directly linked to its conception of the state. What is the state? As in the non-economic social relations of social capital, in the DSF (and the PWC) it is the state's responsibility to intervene when necessary to ensure proper market functioning and the effective targeting of poverty-reduction expenditure – it is the state's duty to make markets work better. Perhaps the operative question here is, better for whom? In this conception of the state, such questions do not come up because the state is perceived as a neutral facilitator of development and of development policy. The DSF does not address these concerns about governance because governance is about accountability and transparency and is not a complex social process – "the role of the state is to neutrally implement 'correct' (in an abstract sense) policies" (Storey 2000: 366), policies directly linked to the particular expertise and knowledge that feed into the Fund and the DSF's technical assistance. "[T]he conception of state neutrality is intimately related to the perceived political neutrality (or technical superiority) of the economic advice itself" (Storey 2000: 366).

As chapter four outlined, in lists of contributing factors to debt build-up poor governance and weak policies are often cited as major areas lacking in borrowing states. Making governance a central component of the DSF and directly linking it to lending decisions further emphasizes this lack without also emphasizing IFIs' governance issues or the global governance structures that play an equally significant role in debt build-up and MDG attainment. Along with this, and what is perhaps a more central issue, is that exactly what constitutes governance, or "good governance" is either left opaque or is compacted into an index. Just as the global dimension of the debt build-up was missing in the Fund's narrative of the debt crisis, just as the role of lenders was disproportionately absent, so does the Fund's focus on sovereign states as the facilitator of development downplay the actions of non-borrowing-state entities:

> [b]y posing all problems and issues that might come up as problems of "national development" [...] the problematic avoids the formulation of any issue, problem, or program for action based on entities other than the state, effectively excluding from the field of view both conflicts within the nation and forces which transcend it (Ferguson 1994: 62).

Spaces and Constraints

Thus far, the major themes at work in the DSF are sustainability, shocks, and governance. As discourses in their own right and as major subjects in other discourses (like the PWC), these themes all have effects and, when combined, work in a particular way. As development buzzwords, they have a variety of meanings, and this is their strength, utility, and potential downfall. This section examines the last major theme in the DSF: judgment.

Judging Sustainability

> **A key consideration in designing an operational framework is the appropriate balance between rules and discretion**. A more standardized, rules-based approach generally implies greater transparency and promises to be more effective in disciplining future financing decisions. On the other hand, the heterogeneity of low-income countries argues for a more flexible approach that takes account of country-specific circumstances. Indeed, even a fairly standardized framework requires judgment at various stages of the analysis: projecting a country's debt burden and its debt-servicing ability; choosing the appropriate indicators to assess debt sustainability; and deciding what constitutes a debt level that signals distress by imposing an excessive burden on a country's existing of future resources (IMF and WB 2004a: 12, emphasis original).

Because it is impossible to account for all possible future shocks, and because no framework can perfectly fit the individual circumstances of each particular country, the Fund and WB staffs must use their expertise and the data they have on hand to make informed lending decisions. In the absence of perfect information, the DSF advocates the use of judgment in making lending decisions as well as decisions on the appropriate response to debt distress episodes. Judgment is "essential for a forward-looking analysis" (IMF and WB 2004a: 4) because "[c]ountries experience debt-servicing problems for a variety of reasons specific to their circumstances, and only some of these can be captured in cross-country regressions" (IMF and WB 2004a: 17). While empirical thresholds are important, the DSF warrants "caution in using them too rigidly as binding constraints on new borrowing" (IMF and WB 2004a: 17).

There are two sides to the theme of judgment: on one hand, it creates space and flexibility within the DSF for accommodating a country's particular needs, as well as room for different ideas about what sustainability means and how best to address "debt distress episodes". On the other hand, the DSF's judgment is judgment by the Bank and the Fund; it is a particular kind of expertise that informs judgments made about the severity and appropriate response to debt distress. As such, leaving these decisions to the discretion of one group – the lenders – may work to curtail the DSF's rules-based framework. The theme of judgment is most relevant in terms of its connections to broader discourses.

One such discourse is sustainable development. Sustainable development is "a powerful tool for consensus" (Lélé 1991: 612) and, much like the PWC, like much of the DSF, sustainability and sustainable development are

> loose enough to hold varying, even opposing, interpretations: essentially contested concepts, they are the arenas for ideological battles. They hold within them both the possibility of preserving what we know of development through the present crisis, but also have the potential of reforming, transforming or even transcending the current system of orthodoxy (Moore 1995: 3).

Fairclough (2000: 25) asks, what are the advantages of vagueness? "As Potter (1996a: 118) has argued, '[t]he use of vague or formulaic descriptions may provide just enough material to sustain some action without providing descriptive claims that can open it to undermining''" (Augoustinos 2001: 137). In this way, the PWC address the Washington consensus' critiques without going so far that it strays from its neoliberal outlook – it is the rhetorical compromise of economic liberalism and the recognition of the pressing needs of MDG fulfillment.

While the result of this compromise is weighted against the MDGs, what these often vaguely-defined "cluster concept[s]" (Gasper 1996: 154) do is combine with the theme of judgment to create a great deal of space for outside voices. In the Washington consensus, there was less potential for conversation – both within the WC's economic discourse and between its advocates and opponents; in the PWC, debt sustainability, governance, poverty reduction, and the role of the state are explicit topics and, as such, are on the table for dialogue. Groups and organizations can read the DSF and say, "if the Fund wants to talk about sustainability, let us talk about sustainability – let us discuss how we should define these terms, because these terms determine policy." As McGregor (n.d.) reminds us, "[d]iscourses can be used for an assertion of power and knowledge, and they can be used for resistance and critique". In making explicit these ideas that were absent in the WC and in the majority of economic discourse, the PWC and the DSF offer the possibility that alternative ideas may come through to influence policy in progressive ways.

Problem-Solving Politics

Even though there is space as well as constraint, it is the overarching effect of Fund debt discourse, as the DSF demonstrates, that is the source of constraint. The Fund's debt crisis approach relates to its general approach in dealing with the issues facing its borrowing members. In his account of a 1998 OECD Development Alliance Committee workshop in Mali, Patomaki (1999) discusses how the overwhelming approach to the issues raised was a problem-solving one. A problem-solving approach is one that "takes the world as it finds it, along with the prevailing social and power relationships and the institutions into which they are organized as the given framework for action" (Patomaki 1999). The aim of this approach is to "make these relationships and institutions work smoothly by dealing effectively with particular sources of trouble" (Patomaki 1999).

While one could see this perspective as the Fund being realistic and reasonable in terms of what it can expect from lending states, in many ways the problem-solving approach misses the big picture: there is a lack of imagination, of possibility – a denial that change is possible and that the maintenance of the status quo is not inevitable. This might be seen as a somewhat strange position for a "development partner" to take; after all, development is about change – economic growth is about change. The problem-solving approach, therefore, has two depoliticizing components: its acceptance of the status quo and its skepticism of the possibilities for change.

In the Fund's acceptance of the status quo, "[e]xisting power structures are in fact taken as given" (Harriss 2002: 12). In taking these as given, they are taken to be unproblematic, and are presented as such – as merely the way things are, as the natural order of things; they are naturalized. Naturalization, also called normalization or "sedimentation" (Torfing 1999: 70), is the process whereby discourses, structures, or relationships are made to appear as commonsense and apolitical (van Dijk 1993). One hundred percent debt cancellation becomes impossible because of the perception that the political conditions necessary for its adoption are both absent and unlikely to change; calls for debt cancellation are then greeted with a host of arguments against it, notably that it is idealistic and lacks understanding of the current political climate in lending states. The power of naturalization is that those involved in these discussions become accustomed to thinking of these alternative options as unfeasible – they are unfeasible, why consider them? It would be better to focus time and energy on proposals that might actually get through. The Fund takes for granted that one hundred percent debt cancellation is simply unaffordable and unrealistic.

This kind of naturalization is apparent in other areas chapter four explored: the categorization of countries of the global south, their separation into deserving and undeserving and the assumption that states with high debt loads wasted funds and are free riding, and the way borrowing states are depicted as inferior in knowledge and capacity due to some inherent failing. “For a particular stereotype to “make sense” to those who apply it, a whole chain of reinforcing ideas must accompany it” (Riggins 1997: 10). These normalizing discursive strategies function in much the same way as stereotypes, although they may not be immediately recognizable as such, and they colour perception. The Fund’s problem-solving approach depoliticizes the status quo by normalizing international relations, sedimenting them “into an institutional ensemble of rules, norms, values and regularities” that “establishes a horizon for meaning and action” (Torfing 1999: 70): if one hundred percent debt cancellation is thought of as impossible to implement, then it ceases to be a viable policy option.

The DSF has a depoliticizing logic. Debt sustainability is the ability to pay, and the ability to pay depends on countries’ governance and their susceptibility to shocks. Governance is quantified in an index, and is thus removed from the messiness of societal relationships and interaction that form the basis of human life. Rather than address the broader development issues at work in governance structures within and between states, and rather than address the responsibilities of both lenders and borrowers in the debt build-up and its maintenance, the Fund and the DSF choose instead to name these process as crises – as speed bumps on countries’ road to debt sustainability and self-sufficiency. While there is space in the DSF for alternative conceptions of often vague cluster concepts and for economics to truly join the conversation, the document predominantly demonstrates a problem-solving approach that looks within the existing status quo for the amelioration of sustained global development concerns. As in notions of “pro-poor growth”, participation, good governance, and debt sustainability are accepted as long as they take place within what Schmitz (1995: 57) calls “the structural adjustment of politics”, and what Ferguson (1995: 138) terms “scientific capitalism”, where “neutral, technical principles of efficiency and pragmatism give ‘correct’ answers to questions of public policy.” The DSF has the potential to address alternative conceptions of debt sustainability, but in its current form elides the root causes of debt and other barriers to development.

Conclusion

Looking at one particular document, the DSF, this chapter examined how the broader themes in IMF debt discourse work in and with other discourses and with what effect. The DSF's major themes – sustainability, shocks, governance, and judgment – are multilayered cluster concepts that come together with one major result: the depoliticization of debt cancellation arguments and arguments for more equitable development at all levels. Unlike previous years' rescheduling initiatives, the idea of debt sustainability has the potential to open up debate on alternative ideas of debt sustainability and of sustainable development; even so, it maintains the idea that countries with little hope of reaching the MDGs have feasible, productive, and maintainable debt levels. Along with the idea of shocks and debt distress episodes, which further emphasize the episodic nature of structural, global development problems, the DSF's notion of governance works to remove any semblance of contestational politics, reducing society to an index. As a step away from the structural adjustment era's rigid prescriptions, judgment has the potential to bring flexibility and more nuanced decision-making to lending decisions; however, it may also further privilege the expert knowledge of Fund macroeconomists in determining borrowing states' appropriate course of action to debt distress, avoiding criticism that it is too rigid but also avoiding acknowledgment of broader possibilities for change. The end result is a policy document that not only works within the status quo, but also works to maintain it.

CHAPTER SIX

CONCLUSION

"I must say first of all that all description is a political act. [...] So it is clear that redescribing a world is the necessary first step towards changing it" (Rushdie 13-14).

Using discourse analysis, this dissertation took some beginning steps in examining IMF discourses surrounding debt and debt-related struggles. Discourses are both representative and productive, they may be hegemonic or marginalized, and they are always open and changing in order to stay relevant. Discourse analysis attempts to uncover the implicit meanings in discourses to increase awareness of their productive effects and create space for emerging new ones. In assessing the role of the IMF, a major influence in development policy and international finance, its constraints, strengths, weaknesses, and organizational practices strongly impact its use of discourse and its resulting policies.

Beginning with the theme of roles and responsibilities and moving on to the clusters of economic arguments, moral arguments, and development, this dissertation attempted to map a logic of Fund arguments surrounding debt. The Fund's "moral arguments" (forgiveness, uniformity, equality, and ethics) focused the issue of debt cancellation on essentialized binaries, working to support its arguments against increased debt cancellation. Fund arguments tend to downplay the roles of lenders in debt matters and there is a contextual gap in analysis that would explain the *processes* of lending and borrowing. This tendency involves an inclination towards the technical and "isolated economic", a realm the Fund presents as existing apart from the complexity of a social reality that cannot be modeled.

From a broad look at a corpus of Fund documents to the specificity of one policy, the PWC works with the DSF's themes of sustainability, shocks/crises, governance, and judgment, to reinforce chapter four's themes and build on discourses of sustainable development and good governance with one major result: the depoliticization of debt cancellation arguments and arguments for more equitable development at all levels. The DSF's conception of debt sustainability maintains the idea that countries with little hope of reaching the MDGs have feasible, productive, and maintainable debt levels. Along with the idea of shocks and debt distress episodes, which further emphasize the episodic nature of structural, global development problems, the DSF's notion of governance works to remove any semblance of contestational politics, reducing society to an index. While the theme of judgment creates space for the emergence of alternative voices, it may also work to augment and privilege the influence of Fund staff's expertise, as their purview expands beyond traditional monetary matters to the PWC's focus on governance and institutions.

If the Fund's approach to debt and development is one that primarily emphasizes the responsibilities of borrowing states, uses "moral" arguments to support its position on the impossibility of one hundred percent debt cancellation, and privileges the economic and the economists' expertise over the complexity of social life, where does this leave borrowing states? What future is there for alternative conceptions of debt sustainability, governance, or equality in Fund discourses? Without a comprehensive expansion of Fund thinking that delves into global and interconnected causes of poverty and vulnerability, without voting quotas and representation that give adequate voice to all Fund members, and without a Fund economics open to the conversation of others, there is little likelihood of debt-related policies that work for countries of the global south. Past events demonstrate that these changes are unlikely to come from within the Fund, and must be pressed upon the organization by debt campaigners working in collaboration from G8 countries and the global south.

As Harriss (2002: 73) notes, "redefinition of problems is likely to be a process of contestation"; these debates are never completely depoliticized, and discourses are never static or unchanging; while everything cannot be reduced to discourse, discourses have effects, and they work in particular ways. In the case of the Fund and debt, these discourses work overwhelmingly to depoliticize what are fundamental, broad-based issues about how people live. "Of these institutions, the Bank and Fund, are they part of a multilateral system or are they merely arrangements between debtors and creditors? That is the question we have to crack" (Trevor Manuel, Chairman of the Development Committee: Transcript 2004).

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Interview(s)

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