THE IMF AND A NEW GLOBAL POLITICS OF INEQUALITY?

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This paper addresses a simple, and largely empirical, research question: is the International Monetary Fund's (IMF) recent high level commitment to reducing inequality translated into concrete action in its dealings with member states? Addressing this research question is significant in several respects. First, the high level rhetorical commitment to reduce inequality might be seen as paradoxical because the IMF, alongside other institutions of global economic management, has long been criticised for its role in promoting economic reform in member countries, partly on the basis that this increases inequality (Peet *et al*. 2009; Kentikelenis *et al*. 2016: 550-1). It is therefore important to assess the extent to which recent pronouncements on inequality by the Fund suggest a change in emphasis or a genuine institutional commitment. Second, addressing the question contributes to a contemporary academic literature on more technical aspects of how we should understand and interpret IMF policy advice and conditionality. This literature currently focusses on a range of aspects of IMF policy advice, but does not address the recent interest of the Fund in inequality. The paper addresses this lacuna.

Our focus on inequality complements several strands of investigation in the existing literature on the IMF, particularly a variety of recent studies which assess the extent to which the Fund's practice and ideas have shifted since the financial crisis that started in 2007 (*e.g.* Park and Vetterlein 2010). Much of this existing research focuses on fiscal and financial policy (see Ban and Gallagher 2015). Our focus is in some ways broader; seeking to locate IMF practice not just in the post-crisis context but in the deeper historical process of world market expansion. It is also in some ways more specific: styudying IMF policy and practice

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specifically in relation to income and wealth inequality within countries. We argue that there is evidence of change in the orientation of the IMF but that this has not fully percolated down into IMF practice in relation to the policy advice it dispenses to its member states. Similar to Kentikelenis *et al*. (2016: 565) in relation to labour and social protection issues, we find that there is evidence that the IMF's commitment to inequality "reflects more 'talk' than 'walk'".

The paper proceeds in the following way. The first section reviews and contextualises the IMF's recent statements on inequality as one of several notable institutions to take up this concern. It is suggested that one possible explanation for this is that these international organisations are engaged increasingly in risk management; focussed on their shared agenda of promoting and sustaining world market integration. In that context, increasing inequality is now being seen, not merely as an unfortunate consequence of that shared agenda, but as a risk to it. The second section reviews the recent literature focussing more specifically on IMF policy advice, drawing from that a series of more detailed ways in which the central research question for the paper might be addressed. The empirical strategies found in some of this literature are used to shape the way in which data is collected and interpreted. The third section briefly summarises the empirical data collection and analysis process undertaken. The fourth section presents the results of this multi-stage process to chart the IMF's commitment to reduce inequality. It includes a review of high level policy documents and speeches, recent changes to the operational guidance that shapes the work of IMF staff and an analysis of the changing policy advice that the IMF officially offers to its member states. The consistency (or lack of it) of the IMF's commitment to reducing inequality – in its own terms – through these different institutional scales is then used to answer the central empirical research question. The final section of the paper discusses how these empirical findings may be interpreted as a contribution to the broader 'Critical' International Political Economy (IPE) literature and suggests avenues for further research which are consistent with *JAPE*'s commitment to critical and pluralistic scholarship (Stilwell 2015).[1]

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[1] Here we note the debate in *JAPE* over whether there are grounds for fruitful engagement between heterodox political economy and 'International Political Economy' (e.g. Chester and Schroeder 2015) but assert that our contribution is consistent with this critique and is located within the 'Critical' IPE tradition, for example as outlined by Shields *et al*. (2011).

Context and Background

It has been known for some time that socio-economic (income and wealth) inequality has been increasing within many countries, accentuating global inequality, while aggregate inequalities between states have been narrowing. Moreover, in many countries gender inequalities have also narrowed (though by no means disappeared). The OECD has tracked increasing income and wealth inequalities within countries for some time, noting large upward shifts in the gini-coefficient in most of its member states between the mid 1980s and mid-2000s (OECD 2011). Anthony Atkinson and Thomas Piketty (2007) and many other political economists (Stillwell and Jordan 2007) have long-been significant in highlighting the role of very high earners in shaping this shift, but it is Piketty's (2014) post-crisis book *Capital in the 21st Century* and Oxfam's high profile 'Even it Up'[2] campaign which have really caught the political mood. Indeed, a 'new politics of inequality' might be emerging (Nunn 2015). While similar arguments can be made about the ways in which gender inequality has been treated by significant international institutions (*e.g.* see Elias 2013; Bedford 2009), the focus in this paper is broadly the increased inequality between households in terms of income and wealth that is reported in many countries internationally (Milanovic 2016).

There is some evidence of a 'new global politics of inequality' emerging (Nunn 2015). The terms of this new global politics of inequality are two-fold; consisting of both bottom-up and top-down dynamics. From the bottom-up, rising inequality, the effects of the global economic crisis of 2008 onwards and state responses to it, have released a wave of protests and new political movements at both ends of the political spectrum. For example, trends as diverse as the election of Jeremy Corbyn to lead the Labour Party, the electoral attraction of UKIP[3] and the 'Brexit' referendum vote in the UK, to popular protests against austerity in Greece and the formation of Syriza and Golden Dawn as rival political alliances, the emergence of the Five Star movement in Italy, AfD in

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2 See for *e.g. https://www.oxfam.org/en/campaigns/even-it-up*.

3 UKIP is the popular acronym for the UK Independence Party who have gained electoral support in recent years in the UK but even more than their electoral support they have been influential in shaping UK public opinion in relation to the European Union.

Germany, the election of Donald Trump in the US and various protest movements in Spain, Turkey and Latin America can all be read partly in this way. While there are clearly very different proximate causes for these developments in different countries, dissatisfaction with high or rising inequality, resulting insecurity and other consequences can be read as one potential unifying theme.

From the top-down, international organisations, and global fora for business and policy elites, have responded to these movements by developing a new-found interest in inequality. A previous paper (Nunn 2015) argued that these concerns with inequality can be thought of in terms of systemic risk. International organisations have placed increasing emphasis in recent years on risk management. Discussing this focus on risk management, Cammack (2012) distinguishes between ‘positive’ and ‘negative’ risks. He argues that the former category are those risks deemed necessary as part of the process of world market integration and the latter is about risks to that process such as natural disasters or financial crises with systemic significance. In an expanding world market nearing completion, a range of these risks may become significantly amplified in scale and significance (Jessop 2015; Peet 2011). Crisis tendencies in capitalist development could be offset in the post-World War II and then post-cold war system through spatial expansion of the system (Harvey 1982: Chapter 13). As the spatial limits of that process loom into view, the prospect of further ‘spatial fixes’ become more limited and attendant risks take on a more systemic nature. In that context, a variety of international organisations including the World Bank, the IMF, the OECD and, in a different fashion, the World Economic Forum are increasingly focussed on the need to undertake systemic risk management. The new found interest of these international organisations in tackling the rising inequality that the take-up of their policy advice helped to create, might therefore be interpreted in these terms. In the ‘post-crisis’ landscape, inequality is seen as an emergent risk to the sustainability of world market expansion.

That different International Organisations (IOs) have converged on a similar understanding of inequality is itself of interest. Robert Cox famously characterized this consensus across different institutions as a ‘nebulueuse’ (Cox 1992), though that somewhat under-explains the social constitution of these shared positions as a product of material struggle (Bonefeld 2006: 48), in which these international organisations are conscious and influential actors. In the context of this paper, the social constitution and political economy content of this agency is revealed by the prominence that IOs now give to inequality as a risk to the smooth sustainability of world market expansion. Ideas about how to best manage their shared agenda of world market expansion flow between, and are sometimes contested within and between, these organisations. The World Bank's adoption of poverty reduction as a mantra in the 1990s in contrast to the IMF's more orthodox neo-liberal position is a case in point. But given their shared agenda and the interchange of ideas and information between them, it is no surprise that these organisations often alight on shared analyses of attendant risks to their objectives and develop shared agendas for addressing them.

Of course, these IOs operate with different levels and types of agency, sometimes more focussed on shaping available ideational structures to justify domestic policy development, and at other times operating with clearer material leverage over domestic policies. In either case, these ideational frameworks arise from the material processes of world market expansion, and have resulting material consequences for that process. Managing inequality as risk is, then, both an ideational and a material process at the same time, and the division of labour between and within IOs reflects their different contributions to the risk management process.

Among IOs, the OECD has played an important leading role in identifying inequality as a risk to world market expansion. The organisation has long emphasised the benefits of risk management and its post-crisis *New Approaches to Economic Challenges* project is constructed around the ways in which climate change, resource depletion, political instability and inequality might threaten the stability of world market integration. The notion underpinning the project is that 'discredited' and narrow economic thinking is a barrier to identifying and coping with these risks. The OECD has also led the way in identifying inequality as an emergent systemic risk. While there is a long track record of some marginal or less celebrated publications from the OECD, and OECD staff, on inequality under neo-liberal reform (*e.g.* Atkinson *et al.* 1995), the issue became much more prominent for the organisation in the mid 2000s, especially (but not only) with the release of the high profile *Growing Unequal* (d' Addio 2007; Förster and d' Ercole 2005; OECD 2008). *Growing Unequal* had accepted that inequality was an issue that member states increasingly needed to address. In a number of publications from 2011 onwards, the OECD appears to take an increasingly radical stance on inequality. The (2011) report *Divided We*

Stand: Why Inequality Keeps Rising is a serious book-length attempt to understand inequality and the causes of its increase in most OECD countries. First, noting this increase, the report opens with the statement that 'inequality has become a universal concern, among both policy makers and societies at large' (17) and it quickly marks out why this is so:

> The economic crisis has added urgency to deal with the policy issues related to inequality. The social compact is starting to unravel in many countries. Young people who see no future for themselves feel increasingly disenfranchised. They have now been joined by protesters who believe that they are bearing the brunt of a crisis for which they have no responsibility, while people on high incomes appear to have been spared. From Spain to Israel, from Wall Street to Syntagma Square, popular discontent is spreading rapidly. Due to the crisis, uncertainty and inequality-related issues have reached the middle classes in many societies. (OECD 2011: 17).

Underlining the emphasis now being given to inequality as a risk by the OECD Secretary General, Angel Gurria (2013) comments that:

> The benefits of growth have not trickled down. Income inequalities have become one of the biggest global challenges, attracting growing attention not only in academic literature but also among policymakers globally. The world community is increasingly highlighting the pernicious influence of inequalities on social stability and development outcomes. High levels of inequality generate high costs for society, dampening social mobility, undermining the labour market prospects of vulnerable social groups, and creating social unrest.

So the renewed emphasis to be given to inequality is not just the result of knowledge that inequality is rising, for that was known already. Rather, the effect of inequality as a cause of social and political unrest is central to understanding this renewed interest. Published work on inequality coming out of the OECD has since gathered steam. Research and policy publications focus on explanations for the declining labour share of GDP (Bassanini and Manfredi 2012), widening income inequalities post-crisis and into the future (OECD 2013 2014a 2014b) and that inequality may undermine economic growth (Causa *et al*. 2015; Cingano 2014). This analysis underpins the OECD's adoption of the mantra of 'inclusive growth' as a tool to "create economies where every citizen, regardless of income, wealth, gender, race or origin is empowered to succeed" (Angel Gurria, Foreword to Keely 2015: 3). That 'inclusive growth' has now been taken up as a policy idea by other international organisations (*e.g.*

World Bank, UNDP, EU, Asian Development Bank) exemplifies the point made here about shared agendas and the inter-penetration of ideas.

The World Bank's (2014) World Development Report: *Risk and Opportunity: Managing Risk for Development* is also illustrative of this risk management emphasis. The report outlines the benefits that can come from a risk management approach that promotes 'positive' risk taking but controls for the effects of 'negative risks' at a range of different scales. The distinctive contribution that can be played by international organisations, such as the Bank, at the scale of the international community is precisely the identification of systemic risks that might result from world market integration and overwhelm the capacity of individual states and groups of states.

Since 2010 the IMF has also taken up the concern with inequality and the organisation has published a range of reports on the subject and even has a dedicated website focussed on the topic.[4] IMF publications make a strong empirical case for the relationship between increasing income inequality in the US, the rise of precarious household indebtedness, financial sector vulnerability and crisis (Kumhof & Ranciere 2010). In *Redistribution, Inequality and Growth*, released with some fanfare in March 2014, Ostry *et al*. (2014) argue that greater original and net equality are positive for growth and that greater inequality reduces growth potential in multiple ways, including declining political and social consensus, and stability. The report pays particular attention to the role of inequality in stimulating public opinion in support of more redistribution, suggesting at least a partial concern for political stability. The IMF Policy Paper: *Fiscal Policy and Income Inequality* (IMF 2014a) presents a detailed review of the effects of various fiscal and social policies on inequality, with the conclusion that inequality, like poverty, can be bad for growth (for a discussion see Obeng-Odoom 2016: 134-5); thereby presenting a risk to the expansive character of the world market.

Interviews with senior IMF staff[5] in both policy and research departments suggest that the Fund is fully committed to a new global

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4 *http://www.imf.org/external/np/fad/inequality/*

5 Interviews were undertaken by the authors with two senior representatives of the IMF in relation to policy and research. These followed a semi-structured topic guide focussed on explaining the production of high profile recent publications on inequality (see Findings section). Both respondents have been connected with the Fund's work on inequality and

politics of inequality. They pointed to the Executive Board Work Programme for 2014, which includes a section on inequality, committing Fund staff to examine the 'interplay between financial inclusion, growth, inequality, and financial stability in emerging and developing countries' and to 'operationalize the Fund's recent analytical work on inequality' in Article IV discussions with member states and to expand this work on inequality in relation to 'Jobs and Growth' (IMF 2014c). The interviewees also argued that inequality can be regarded in both positive and negative terms in relation to the objectives of the Fund. 'Good' inequality can drive positive risk taking, innovation and growth, with China cited as an example of this. 'Bad' inequality can undermine growth, leading to fragility and creating political and social instability. The point at which 'good' becomes 'bad' inequality, however, is not a measurable benchmark but one of social and political struggle inside any one society.

Interestingly, interview responses suggested that while the Fund had a long-term interest in inequality as a result of the social and political consequences from early structural adjustment programmes from the early 1980s onwards,[6] the more recent intensification of this interest was triggered by the unrest of the Occupy movement and Arab Spring in 2010/11. The interviewees suggested that in responding to this, the focus of the Fund has been shaped by its Mandate to concentrate not on internal political issues and structural policy, but on macro-economic policy. So while socio-political risks associated with inequality are fully recognised, most of the content of the Fund's key publications and its new Work Programme are shaped by the connection identified by Ostry (and colleagues), Rajan, Kumhoff and Ranciere in relation to inequality, growth and macro-economic (in)stability (IMF 2014b, 2014c). The Fund interviewees suggested that in this regard they saw themselves working alongside the OECD (in rich countries) and the World Bank (in Developing Countries) whose formal responsibilities more closely align with domestic structural reform.

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both had long track records in senior positions at the Fund. The interviews were undertaken at the Fund's Headquarters in Washington DC in November 2014.

6 See (IMF 2014a) for details of the assertion that the Fund has a longer interest in inequality charting back to experience with Structural Adjustment Programmes in the 1980s, the issue of new Staff guidance in the 1990s on income distribution and several important publications in the early 2000s.

The high level political and rhetorical commitment to tackling inequality has also been repeatedly emphasised by the IMF Managing Director Christine Lagarde. For instance, speaking at a World Economic Forum debate on inequality in early 2015, she remarked triumphantly that she had moved "the IMF in the direction of looking at inequality as mainstream and core business" (Lagarde 2015). Similarly, a further high level IMF report during 2015 continued to frame inequality as one of the most significant policy challenges facing the international community:

> …Widening income inequality is the defining challenge of our time…. The economic and social fallout from the global financial crisis and the resultant headwinds to global growth and employment have heightened the attention to rising income inequality… (Dabla-Norris *et al.* 2015).

Taken as a whole, the discussion in this section might lend emphasis to the suggestion that there is a new politics of inequality emerging among global elites concerned with managing the process of world market integration. The significance of this 'new politics' can be taken to be the apparent shift in emphasis away from a relaxed neo-liberal attitude to inequality on the grounds that this is less important than growth and combatting absolute poverty, toward a concern with the negative effects of inequality on growth, political and financial stability. Such a concern can be interpreted not so much as a Damascene conversion to egalitarianism, as an attempt to stabilize an expanding and increasingly unstable international system suffering intensifying feedback effects from socio-economic polarization, problems with absorbing surpluses and shifting the costs of devaluation (Nunn 2015; Nunn & Beeckmans 2015).

This high level rhetorical analysis leaves a number of important empirical questions unanswered, such as how seriously this new politics of inequality is taken by key institutions. The IMF is an ideal target for research in relation to this because, unlike the World Bank or OECD, its membership is near universal and unlike the OECD, it actually has mechanisms at its disposal to promote reform within its member states. As such, the remainder of the paper focuses on evidence from IMF policy advice and conditionality requirements to assess the extent to which high level rhetorical commitments to reduce inequality are actually transferred to member states.

Recent Literature on the Changing Policy Advice of the IMF

IMF policy advice has long been a controversial subject. Though it was initially intended to offer only economic and not political advice, research shows that IMF policy advice has increased in its expansiveness and in controversy over a long period of time, and at least since the 1960s (Best 2012: 675). Criticism reached a particular high point in the late 1990s and early 2000s when policy advice was arguably at its most prescriptive, expansive and detailed (Boughton 2012: Chapter 4), and also when popular protest became more prominent, for example when the IMF was among a number of institutions attacked by violent protests, as well as more peaceful NGO and social movement campaigns to 'Make Poverty History' and 'Drop the Debt'.

At about this time, the Fund was also criticised for its handling of the East Asian financial crisis (Babb 2013: 282; Best 2012: 684). Like the debt and poverty campaigns, this criticism was notable because it was put forward by relatively sober and mainstream figures who had previously supported market oriented reform such as Jeffrey Sachs. Joseph Stiglitz – who was then Chief Economist of the World Bank – was one of those critics and his book *Globalisation and its Discontents* (Stiglitz 2002), might have been better labelled 'The *IMF* and its Discontents'. The book was well received among those critical of the wider political economy of structural adjustment, and, for a time, there was something of a fissure between the Bretton Woods twins, as the World Bank under the leadership of Stiglitz and Managing Director Paul Wolfensohn sought to move away from this agenda. The result was the emergence of the Post-Washington consensus development paradigm, which was symbolically dominated by the UN's Millennium Development Goal of 'Poverty Reduction'. The IMF, gradually and perhaps reluctantly, began its own review of conditionality under the new Managing Director Horst Köhler in 2001/2 in an attempt to offset criticism.

Despite these reforms, during the 2000s the IMF lost considerable policy leverage and significance. Relatively strong and protracted growth in the global economy, combined with the attempts of many emerging and developing countries to build up their reserves precisely to avoid the need for future IMF 'support' in the wake of the Asian crisis and response, meant that programme lending, and the number of countries supported, fell dramatically (Bird & Rowlands 2010: 1280). A range of commentators, including the then Managing Director Dominique Strauss-Kahn, questioned the long-term viability of the institution (Kaya 2012: 24).

However, in the wake of the 2008 financial crisis and international efforts by the G20 to respond to it, the institution has been rejuvenated. The renewal of IMF resources (Bird & Rowlands 2010; Kaya 2012) and legitimacy in response to the great financial crisis also necessitated a change in geographical emphasis as the Fund initially stepped in to support European economies such as Iceland, the Baltic countries and, of course, Greece. At the same time, conditionality and policy advice was once again re-packaged in terms that sought to emphasise the Post-Washington Consensus focus on country ownership, sensitivity to contextual features and therefore a less doctrinaire approach (Gabor 2010), including a new focus on the social effects of economic reform (Lütz and Kranke 2014). New arrangements were introduced which enabled some countries to borrow through the Flexible Credit Line without recourse to explicit conditionality, principally because their existing economic policy provided sufficient up-front credibility (Lütz and Kranke 2014: 324).

In this context, a variety of studies have focussed on IMF governance reforms (Lesage *et al.* 2013), lending volumes (Bird & Rowlands 2010), the content of loan conditionality (Broome 2015; Gabor 2010; Grabel 2011; Lütz and Kranke 2014) and its overall policy preferences (Babb 2013). Opinion differs as to whether Fund conditionality and policy advice exhibits essential continuities with neo-liberal preferences for monetary stability (Gabor 2010) and fiscal retrenchment (Babb 2013; Broome 2015) or emergent change (Lütz and Kranke 2014) in which there are opportunities for progressive and heterodox alternatives, especially under competition from state ‘forum shopping’ behaviours and new alternative sources of external finance (Grabel 2011). Of particular relevance to our paper, Kentikelenis *et al*. (2016) find that there is evidence of rhetorical change but that this masks significant continuity in the trajectory of neo-liberalisation, especially in relation to labour market and social protection policy. This paper makes a contribution to this literature by assessing the extent to which recent high level rhetorical policy commitments to reducing inequality are carried through to policy advice to member states, whether that be the ‘soft’ policy advice of

Article IV commentaries on member state economic policy, or the ‘harder’ policy advice associated with lending and programme conditionality.

Empirical Methods

As Broome (2015: 149) notes: ‘Analysing the scope of the IMF’s policy advice to borrowers provides a window through which to trace changes in the organization’s preferences for national economic policy reforms’. Clearly the IMF has a variety of different relationships with its member states; it is not a unitary actor (Chwieroth 2009). Several studies show that IMF policy advice is often variable between members (Bird & Rowlands 2010), and other research has shown that the IMF has more leverage with smaller countries (Kaya 2012) and those who borrow from the Fund, or whose access to other financing may be dependent on favourable IMF commentaries (Broome 2015). It might be argued that the additional leverage between the IMF and borrowing countries (as opposed to those simply subject to surveillance under Article IV) suggests it is important to focus mainly on these countries. However, given the potential for IMF policy advice to have knock-on effects in relation to other financing (Broome 2015: 151), and that it spends the majority of time on its surveillance activities (Broome and Seabrooke 2007) there is merit also in focussing on policy advice to non-borrowing members. Moreover, this also has the advantage of enabling comparison in policy advice between borrowing and non-borrowing members. Additionally, recent claims by the IMF itself suggest that IMF policy advice is increasingly shaped in country-specific ways. If this were true, then it would be expected that IMF policy advice in relation to inequality would be shaped in part by the degree of inequality (and perhaps also change in inequality) within individual member states.

The presentation of empirical data in the ‘findings’ section follows the four stages in the data collection and analysis, as below:

1. Several of the documents which characterise the IMF’s recent high level political commitment to reducing inequality, also include discussion of a series of macro-economic and structural policies which are identified as increasing or decreasing socio-economic inequality. This discussion is summarised below in order to establish a framework by which the IMF’s own commitment to inequality might be tested. This follows the

approach recently used by Broome (2015) to test the IMF's continuing policy commitment to the 'Washington Consensus'. Broome uses the initial proclamation of a Washington Consensus as the source for identifying a list of specific policy commitments that is then used to test continuity and change in policy advice. The approach here is to summarise the IMF's own discussion of policies that might increase/decrease inequality so that policy advice can be tested to explore whether inequality-decreasing measures feature and, conversely, to explore whether those policies which might be regarded as increasing inequality are absent. The data is taken from three high profile IMF policy publications (Dabla-Norris *et al*. 2015; IMF 2014a; Ostry *et al*. 2014) on inequality.

2. IMF staff who produce policy advice for member states work under a set of operational guidelines. An examination of changes in operational guidelines provides a method by which to assess the extent to which high level commitments to reduce inequality are genuinely held by senior figures in the Fund and Executive Directors / influential Member States. The revised guidelines are therefore examined to assess the extent to which they promote the policies suggested in (1). Several revisions are discussed, the most recent being agreed in 2014 – subsequent to the publication of some of the high profile policy publications mentioned in (1) and which took effect from June 2015 onwards. The revised guidelines and associated documentation were read critically for all references to inequality and distributional discussions. These relevant discussions are summarised below.

3. Examination of recent – that is; subsequent to the publication of high level commitments at (1) and changes to operational guidelines at (2) – policy advice to member states, including both borrowers and non-borrowers. We considered policy advice to eleven countries. The sample size was limited by the number of newly agreed programmes and Article IV consultations that had taken place between the implementation of the new operational guidelines and April 2016, when we completed the empirical research. The sample includes all seven countries that completed new programme agreements during that period and a cross sample of countries who had undertaken Article IV consultations to reflect different domestic conditions and possible relations between the Fund and the Country Authorities. Article IV/Programme documents were first keyword searched for references to 'inequality', 'equality', 'distribution' and then were read in detail. Particular emphasis was given

to the sections which contain the Executive Board assessment and commentary, Staff Appraisal, discussions of 'risk' and the Country Authorities' own comments. Comparison of these might illuminate, for example, differences or similarities of emphasis between the priorities of the EB, operational staff and country authorities. The documents were also read to identify what proportion of the policies to reduce inequality in high profile documents (1) appear, especially when compared to the standard prescription of fiscal discipline. The results of this are summarised in Figures 2-4 and the relevant discussion below.

4. Even if operational guidelines have been changed to reflect a new commitment to reduce inequality and recent policy advice also reflects the mix of policies identified by the Fund as reducing inequality, it could be suggested that there is no real change in policy advice. This might be the case if policy advice had always reflected this concern. This is important to investigate, on the grounds that prior interview data and IMF documents suggest that a concern with the effects on inequality of IMF policy advice have to some extent shaped operational policy with member states since the 1980s (IMF 2014a: 5; Nunn 2015). Analysis of change over time within the advice offered to those member states included in the sample at (3) offers one way of assessing this claim on its own terms, but also the related issue of whether there is any specific recent change. As such, for countries in the sample, we also repeated the exercise at (3) for the immediately prior Article IV consultation or Programme Reviews, where relevant.

Findings: high level policy rhetoric, changing operational guidelines and recent policy advice to member states

The Fund's Recent High Profile Statements on Inequality

Several recent papers from the IMF discuss the links between policy and inequality (Dabla-Norris *et al.* 2015; IMF 2014a; Ostry *et al*. 2014). IMF (2014a) shows that redistributive fiscal policy in advanced countries typically offsets around a third of market or original income inequality, that this redistribution is often effective over the life course rather than between wealthy and poor households *per se*, and that the effects of this redistribution have weakened as market inequality has grown. The paper distinguishes between policies in ‘Advanced’ and ‘Developing’ economies. In advanced economies the report argues that there is persuasive evidence that “fiscal policy has played a significant role in reducing income inequalities”, particularly in relation to welfare and pension transfers (15). This then leads to the rather obvious conclusion that progressive income tax and redistributory social policy spending can reduce inequality. Two further high level considerations are suggested in relation to fiscal policy. Corporate taxation is regarded with some scepticism as it is argued that the scope for capital mobility means that the burden of corporate taxation is effectively passed on to less mobile labour. In addition, indirect taxation and spending are regarded differently; with the former being regressive and the latter being more progressive. In relation to developing economies the report suggests that the redistributory effects of fiscal policy are often limited because of the generally low levels of tax and spending on social programmes and transfers. The report also notes some of the complexities of fiscal policy, and social spending in particular, in developing countries; with the equality effects of in-kind transfers such as public services being strongly dependent on detailed issues of policy design and accessibility. The report then goes on to arrive at a list of 18 policies that might result in beneficial redistribution in advanced economies and 21 policies (some overlap) which might have similar effects in terms of developing countries (see Figure 1).

Dabla-Norris *et al.* (2015) undertake a simple analysis of within country variation in inequality, focussing on the contribution of a number of factors drawn from the wider literature which might be thought to impact on inequality. The analysis suggests that overall labour market flexibility has the broadest impact on increasing inequality, followed by financial deepening, technological change and financial openness. The contribution of increasing pay returns to skills, financial globalisation, technological change and financial deepening was reported as different for advanced and emerging market economies. Turning this analysis into policy advice, they suggest that country specific approaches are clearly most appropriate, but that fiscal policy can promote effective redistribution that does not have to harm growth; that education policies to facilitate adjustment to technological change and financial inclusion can all help reduce inequality. Active Labour Market Policies are also recommended for advanced economies, as is reducing informality for emerging market economies.

Figure 1: Policies to Reduce Inequality Identified by the IMF

Policies which reduce inequality	Advanced Countries	Developing Countries
Improve fiscal sustainability of existing pension systems – increasing retirement ages	X	X
Tighten link between social contributions and receipts		X
Expand non-contributory means-tested pensions		X
Expand means-testing of family benefits and strengthen work incentives		X
Intensify use of ALMPs and in work benefits to promote transitions	X	
Develop unemployment savings accounts	X	
Consolidate social assistance programmes and improve targeting		X
Replace general price subsidies with targeted transfers		X
Expand conditional cash transfer programmes	X	X
Improve design of public works as a safety net employment provider with below market wages.		X
Improve access to education of low-income families	X	X
Increase private financing of tertiary education	X	X
Maintain access of low-income groups to essential health services	X	
Expand coverage of publicly financed basic health package		X
Implement progressive Personal Income Tax (PIT) rate structures	X	X
Relieve low-wage earners from tax or social contributions	X	

Policies which reduce inequality (cont.)	**Advanced Countries**	**Developing Countries**
Expand coverage of the PIT		X
Reconsider income tax exemptions, based on a critical tax-expenditure review	X	X
Impose a reasonable PIT exemption threshold		X
Tax different types of capital income in a neutral manner	X	
Develop more effective taxation of multinationals	X	X
Automatically exchange information internationally	X	X
Utilize better the opportunities for recurrent property taxes	X	X
Examine scope for more effective taxes on inheritances and gifts	X	
Minimize VAT exemptions and special VAT rates	X	X
Set a sufficiently high VAT registration threshold	X	X
Use specific excises mainly for purposes other than redistribution	X	X
Policies which might increase inequality		
Fiscal consolidation – but possible to minimize by balancing spending cuts with tax increases, ensuring progressivity and targeting distributional effects		
Reduced labour market regulation	X	X
Decline of organized labour	X	X
Rising income premium to higher skills.	X	X

Source: IMF 2014a, except the final three lines which are from Dabla-Norris *et al*. 2015.

The purpose of summarising these policies here is not so much to subject them to critique or alternative interpretation of their impact on inequality, but to draw out a list (see Figure 1) of what the IMF *itself* advocates in terms of policies that might reduce inequality. While these are discussed in terms that stress their connection to fiscal policy, the recommendations are much broader, straying into areas of social and labour market policy. These recommended policies to reduce inequality can now be used to assess the extent to which IMF operational guidelines for staff, and the policy advice that those staff and the Executive Board recommend to member states, reflect policies that the IMF itself suggests result in either reductions or increases in inequality.

Changing Operational Guidelines Since 2011

When working with member states, IMF staff are guided by a series of operational guidelines. There are separate procedures for the conduct of surveillance activities and programmes with borrower countries. This section documents the evolution of these two sets of procedures. The purpose of this discussion is four-fold: (1) to evaluate how far changes to these guidelines have taken on board the apparent new focus on inequality; (2) the extent to which these considerations have been present over time; (3) the leeway that the Operational Guidance offers staff to interpret the guidance independently; and (4) to meet country specific dynamics, including the extent of, and change in, the degree of inequality in individual member states.

The processes for surveillance activities are subject to regular reviews, most recently in 2011 and 2014. The 2011 review was undertaken in the context of the global financial crisis. A prominent concern was the way that IMF surveillance had failed to effectively address global imbalances, which, figures connected with the fund were by then suggesting, were central to the cause of the crisis and future vulnerabilities (*e.g.* Rajan 2011). The review therefore focussed on inter-connectedness and weaknesses in IMF surveillance of state policies, especially larger countries who are both more systemically significant and with whom the Fund has less leverage (for *e.g.* see Stiglitz 2011). The resulting changes clearly prioritised international financial stability and strengthened the risk assessment procedures included in Article IV surveillance (IMF 2012b) but did also mandate surveillance activities to be guided by member states' own economic policy objectives and "take into account the member's other objectives and shall respect its domestic social and political policies" (IMF 2012a: 8).

The 2014 review of surveillance activities was still conducted in the lengthening shadow of the ongoing crisis and continued to focus on the importance of domestic policies for overall systemic stability. It was noted that the relationship between structural policies and macro-economic stability was significant and that this required greater cooperation with other multi-lateral organisations such as the ILO, OECD and World Bank. It is also interesting that in contrast to some recent academic research which found that post-crisis IMF Policy Advice in borrowing countries had narrowed (Broome 2015), member states wanted a broader focus on structural policy in Article IV surveillance, including social protection and labour market policy (IMF 2014c). The Managing Director's Action Plan arising from the 2014 review recommended that labour market policy in particular should be more prominent in IMF surveillance reports "reflecting the shared challenge of achieving more durable, job-rich and inclusive growth" (IMF 2014d: 6). While the Action Plan does suggest that guidance on Article IV Surveillance missions will be updated and that this will support the link between structural policies and macro-economic risk reduction in IMF policy advice, inequality is not mentioned in the review. This was despite the Review concluding at about the same time as the Managing Director's Global Policy Agenda which identified inequality as one of a number of structural issues which threatened stability.

The Operational Guidelines which shape policy advice to borrowing countries have also gone through various phases of reform, the most recent becoming operational in June 2015. The IMF's guidelines on conditionality were reviewed in 2002 and 2009, and then guidance on the operational interpretation and application of these guidelines was reviewed in 2011-12 and new guidance (effectively guidance on the guidance) was issued in 2014. The 2002 review was set against the criticism of the Fund's handling of the Asian Crisis and the wider criticism then apparent of globalisation and international institutions. The intention was to streamline conditionality, narrowing the scope of IMF policy advice to focus only on the core competences of the Fund (IMF 2002). That said, many commentators – and the IMF evaluation office– concluded (in 2007) that in practice the scope for staff discretion meant that conditionality remained broad (Best 2012). In the light of the 2008 crisis, the IMF has reviewed practices in relation to conditionality on several occasions. The 2009 review was undertaken in the context of broadening the number and type of programmes offered by the Fund to enhance crisis management capacities – particularly the introduction of the Flexible Credit Line and Precautionary and Liquidity Line, both of which required revised conditionality arrangements to enable 'ex ante' conditionality based on prior policy performance. A further review in 2012 looked at the use of conditionality since the 2007 IEO report and resulted in the introduction of new guidance on the application of conditionality in 2014. The Revised Operational Guidelines to IMF Staff on the 2002 Conditionality Guidelines, makes very little reference to concerns with distribution or inequality. Indeed, the word '(in)equality' does not feature in the document and distributional issues are mentioned explicitly only once:

> in helping the authorities to design a Fund-supported program, staff should (i) seek the views of country authorities early and make every effort to accommodate their preferences and policy choices—*including on growth, labor market and distributional targets*—where possible, subject to consistency with resolving balance–of-payments problems, macroeconomic stability, and all other program goals—and (ii) follow program preparation and review processes that can facilitate reflection on the links between program goals, strategies, and conditionality (IMF 2014b: 6; emphasis added).

Here the reference is to 'jobs and growth' or 'macro-social issues'. Footnotes say that the guidance should be read in conjunction with the 'Guidance note' on *Jobs and Growth: Issues in Surveillance and Program Work* (IMF 2013b) which in turn offers staff guidance on the conclusions from an Executive Board paper on *Jobs and Growth: Analytical and Operational Considerations for the Fund* (IMF 2013a).

IMF staff seeking information on how to adopt the high level focus on inequality in their work with borrowers must first read the 2014 guidance on the 2002 guidance, and then follow a footnote to a separate document which itself must be read alongside a separate document summarising the concerns. This contradicts the image of inequality as 'the defining challenge of our time'.

Turning to the content of these documents, the guidance note suggests that Fund staff should improve policy advice in a number of areas, *e.g.*:

> More systematic integration of policy advice on reforms of tax and expenditure policy to encourage (i) higher labor force participation,

> including by women; (ii) stronger job creation; (iii) progress in reducing inequalities in income distribution; and (iv) more effective protection for the most vulnerable (1).

However, the guidance note quickly suggests that there may be trade-offs between growth, jobs and a more equal income distribution and where this is the case, 'staff's policy advice in surveillance and program contexts should generally prioritize growth' (3) and '…When recommending measures to support a more equal income distribution, staff and policy makers need to be mindful about preserving the incentives that underpin individuals' willingness to expend effort…' (4).

So while inequality is accepted as a potential challenge to growth, the guidance is clear that this is a secondary and subordinate consideration. The mandate of Fund staff should be interpreted as remaining consistent with the objective of increasing and sustaining growth and macro-economic stability. There is considerable discussion of inequality but some of it appears much less certain about the benefits of reducing inequality than the high level documents discussed above. Staff are advised to include consideration of inequality and income distribution issues in relation to their initial discussions with national authorities in both surveillance and programme discussions. However, income distribution issues are frequently discussed in ways that question the evidence of the links between inequality and growth.

Further, policies are recommended which in the wider research are argued to increase inequality. For example, the guidance recommends putting downward pressure on wages across the economy; using public sector pay containment to suppress wages in the private sector. Similarly, the guidance suggests that 'Income taxes and social contributions have the most adverse effects on growth' (20); contradicting the policy recommendations on inequality cited above. Elsewhere in the document a more nuanced picture is presented about the design of fiscal policy, recommending greater progressivity in income tax and targeting of social transfers. All that said, the message is substantively consistent: inequality *can* reduce growth; redistribution *might* be positive for growth; promoting employment is to be encouraged while containing wage growth and ensuring that poverty at the bottom of the distribution does not lead to counter-productive (to growth) behaviour among the poor. Overall, in the staff guidance the commitment to reducing inequality is certainly less clear cut than that suggested in high profile speeches and policy publications, and is clearly secondary to concerns with growth and/or fiscal discipline.

IMF Policy Advice to Member States Since the Change in Operational Guidelines

The policies listed in Figure 1 are used in this section as a means of establishing the extent to which policy advice to member states reflect the high profile commitment to reducing inequality. If IMF policy advice produced since the change in operational guidance (effective from June 2015) appears to promote policies which it recommends as reducing inequality, then we will have some greater evidence on which to conclude that the recent high level commitment goes beyond rhetoric. Conversely, if we find that IMF policy advice contains policies which it regards as increasing inequality and that inequality reducing policies are absent, then there is some evidence to support the opposite conclusion.

We undertook a review of policy advice to different member states who have concluded Article IV or programme negotiations with the IMF since the change in operational guidelines discussed above. While the limited passage of time since the change in operational guidelines constrains the size of the possible sample of countries, we have so far been able to review policy advice to eleven countries (as set out in Figure 2).

The sample of borrowing countries covers all seven member states who had concluded new borrowing arrangements with the Fund between the change in operational guidelines becoming effective and the time of writing in early May 2016. There was more choice among surveillance countries because of the greater regularity of Article IV reviews. The countries chosen: the United States, United Kingdom, Brazil and China, reflect a range of different countries (including advanced/developing) but all have relatively high levels of inequality and all are arguably of systemic significance. Between surveillance and borrower countries in the sample, there is clear variety in the capacity and power relative to the IMF. While it is sensible to think that policy advice is likely to have more traction with smaller countries and borrowers, whether or not the policies are implemented is not necessarily a measure of how genuine the IMF's commitment to reducing inequality is. As such, the full sample can be read on an equivalent basis when addressing that element of the research.

Figure 2: Sample of IMF Lending to Programme Countries since June 2015

	Kenya	**Colombia**	**Kosovo**	**Sao Tome & Principe**	**Guinea Bissau**	**Mozambique**
Programme	Stand-by Arrangement and Credit Facility	Flexible Credit Line	Stand-by Arrangement	Extended Credit Facility	Extended Credit Facility	Standby Credit Facility
Programme Dates	03/2016-03/2018	06/2015-06/2017	07/2015-05-2017	07/2015-07/2018	07/2015-07/2-18	12/2015-06/2017
Amount (000s, SDRs)	709,259 354,629	3,870,000	147,500	4,440	17,040	204,480
HDR Indicator/Ranking	0.548/145	0.720/97	N/A	0.555/143	0.720/178	0.416/180
GDP Per Capita (USD), from Prog. Document	1,417 (2014)	7,928 (2014)	3,559 (2014)	3,023 (2014)	639 (2014)	624 (2014)
Poverty Rate MDG	43.4%	5.6%	N/A	43.5%	48.9%	60.7%
Debt as % GDP (Gross, from IMF Prog. docs)	48.1	44.3 (2014)	16.7 (2014)	74.5 (2014)	49.8 (2013)	56.6 (2014)

Source: IMF 2016, *IMF Lending Arrangements as of March 31 2016 http://www.imf.org/external/np/fin/tad/extarr11.aspx?memberKey1=ZZZZ&date1key=2020-02-28.*

The policy discussion and advice in these documents is revealing. Relatively little discussion of inequality concerns is present in any of them (see Figure 3 and Annex I). Where it is present, this is usually in very passing references. Inequality also appears to be more likely to be discussed in Article IV papers than in programme reviews. One possible explanation for this might be that this reflects the policy preferences of country authorities and their greater ability to press for their own domestic objectives to be reflected. Where inequality is mentioned in these documents, this is mainly in passing and some surprising commentaries are present, again suggesting that the references are there at the behest of country authorities. For example, positive comments are made about reductions in inequality in Brazil, despite it having a very high level of inequality and recently witnessing urban unrest related to inequality. Similarly, the UK government is praised for monitoring the distributional effects of austerity policies, though prevailing domestic opinion on UK austerity would be somewhat more critical of the distributional effects themselves as opposed to mere measurement activity. No mention is made whatsoever of inequality in China, though the impressive economic growth of recent decades is widely noted to have realised rapidly increasing inequality, raising the prospect of social tension. Indeed, the only place in the Article IV report where inequality is mentioned is by the Chinese Executive Director who comments on urban-rural divides, but not on new urban inequalities, the plight of migrant workers in urban environments or industrial tensions around wage repression.

The absence of discussion about distributional issues may reflect Fund staff staying closer to their specific brief of exchange rate, monetary and fiscal policy than the more expansive policy advice dispensed in previous times, but it also suggests that inequality is at best a second order consideration when it comes to programmes and reviews.

Figure 3: Comparison of Discussion of Inequality in Article IV Documents in Surveillance Countries

	Article IV Papers			
	US	UK	Brazil	China
Gini Level (date)	0.4 (2013, OECD).	0.35 (2012, OECD)	52.9 (2013, World Bank)	0.47 (2014, National Statistics)
Gini Change 5 years	+0.2 5 years	-0.1 5 years	-1.5 5 years	-0.2 5 years*
policies which reduce inequality	10/18	1/18	0/21	3/21
Fiscal consolidation	Yes	Yes	Yes	Yes
Inequality Mentioned in EB Assessment	Yes	Yes	Yes	No
Inequality mentioned in staff appraisal	No	No	No	No
Inequality mentioned in risk matrix	No	No	No	No
Summary	Ineq. mentioned in EB appraisal as a ‘challenge’	Ineq. Mentioned in view of govt. monitoring of impacts of austerity	Ineq. Fallen over last decade bc social programmes.	N/A
Sources	IMF 2015j	IMF 2014f	IMF 2015k	IMF 2015l

Looking at the policies recommended (see Annex II) is also revealing. The country where recommended policies fit most closely with the outline of policies prescribed for inequality reduction is the US. It may well be that this reflects more the views of the national authorities than the Fund itself. Outside of this, the policies suggested are much less frequently present in those recommended to member states. Indeed, while the traditional recipe of fiscal consolidation is recommended in all countries in the sample, very few of those policies that the IMF recommend to reduce inequality (see Annex II) are mentioned at all. Where these policies are recommended to borrower countries, the most prominent could also be interpreted as being concerned as much with fiscal consolidation as reducing inequality ('consolidate social programmes and improved targeting') and also reflect the clearly growth-oriented concern to 'expand educational enrolment' (a commitment that was part of the Millennium Development Goals for more than 15 years now in any case). Add to this, the frequent exhortations to reform social programmes to contain state spending and to supress wage growth, and the reader is left wondering what, if any, change in priorities there has been as a result of the fanfare over the Fund's new high profile commitment to reducing inequality.

That said, there is some evidence that the very limited prominence of inequality in recent IMF Programme documents represents slow progress in increasing the systemic consideration given to inequality in the Fund's work with member states. When comparing with the immediately prior programme documentation for borrower countries it was clear that inequality had been even less of a concern prior to the change in operational guidelines. It is perhaps too early to conclude definitively, but this might suggest that there are marginal signs of a slow and limited change in emphasis.

Discussion: the significance of IMF policy advice on inequality

There are many different perspectives on the work of international organisations, and the IMF has been perhaps both one of the most studied and most criticised. The early commentary on international organisations like the IMF in critical IPE tended to take the line that these organisations were part of the establishment of a quasi-constitutional neo-liberal institutional structure above the state which sought processes of ‘lock-in’ through their institutionalised linkages with member states (Gill 1998). Other materialist scholars have associated the institutions of global economic management with a project to expand the world market, attempting also to solve problems attendant to that project (Cammack 2001 2004). In that critique, the turn to the ‘post-Washington Consensus’ in the early 2000s represented a recognition of the risks and problems associated with markets and market failure, and a corresponding attempt to cope with these (Cammack 2009, 2012).

More recently a range of broadly critical but more constructivist scholarship has sought to show how the ways in which international organisations like the IMF construct their ‘cognitive authority’ is crucial to understanding their attempts, successes and failures to secure the implementation of their policy advice within member states (Broome and Seabrooke 2007, 2012).

One similar line of discussion in this tradition and which is relevant to our paper is the ‘organised hypocrisy’ thesis developed by Weaver (2009) and others (Kentikelenis *et al.* 2016). Weaver’s work, which focuses upon the activities of the World Bank, highlights ‘mainstreaming gaps’, or discrepancies between what the Bank claims are its priorities (alleviation of poverty and socioeconomic development) and what it actually does to pursue these goals, resulting in ‘organised hypocrisy’. Such an analysis might explain our own findings and the discrepancy between high level pronouncements and the structure and content of policy advice. This might arise especially from the tensions between environmentally influenced goals (such as the recognition that high levels of inequality are systemically destabilising) and the internal organisational culture, with its entrenched ideologies, norms, and standard operating procedures. Indeed, Gronau and Schmidtke (2016) apply similar arguments to the IMF. They argue that the IMF is undergoing a 'legitimacy crisis' flowing from the negative consequences of loan conditionality for employment, poverty, and social stability. They go on to argue that the IMF’s ‘public legitimation strategies’, which emphasise poverty reduction, social security, and democratic participation, are seen by IMF staff as being in conflict with the Fund’s identity and purpose, and constituting an inappropriate expansion of the IMF’s mandate towards more political issues. This tension between the externally influenced ‘legitimisation strategy’ publically adopted by the IMF and the organisation’s strongly entrenched internal bureaucratic culture could lead to a situation of ‘organised hypocrisy’ similar to that identified by Weaver in the World Bank. Similarly, a recent paper by Kentikelenis *et al*. (2016) suggests that ‘organised hypocrisy’ explains the difference between IMF rhetoric and the content of policy conditionality and advice. This would help to explain our own findings and provide an insight into the root causes of the disconnect between the IMF's high level pronouncements on reducing inequality and the far more limited practical action taken to that end.

Here the attention is much less on the macro-global policy frameworks that they deploy and more on the inner workings of international organisations themselves and the means by which particular policy paradigms are transferred from international organisations into member state policy. In this latter conception, it is a mistake to identify simplistic patterns of coherence between international organisations or simple policy convergence within member states at their hands. That said, these scholars do see important processes by which international organisations mobilise indirect ideational power, leading to policy changes within their member states.

The central theme of this paper cuts across these different perspectives. That several international organisations have adopted both the concern with systemic risk management and the perception of inequality now being a ‘negative risk’ (Cammack 2012; Nunn 2015) in systemic terms, is, of course, notable itself. But to make sense of this, it is necessary not just to enquire about the internal processes by which inequality came to be framed as a policy problem. Rather it is necessary to enquire into the specific historical conjuncture; the material processes and social struggles within which this has occurred. The organised hypocrisy thesis might help explain the gap between the Fund’s rhetoric and practice. A ‘soft’ interpretation of the rhetoric/practice gap might merely be that the rhetoric helps to offset criticism and provide legitimation for a continued commitment to neo-liberalisation. However, while we cannot fully substantiate this claim, we are tempted to go further. It may be no accident that leading IOs have come to worry about managing global risks. The current conjuncture is one at which systemic risks are becoming more prominent precisely because the system is reaching its spatial, social and ecological limits. If risks cannot be offset through deferring them in time and space, then they are likely to become amplified (Jessop 2015). As Cammack (2014, 2015) persuasively argues, the current point in the history of capitalism as a world system is marked by the proximity – if not yet the reality – of the completion of the world market, at which point that system may become more unstable and crisis prone, requiring more than mere rhetorical legitimation. A 'harder' interpretation therefore might be that the commitment to manage these risks is genuine – more than rhetoric – but that there are institutional barriers to this being adopted in relation to policy and practice implementation.

With this context in place the explanatory problem then shifts to precisely how inequality might be 'framed' as a material and systemic problem. Here the constructivist literature with its emphasis on the way that international organisations seek to diffuse policy ideas can help. The discussion of inequality in key IMF strategic policy publications has a heavy reliance on research papers produced by IMF staffers as well as research by the World Bank and particularly the OECD, which has arguably led the way among international organisations on this issue. It is notable then that the Fund is only one of a number of organisations, including less formal agenda setting elite forums such as the World Economic Forum, to be now legitimating and framing inequality as a policy problem from the perspective of promoting and sustaining world market integration. Interview data with Fund staff suggests that though emergent, this framing represents a genuine commitment to reduce inequality rather than being mere rhetorical legitimation.

However, it seems that this policy problem has not fully diffused through the institutional structure. Inequality is less clearly seen as a problem either in the evolving operational guidelines for IMF staff or the policy advice administered to member states. Moreover, where it features at all at these more operational scales, inequality appears to be subordinate to concerns with growth and fiscal consolidation. Institutional barriers and internal struggles might have been important in blocking the transfer of the high level rhetorical commitment from translating into policy advice to member states. Indeed, this might be no particular surprise. It may be that the commitment of the MD and senior staff has yet to be taken up by the professional economists who dispense policy advice to member states through Article IV and programme discussions. Best (2012) notes that previous changes to operational guidelines have sometimes been resisted by staff who are uncomfortable with stepping beyond the boundaries of their professional training. Not only do many of the inequality-reducing policies lie outside of the Fund's traditional competences in relation to fiscal and monetary policy, but also, as one senior IMF official suggested to us in an interview, the recent high level commitment to reducing inequality 'breaks one of the ten truths that all economists know'. Such ideational and institutional barriers to reorientation may both mean that any change of emphasis in policy advice regarding inequality will be slow, and that the Fund's capacity to act as a systemic risk manager in the decades to come is significantly constrained by such internal rigidities.

While not explicitly intended to achieve this, the evidence above might also contribute to some of the wider debates on IMF policy advice in the contemporary literature. It suggests that there may once again be some broadening of the IMF's policy advice, counteracting the narrowing of Fund advice over the last decade (Broome 2015). The policies recommended by the Fund to reduce inequality stray far outside of fiscal and monetary policy. They also suggest the promotion of a more sophisticated policy agenda of neo-liberalisation akin to the hybrid and context sensitive interpretation offered by Brenner *et al*. (2010), than the more simplistic 'Washington Consensus' prescriptions. Following this, the way that the discussion of inequality occurs in borrower and non-borrower policy advice also suggests that there is scope for flexibility, ownership and influence of IMF policy advice by country authorities, especially among more powerful non-borrowers.

Conclusions

The paper addresses a largely empirical question related to the IMF's recent high profile statements on the importance of reducing inequality. These are somewhat at odds with the Fund's hitherto reputation as an organization that is unconcerned with inequality and committed to a reform agenda of neo-liberalisation. Indeed, it might easily be argued that policies that the Fund has previously recommended have contributed to the increased inequality that it now, apparently, sees as a problem. As such, it is interesting to explore how significant the espoused commitment to reducing inequality actually is, by assessing the extent to which this commitment is reflected in recent changes in operational guidelines and the policy advice given to member countries. The data collected here suggests that the concerns expressed in high profile policy statements are not wholly carried through to operational guidelines and practice. Given the long-term connection of the IMF with neo-liberalisation, this is perhaps unsurprising.

While this series of steps in the collection and analysis of data is able to explore how genuine is the IMF's commitment to the 'new politics of inequality', a number of important limitations remain. First, we cannot fully explain why there is an apparently greater commitment to reducing inequality at a strategic policy scale and a much more muted commitment at more operational scales. Instead, we are limited to offering *possible* explanations related to organised hypocrisy, internal struggle and institutional inertia. Second, we cannot assess the extent to which this policy commitment – to the extent that it exists – is actually implemented in practice by member states themselves. Third, we are not able to assess whether non-implementation reflects 'policy slippage' or merely tacit and unwritten arrangements between the Fund and member states that some policy commitments should be taken more seriously than others, regardless of what is written in programme documents. Since IMF policy advice has been interpreted as sometimes opaque and informal (Best 2012), this may be significant. Further research should therefore address these limitations.

Several avenues for future research are suggested by this analysis. The sample of borrower countries involved in the type of analysis of policy advice conducted here should be broadened. Change over time should be considered in the process as the new operational guidelines bed in. Further, at least two lines of enquiry for interview-based research are suggested by the discussion. First, it would be useful to explore why the reviews of operational guidelines were not more fully shaped by the high level policy pronouncements on inequality. Second, it would be useful to explore why Article IV reports and Programme Agreements and reviews act on or ignore the guidance on inequality that is present in these guidelines. This would involve discussions with EB members, IMF staff and Country Authorities in relation to a sample of Article IV and Programme negotiations.

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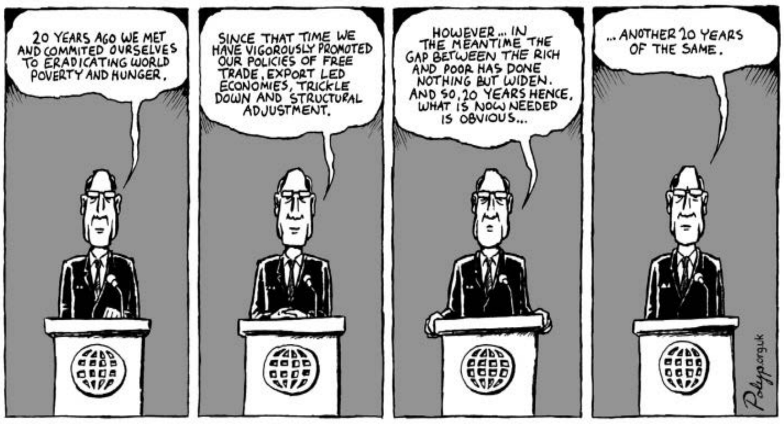

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Annex I: Comparison of Discussion of Inequality in Programme Documents for Borrowing Countries

	Kenya	Colombia	Kosovo	Sao Tome & Principe	Guinea Bissau	Mozambique
Gini Level (date)	0.48 (2005-2013, UNDP)	0.535 (2005-2013, UNDP) (2013, World Bank)	N/A	0.339 (2005-2013, UNDP)	0.355 (2005-2013, UNDP)	0.457 (2005-2013, UNDP)
Gini Change 5 years	N/A	0.025 (from 0.56 in 2008, World Bank)	N/A	N/A	N/A	+0.001 (from 0.456 in 2008, World Bank)
No. of policies reducing inequality	0/21	4/21	4/21	5/21	4/21	1/21
Fiscal consolidation	Yes	Yes	Yes	Yes	Yes	Yes

EB Assessment mentions inequality?	No	No	No	Yes	Limited references	Limited references
Inequality mentioned in staff appraisal?	No	No	Limited references	Limited references	Yes	Limited references
Inequality mentioned in discussion of risk?	No	No	No	No	No	No
Inequality mentioned by country authorities?	No	No	Limited references	Yes	Yes	Limited references
Commentary	Staff appraisal mentions ‘inclusive growth’ & that fiscal discipline	National authorities and IMF both strongly emphasised fiscal consolidation.	Fiscal consolidation and economic growth main concern of both country authorities and IMF. Cuts / limits	Country authorities emphasise financial consolidation and economic growth, but also	Staff appraisal makes some mention of 'financial inclusiveness', improvements to infrastructure and	Authorities mentioned 'inclusive growth' and poverty reduction but mainly emphasised fiscal

Commentary (cont.)	might enable social spending but this is unspecific and lacks detail. Inequality in Kenya is not discussed anywhere in the programme documents.	Very brief mention of ‘inclusive growth’ by EB and staff appraisal, but no detail. Otherwise no mention of issues pertaining to inequality.	to public sector wages targeted. Some limited mention by country authorities of social goals, *e.g.* increasing employment, especially for poor and women, some modest increases to welfare. Staff appraisal makes brief references to 'inclusive growth' and 'inclusive and sustainable development'.	poverty reduction strategy and public investment, 'inclusive growth', extension of social services and social protection programmes. EB statement and staff appraisal emphasise fiscal consolidation and economic growth, but mention poverty reduction and social spending.	education, and discussion of 'inclusive growth', but main concern economic and political stability and fiscal consolidation. Some mention of poverty reduction and 'inclusive growth' in EB statement. Job creation and poverty reduction are stated key objectives of the country authorities.	consolidation, controlling inflation and GDP growth. Wage reductions / controls planned. EB made brief mention of 'inclusive growth'. Staff appraisal also made brief mention of 'inclusive growth'.
Commentary on comparison	Inequality was mentioned in	Previous FCL arrangement was established	SBA arrangement set up in 2012. No	Three-year ECF arrangement from July 2012.	RCF arrangement in November 2014. Poverty	Three year PSI agreed in 2013. Poverty reduction

with immediately prior IMF Programme Document (Cont.)	the SBA/SBC agreement in Feb 2015 as a priority of the Country authorities.	in 2009 and renewed in 2010 and 2013. 2013 renewal document contained some limited references to reducing inequality, *e.g.* through tax reform.	mention of inequality in programme documents.	Staff, EB and country authorities mentioned poverty reduction strategy in programme documents.	reduction strategy emphasised in programme documents.	strategy was a target along with macroeconomic stability.
Sources	IMF 2015a; 2016a	IMF 2013c; 2015b	IMF 2012c; 2015e; 2015f	IMF 2012d; 2015h; 2015i	IMF 2014e; 2015c; 2015d	IMF 2013d; 2015g; 2016b

Notes: EB is Executive Board; UNDP is United Nations Development Programme; SBA is Stand By Arrangements; SCF is Standby Credit Facility; ECF is Extended Credit Facility; RCF is Rapid Credit Facility; PSI is Policy Support Instrument; FCL is Flexible Credit Line.

Annex II: Policies Recommended to Sample Borrower Countries

Policies which reduce inequality	Advanced Countries	Developing Countries	Colombia	Kosovo	Sao Tome & Principe	Guinnea-Bissau	Mozambique
Improve fiscal sustainability of existing pension systems – increasing retirement ages	X	X		X *			
Tighten link between social contributions and receipts		X					
Expand non-contributory means-tested pensions		X	X				
Expand means-testing of family benefits and strengthen work incentives		X					
Foster transitions through intensifying ALMPs and in-	X						

* No cut to retirement age – but cuts to pension benefits and beneficiaries

work benefits							
Develop unemployment savings accounts	X						
Consolidate social assistance programmes and improve targeting		X	X	X	X	X	X
Replace general price subsidies with targeted transfers		X					
Expand conditional cash transfer programmes	X	X					
Improve design of public works as a safety net employment provider with below market wages.		X					
Improve access to education of low-income families	X	X	X	X	X	X	
Increase private financing of tertiary education	X	X					
Maintain access of low-	X				X	X	

income groups to essential health services							
Expand coverage of publicly financed basic health package		X					
Implement progressive Personal Income Tax (PIT) rate structures	X	X					
Relieve low-wage earners from tax or social contributions	X						
Expand coverage of the PIT		X					
Reconsider income tax exemptions, based on a critical tax-expenditure review	X	X				X	
Impose a reasonable PIT exemption threshold		X					
Tax different types of capital income in a neutral manner	X						
Develop more effective	X	X			X		

taxation of multinationals							
Automatically exchange information internationally	X	X					
Utilize better the opportunities for recurrent property taxes	X	X					
Examine scope for more effective taxes on inheritances and gifts	X						
Minimize VAT exemptions and special VAT rates	X	X		X	X**		
Set a sufficiently high VAT registration threshold	X	X					
Use specific excises mainly for purposes other than redistribution	X	X					

** Introduction of VAT system for first time.

Policies which reduce inequality	Advanced Countries	Developing Countries	Colombia	Kosovo	Sao Tome & Principe	Guinnea-Bissau	Mozambique
Fiscal consolidation, but possible to minimize by balancing spending cuts with tax increases, ensuring progressivity and targeting distributional effects			X	X	X	X	X
Reduced labour market regulation	X	X					
Decline of organized labour	X	X					
Rising income premium to higher skills	X	X					

Sources: As in Figure 3 and Annex I.