Inequality and Ideational Change within the Fund: An In-depth Comparison of the IMF’s Research, Rhetoric and Practices

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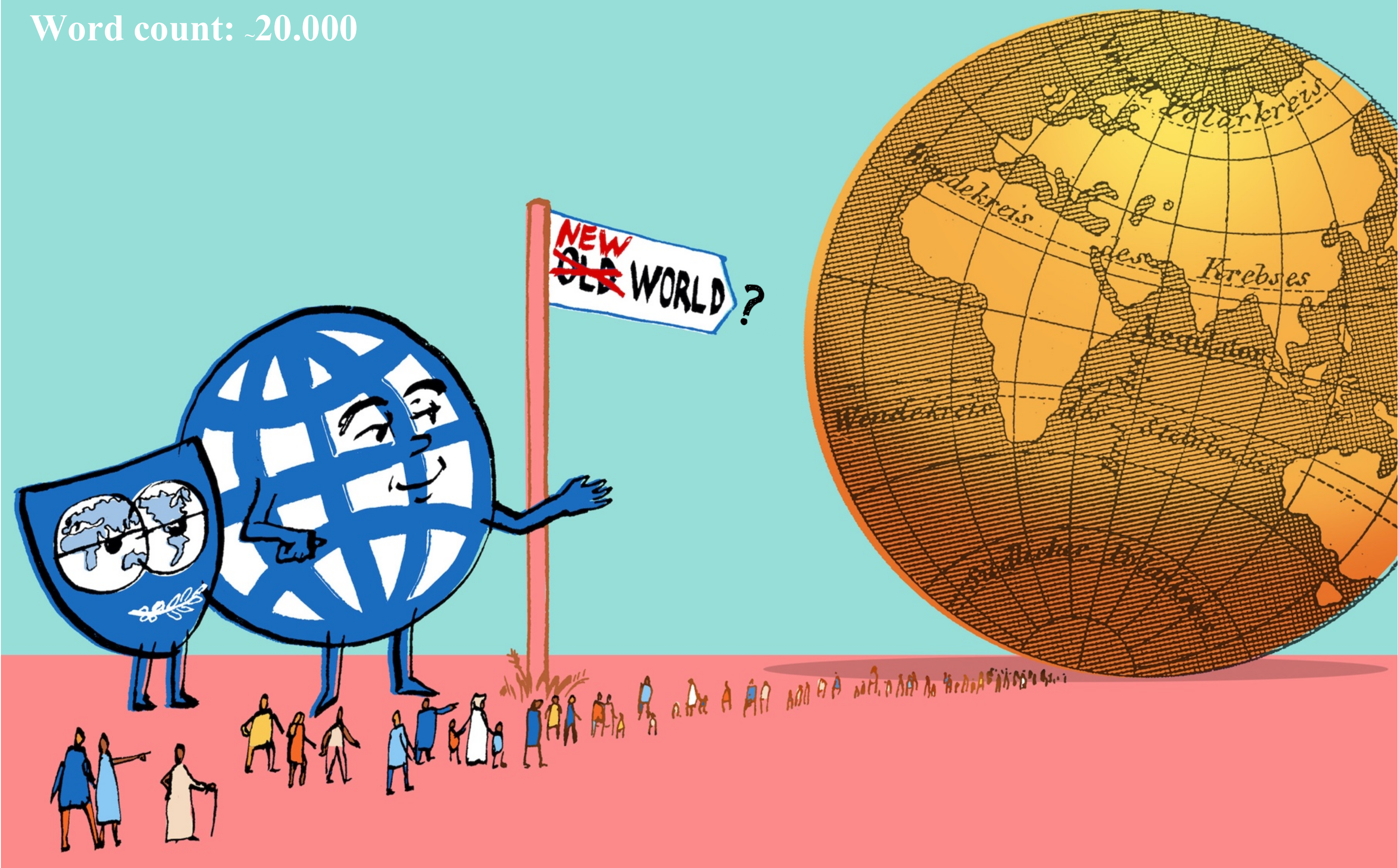

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Abstract

The IMF reversed its attitude regarding the subject of inequality in response to new in-house research publications that identified the issue to be a critical determinant of macro-economic stability. As a result, tackling inequality became part of the Fund's core mandate and redistributive policies were no longer seen as inefficient, but a prerequisite to alleviating inequality and essential in ensuring sustainable economic growth. Several civil society organizations, however, argue that there is a strong discrepancy between the IMF's rhetoric and its practices. Supposedly, the Fund has often stressed the importance of mitigating excessive levels of inequality in its public discourse, but its loan programs have not yet incorporated this progressive rhetoric as they continue to mandate regressive fiscal policies more in line with the Fund's neoliberal past. The main aim of this study is to assess to what extent the IMF has listened to its own research findings and thereby implemented its progressive mandate through its current crisis loans. The Fund's ideas regarding the macro-criticality of inequality, on the one hand, are assessed through a discourse analysis of its top-level rhetoric and its key research publications, and through first-hand interviews. The Fund's practices, on the other hand, are examined through a content analysis of the recently published loan documents and Article IV consultations. The analysis finds that the Fund's rhetoric, Article IV consultations and staff opinions are strongly informed by the research publications as they all entail significant discussions of the macro-criticality of inequality and include the appropriate progressive policy alternatives, whereas the Fund's crisis loans fail to include the Fund's new progressive mandate. Therefore, the IMF's practices have as of yet not fully incorporated the critical research findings on inequality.

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Introduction

Income inequality has been steadily on the rise, not only as a statistic but also as an increasingly salient subject on the international political agenda. Civil Society Organizations (CSOs) have been at the forefront of spreading awareness about the unethically high levels of income inequality and its perpetrators. They consider the Bretton Woods institutions, among which the International Monetary Fund (IMF), to be part of the problem rather than the solution as they have widely disseminated a neoliberal policy logic proven to be detrimental to equality (Clift & Robles, 2021).

Since 2010, the IMF's own research department has put together a wide body of research which aligned in part with some of the CSO concerns as it highlighted the adverse effects of IMF mandated policies, such as fiscal consolidation, on equality levels and sustainable economic growth (Clift & Robles, 2021). In response to these new insights, key IMF figures have acknowledged how the merits of neoliberalism have been oversold by the Fund (Clift & Robles, 2021.). These key discoveries drove the IMF to abruptly reverse its attitude regarding the merits of its former neoliberal policy agenda. Consequently, figureheads of the IMF have fittingly pledged and sought to intensify the role and involvement of the Fund in tackling inequality (Clift & Robles, 2021).

In a sense, the IMF engaged in rebranding its image and started to portray itself as a champion heavily committed to combatting inequality (Stubbs et al., 2021). This indicates a strong departure from the Fund's prior more neoliberal reputation, where inequality issues were paid no heed. Hence, eventually not only civil society's critical rhetoric, but also the IMF's research department publications and consecutively the Fund's public discourse, have associated widening inequality with the Fund's core but flawed neoliberal mandate focused primarily on sustaining economic growth and stability at all costs. This new image that the IMF has styled for itself is strongly rooted in the publication of several high-impact studies on the consequences and determinants of inequality (Ostry et al., 2014; IMF, 2014; Dabla-Norris et al., 2015). As a result, at least at a discursive level, the IMF at present aims to tackle inequality and sees it as a crucial component of its renewed mandate, which centers around inclusive growth and stability.

Clift and Robles (2021) argue that this is an important change as the interpretative framework through which the IMF evaluates and assesses economic policy supposedly also shapes its views on what should be regarded as 'sound' or 'inappropriate' policy. These new ideas regarding inequality should consequently also inform the Fund's forthcoming loan disbursements and accompanied policy recommendations.

Research Problem

The IMF publicly acknowledges that some of its past mandated policies have fueled inequality and that inequality is one of the major issues it needs to actively incorporate within its loan programs. It has repeatedly and explicitly verbalized that it is fully committed to operationalizing its inequality research. In the words of Lagarde, former director and chairwoman of the IMF, what is needed is ‘’Not just words, but action’’ (Bretton Woods Project, 2017). However, many civil society organizations (CSOs) argue that the current policies that the IMF mandates still seem relatively unchanged (Mariotti et al., 2017). In a nutshell, the paradox identified here is that while the IMF’s research and rhetoric on inequality indicates that certain IMF austerity policies should be avoided and that the Fund is heavily committed to reducing inequality by changing its lending practices, in reality many IMF loan programs and policy recommendations supposedly still promote regressive measures which generate inequality. Hence, according to CSOs, there is a so-called rhetoric practice gap: a discrepancy between what the IMF says it will do, and what the IMF actually does on the ground (Nunn & White, 2016).

This thesis aims to address this rhetoric practice gap by analyzing whether or not the IMF is operationalizing its own research and rhetoric on inequality by structurally altering the policies it mandates through its loan programs and Article IV consultations. It thereby aims to assess to what extent the introduction of novel policy ideas, through the research department publications, have altered the Fund’s practices on the ground. Hence, this thesis takes an ideational approach which is considered appropriate as ideas are increasingly seen as a crucial variable shaping the process of policymaking in political science (Schmidt, 2008; Béland & Cox, 2011; Berman, 2013; Blyth, 2013; Baumgartner, 2014). More specifically, such an approach enables researchers to identify changes in policy prescriptions and assess how such changes have come about (Parsons, 2007; Schmidt, 2008; Béland & Cox, 2011), which is a central aim of the primary analysis of this paper.

On the basis of the countries focused on within the IMF’s own research, a case selection has been made of Peru, Nigeria and Columbia. By means of a thorough analysis of the Fund’s discourse, the novel idea of inequality introduced by the research department and promoted within the top-level rhetoric can be discerned. Moreover, by comparing, through a content analysis, the findings of the IMF’s research department on inequality with the make-up of three of the current 91 crisis loan programs and article IV consultations, something can be substantially said about whether the IMF is living up to its own research and rhetoric, or whether they are still promoting the same bundle of harmful neoliberal policies. Hence, the overall research question:

To what extent are the IMF's current practices in Peru, Colombia and Nigeria informed by the Fund's own research findings on inequality?

The recent COVID related loan disbursements have not yet been thoroughly analyzed in the body of scholarship and provide a current and very relevant context to research this question. Within just the first six months of the worldwide pandemic, over a hundred developing and emerging market countries filed for IMF financial assistance, which put together is over three times the amount of lending programs requested after the 2008 financial crisis. The manner in which those IMF programs and their follow-up plans will be designed will have a significant impact, not only on the economic welfare and health of the individual countries to which the loans are disbursed, but also on the world's economy as a whole. The issue of whether or not these loan programs have incorporated the Fund's own research findings on inequality is therefore of substantial societal importance and relevance. This is especially the case, as it would be a worrying prospect if the IMF's more progressive discourse is not matched by its actions, as such regressive austerity policies have been found to increase inequality and harm public health, which is precisely the opposite of what is needed in the current context of the pandemic (Viens, 2019; Kentikelenis et al., 2020).

Literature Review

The literature review provides an overview of the multiple authors who have analyzed the changes in policies which the IMF has mandated through its loan programs following the 2008 financial crisis. Subsequently, it addresses the more critical strand of scholarship which conceptualizes the relationship between IFI mandates, policy space and the subject of inequality.

IMF's Changing Practices

After a period of strong economic growth in the 2000s, during which the IMF's policy leverage considerably weakened as a result of its loan programs being requested less and less, the 2008 financial crisis rejuvenated the IMF as its services became widely requested once again (Nunn & White, 2016). Just a year before the crisis, the Fund had attempted to renew its image and reassert its legitimacy with the promise to change its neoliberal conditionality practices (Gabor, 2010). The IMF's revival in 2008 was accompanied by a new discourse, one which proclaimed that the IMF was departing from its prior heavy focus on neoliberal policies such as fiscal austerity (Kentikelenis, Stubbs & King, 2016). With this new identity, new issues such as poverty reduction, the adverse consequences of high-income inequality and ineffective social protection policies came onto the IMF's agenda (Kentikelenis, Stubbs & King, 2016). The Fund thereby sought to depart from the highly criticized Washington Consensus and change its lending practices accordingly.

Against this historical background, several scholars have studied the IMF's supposed change in mandate by analyzing both the content of the conditions attached to their loan programs (Gabor, 2010; Güven, 2012; Broome, 2015; Ban & Gallagher, 2015; Kentikelenis, Stubbs & King, 2016; Kaya & Reay, 2019) as well as changes to the IMF's overall policy preferences over the years (Babb, 2012). Within this body of literature, there is considerable disagreement as to whether the policy advice and loan programs of the Fund demonstrate continuity with the heavily criticized Washington Consensus, i.e., a neoliberal preference for fiscal retrenchment and monetary stability, or whether the loan programs exhibit incremental change thereby creating room for progressive policy alternatives. The different stances of the authors within the body of scholarship can be divided into two different camps, one which identifies coherence and consistency with regards to the IMF's mandate over time, and another which identifies incoherence, inconsistency and fragmentation. The literature that reviews the

IMF's gap between its rhetoric and its practices therefore puts forward varying degrees of change and continuity when it comes to the IMF's mandated policies over time.

Gabor (2010) was one of the first to empirically analyze how the IMF changed its policy conditions following the financial crises and found that the IMF had not shed its neoliberal skin, as the implemented policy conditions still strongly resembled the IMF's pre-crisis mandate. By performing a thematic examination of the IMF's loan programs following the 2008 financial crisis, Güven (2012) also found that, despite the Fund's renewed policy narrative, the actual content of the recommended policies did not show any fundamental difference from the loan programs mandated prior to the crisis. Babb (2012) further adds to the discussion by arguing that the Washington Consensus has not been met with any serious rival yet. Put together, these findings all point to a certain level of consistency when it comes to the policies which the IMF has mandated over time. They thereby empirically substantiate the claim that despite the IMF's more progressive rhetoric, its loan programs still largely reflect policies informed by the Washington Consensus. Therefore, the neoliberal dream, so to speak, still seems to be alive and kicking.

Broome (2015), on the other hand, expanded on Güven's work by exploring 93 IMF staff reports on loan requests through a quantitative content analysis. Broome's (2015) findings indicate a high level of continuity within some policy areas, but also identify a pattern of change in others. Consequently, he concludes that despite many elements of the Washington Consensus still being present, some elements have been excluded from the loan programs, indicating a change in policies mandated, albeit a fragmented one. Ban and Gallagher (2015) further analyzed the patterns of policy change within the IMF following the 2008 crisis and mapped out the pre-and post-crisis agenda of the Fund. Their findings substantiate those of Broome (2015), as they argue that not only some of the IMF's policies have changed following the crisis, but its institutional setup as well (Ban & Gallagher, 2015). The evidence Broome (2015) and Ban and Gallagher (2015) put forward therefore paints a more nuanced picture, in the sense that the Washington Consensus seems to have partially disappeared within the IMF's practices. Going against Gavor, Güben and Babb's findings, they highlight that there is a certain degree of incoherency or fragmentation, which points towards the possibility for new alternative types of progressive policies to come to the fore, as the older neoliberal policy logic seems to be retreating from the Fund's practices.

Kentikelenis, Stubbs and King (2016), however, depict a more negative image of the changes in IMF policy recommendations following the crisis. They performed a large-scale analysis examining relevant archival material attached to the IMF loan programs between 1985 and 2014 and find little to no evidence of a fundamental change within IMF conditionality and reforms. They therefore conclude that the loan programs have failed to integrate the changes in mandate that the IMF was publicly advocating.

Returning to the other less critical side of the debate, Kaya and Reay (2019) analyzed the patterns of change with regard to how the IMF has operationalized the Washington Consensus. By looking at 12,000 IMF documents between 1982 and 2011, they created a detailed map of how the Washington Consensus was either adhered to or neglected within the institution's practices. In line with Broome, Ban and Gallagher, they find that the patterns of change in the operationalization of the Washington Consensus within the IMF are fragmented (Kaya & Reay, 2019). This means that different elements of the consensus were more adhered to in certain times than in others and that the level of adherence either shifted quickly or changed more gradually.

Overall, the debate seems to have two sides. One camp argues that some elements of the consensus have endured and others have waned, whereas the other camp believes that the Washington Consensus is still largely in place within the Fund's practices.

IMF Ideology and Inequality

An additional important strand of the literature, which provides a deeper and more critical layer to the above outlined debate, explains the origin of the neoliberal ideology and its trajectory to becoming such a dominant policy logic structuring many countries' economic policies. According to Babb (2012), who has spearheaded this strand of the literature, at the core of the promotion of neoliberalism around the world lie the major International Financial Institutions (IFIs), the IMF and the World Bank. This is the case as they have disseminated extensive policy reforms through the conditions of the loans they widely disbursed, which helped diffuse the Washington Consensus (Babb, 2012). Babb (2012) further illustrated how the Washington Consensus functioned as a transnational policy paradigm that was institutionalized both in IFIs and in the national bureaucracies that implemented the IFI-mandated reforms. Therefore, this scholarship is rooted in the literature on the political power which economic ideas can have in the form of creating a certain interpretative framework which determines the realm of policies that are deemed appropriate and viable. Consequently, when looking at the discussion outlined above, the more critical authors would argue that the interpretative framework of the IMF remains primarily a neoliberal one, as the policies which it mandates remain informed along that policy logic. Whether this is still the case with regards to the loan programs that are being disbursed in relation to the pandemic, is what this thesis aims to find out.

Babb and Kentikelenis (2018) further elaborated on the position that the IMF and the World Bank can be considered to be agents of neoliberalism, arguing that not only through its practices of conditionality, but also through more subtler means of persuasion such as their expert reputation, their socialization of government officials, and through their high standing research department publications, they manage to effectively disseminate the neoliberal ideal. They argue that, although there are some signs that a new era might be on the horizon where the Bretton Woods IFIs could go beyond neoliberalism, as of yet it is still up to debate whether the IMF and World Bank have retired their neoliberal armor (Babb & Kentikelenis, 2018). This is even more so reflected in the dichotomy that exists in the scholarly debate outlined above. The more critical side of the debate namely believes that the IMF's neoliberal mantra is still heavily being preached, whereas the opposition believes that this mantra is slowly but surely losing its grip on the institution. This additional body of scholarship therefore dives into the underlying explanatory dynamics, i.e., the ideational realm, of the policies which the IMF disseminates and further elaborates on the potential sources that might change its mandate. This more conceptual approach will be further elaborated in the theoretical framework.

A final relevant body of scholarship, instead of uncovering the ideational origins of the IMF's policy advice, empirically analyzes the potential negative consequences of the Fund's neoliberal mandate, especially with regards to inequality levels. Intertwined with the more critical side of the debate outlined above, this body of literature has uncovered the adverse political, social and economic consequences of heightened levels of inequality (Forster et. al., 2019), including some of the IMF's own research which has found that they have the potential to stunt economic growth (e.g. Dabla-Norris et al., 2015). Sprouted from this body of literature, a more recent body of scholarship has coined IMF mandated loan programs one of the primary explanatory factors with regard to the global rise in inequality. Moreover, outside of the IMF's own research, several quantitative studies have also highlighted the adverse effects of IMF programs on income distribution. For example, already in 1987, Pastor identified, through a comparison of economic measures pre and post the installment of IMF programs, that there was a reduction in the share of income of labor in the entirety of the sample consisting of 18 Latin American countries. In a similar vein, Vreeland (2002) concludes that the labor share of income diminishes in countries that have undergone IMF loan programs. Garuda (2000) furthermore substantiates the link between IMF programs and increased income inequality as for 39 countries, between 1975-1991, the Gini Coefficient was higher in countries that the IMF financially assisted. These findings are also reproduced by more recent literature, such as Oberdarnig (2013), who found that, overall, IMF programs have increased inequality except for the period between 2000-2009. Moreover, Lang (2016) has demonstrated that, with regards to democratic countries, the Gini Coefficients have risen due to IMF loan programs as well.

More importantly, whereas the prior literature lacked in identifying the explanations behind IMF programs increasing inequality levels, Forster et al., (2019) have added more nuance to the literature by identifying four pathways through which the IMF loans negatively affect equality levels. Most of the policies that are promoted in these pathways, were also part and parcel of the IMF's neoliberal package of policy options, such as fiscal consolidation, fewer restrictions on capital flows, liberalizing capital accounts, monetary policy reforms and debt management conditions, which all have been found to exacerbate income inequality, also by the IMF's own research department. Overall, these findings further substantiate the critical claim that IMF initiated structural adjustments, through their loan programs, generate higher levels of inequality.

This thesis will attempt to contribute to the above-outlined bodies of literature by, firstly, extending the ideational work on policy change by means of applying a Discursive Institutionalist theoretical framework. Secondly, by creating a nuanced synthesis of the IMF's own findings on inequality and IMF mandated policies, it aims to contribute to the body of literature primarily focused on the link between IMF loan programs, inequality and economic growth. Last and most importantly, the thesis aims to add to the scholarly debate outlined in the beginning of the literature review, by thoroughly analyzing to what extent the IMF's own research findings, and consequent discursive policy commitments on the reduction of inequality, have been incorporated within their current policy advice and requests to the three case countries. This is especially relevant under the current context of the pandemic, as explained in the introduction, but even more so as these recent crisis loans have not yet been closely analyzed within the existing body of scholarship.

Theoretical Framework

The main causal link studied in this thesis regards the relationship between IMF staff research and a potential change in the policies which the IMF has mandated through its current loan programs. Quite recently, political science and public policy scholarship has undergone what is commonly referred to as the 'ideational turn', meaning that more legitimacy and attention is now devoted to the notion that 'ideas matter' in policy choices (Swinkels, 2020). Ideas as such are argued to resemble a relevant explanatory factor, one that has the capacity to shape and alter the public policy-making process (Swinkels, 2020). On top of that, a growing body of scholars has analyzed the internal origins of change within the IMF's policy doctrines, and has pointed out that staff research can play a key role in inducing changes in the ideas that the IMF holds concerning its mandate (Abdelal, 2007; Chwieroth, 2008, 2014; Clift & Tomlonsen 2008, 2012; Copelovitch, 2010; Moschella & Leiteritz, 2010; Momani, 2010; Moschella, 2012; Park & Vetterlein, 2010; Moschella, 2015). Moreover, this belief is substantiated by several studies which underline the important role that ideas play when it comes to explaining political or economic beliefs and the accompanied affair of policy making (Schmidt, 2008; Blyth, 2013; Berman, 2013; Béland & Cox, 2011; Baumgartner, 2014). Some have also highlighted the role of ideational change in influencing the practices of the Fund (Moschella, 2015; Beland & Orenstein, 2013; Ban, 2015; Clift, 2018; Hernandez, 2018). Consequently, within political science scholarship, ideational factors are regarded to play an essential role when it comes to the analysis and explanation of policy making outcomes (Swinkels, 2020). The ideational approach this research takes is therefore considered appropriate, as within the relevant literature, ideational explanations are considered to enable researchers to identify changes in policy prescriptions and assess how such changes have come about (Parsons, 2007; Schmidt, 2008; Béland & Cox, 2011), which is precisely what this thesis aims to asses with regards to the Fund's current lending practices.

As alluded to above, much of the work on IFIs and changes in their mandated policies, has focused on the role of ideas as well (Hernandez, 2020). According to Kogut and Macpherson (2011), if the true intent of an institution like the IMF is to be assessed, a detailed analysis of the expert debates and inner thinking of the organization is necessary. Moreover, within this strand of the literature, there are multiple scholars who further claim that when it comes to understanding ideational change within such institutions, an account of the discursive dynamics within them is critical in order to understand how the relevant ideas evolved and changed over time (Rosamond, 2003; Schmidt, 2008; Hay & Marsch, 2016; Clift, 2018; Kaya & Reay, 2019). In this regard, discourse and ideas are considered to go hand in hand as they are often taken as two crucial components when it comes to understanding the dynamics of change in the practices of an institution like the IMF (Hernandez, 2020). This is furthermore corroborated by Kaya and Reay (2019), who argue that discourse provides an important arena through which to study both institutional and ideational change. They build on Schmidt's (2011) discursive institutionalist theory which posits that discourse entails the 'representation or embodiment of ideas' and therefore represents the missing link between ideas and actions (p. 107). A change in the Fund's practices is thus inherently related to a change in its ideational framework which determines what practices they deem desirable or detrimental. Consequently, through this Discursive Institutionalist lens, practices and ideas can be considered two sides of the same coin, in that the introduction of novel ideas, disseminated through discourse, can produce a change in an institution's actions. The analysis of IMF discourse, in this sense, should provide an important window into the inner-thinking and subsequent potential changes of the institution and its mandate, as the IMF's discourse does not solely reflect and describe an objective world, but it reflects an important subjective interpretation of that world which the Fund holds and promotes (Kaya & Reay, 2019). Hence also the choice for the ideational approach instead of a more positivist theoretical framework, as this thesis has a primary focus not solely on the Fund's practices, but also on its intentions and thereby the policy ideas being discussed an disseminated within the institution, which requires a deeper more subjective level of analysis that is capable of identifying ideational change in discourse and assessing its potential effects.

In the literature on the role of ideas in policymaking, Swinkels (2020) has identified three diverging conceptual approaches used across various disciplines to study and explain institutional change:

> ''ideas as sense-making heuristics that guide people's actions, ideas as strategic tools that actors use to craft political discourse, and ideas as institutional frameworks that have an effect on their own and maintain some order throughout the actions of individuals, groups, and society'' (Swinkels, 2020, p. 283).

All three approaches differ in their epistemological and ontological assumptions, but only one of them, '*ideas as strategic tools*', primarily makes use of a discursive approach to ideas and examines the possible influence ideas may have on policy prescriptions and institutional change (Swinkels, 2020). This theoretical approach is considered appropriate, as across the subdisciplines of scholarly work that focus on the role of ideas in policymaking, it is one of the primary conceptual approaches that scholars use (Swinkels, 2020). Moreover, taking into account that textual data such as loan documents and speeches are the primary types of sources most analyzed when it comes to assessing the ideas and behavior of the IMF (Swinkels, 2020), and considering the theoretical assumption explained above that ideas and changes in ideas can be studied within such institutional discourses, this theoretical approach is further considered a good fit precisely because of its discursive approach to ideas. The remainder of the theoretical framework will explain the theoretical approach by answering three central questions that, according to Swinkels (2020), are crucial to answer when it comes to using an ideational approach to explain political phenomena: (1) What is an idea? (2) Where do they come from? (3) What are the drivers and dynamics of ideational change?

The Concept of Ideas in Policy Making

The '*ideas as strategic tools'* school of thought takes a discursive approach which is heavily influenced by Schmidt's (2008) theoretical framework: Discursive Institutionalism (DI). Within this approach, ideas are seen to influence policy outcomes when perceived of as the content of certain discourses (Schmidt, 2008). An idea, in a general sense, can be understood here as '*beliefs held by individuals or adopted by institutions that influence their actions and attitudes*' (Belland & Cox, 2011, p. 6). In short, actors in the policymaking process discursively disseminate certain ideas or beliefs they have in order to justify a preferred policy option. Ideas, in this sense, reflect the actors' way of making sense of his/her contextual surroundings, which then also determines the manner in which they behave, or which policies they do or do not prefer to mandate in this case (Schmidt, 2008). Put differently, how policy actors frame, understand and perceive policy issues, is grounded in how they make sense of the context in which the policy issue finds itself. And how they imbue this context with meaning, is a result of the ideas that they hold concerning that specific context. An actor's normative orientation with regard to the context in which they operate, and the ideas that inform this normative orientation, can be influenced by the introduction of new ideas, which then have the ability of changing the way in which the policymaker makes sense of his/her contextual surroundings. This potentially also influences which policies they deem feasible and desirable. Moreover, DI considers these new ideas, or policy logics, to be advanced through the discourse of certain actors that attempt to convince others of their way of making sense of the empirical reality, in this case the policy context.

Ideas are therefore perceived of as being conveyed through interactive discourse between actors (Schmidt, 2011). Discourse, in this sense, provides the opportunity for ideas to be introduced and disseminated within the institution. Hence, when it comes to understanding institutional change, understanding the ideational backdrop of that change by means of analyzing the discourse within that institution is critical. The way in which the institution then changes is a result of the discursive ability of actors to deliberate and communicate novel ideas about how the institution should perceive the context in which it is operating. If a new perception takes hold within the institution, the prior dominant policy logic is constrained and the institution can then take collective action to change its operations accordingly (Schmidt, 2011). Put simply, ideas can be perceived of as tools that policy actors can strategically use, in order to shape the meaning that is attached to a certain phenomenon, i.e., to shape the way in which others, and thereby the institution as a whole, makes sense of its reality (Schmidt, 2011). These novel ideas can then potentially have a significant impact on the way in which the institution operates, if the institution decides to change the manner in which it perceives its reality thereby potentially also changing which policies it deems appropriate to mandate. This manner of conceptualizing *ideas as strategic tools* thereby gives actors that produce discourses a certain level of agency in that they can strategically try to establish new ways of understanding certain phenomena and attempt to persuade others of their alternative views by discursively circulating these new ideas within the institution.

Important to take into consideration, however, is that once a single individual reconfigures or changes his/her ideas and subsequently the way in which they make sense of their reality, this does not mean that the dominant, pre-existing discourse within the institution will automatically change as well. Such substantial change only happens through repeated interaction through which the new idea can manifest itself within the institution as a result of a substantial number of actors becoming convinced of that alternative idea (Carstensen & Schmidt, 2016). The causal mechanism explaining how certain actors can convince others of novel ideas is therefore coined *persuasion* (Swinkels, 2020). Ultimately, if enough actors are convinced, a certain consensus is created around the new idea and discourse, and the agenda and practices of the institution can potentially be shaped and reshaped according to that new understanding of the empirical reality (Schmidt, 2011). In that sense, the previously dominant discourse becomes weaker and vulnerable to change, when an alternative idea and discourse becomes more widely accepted and disseminated within the institution (Schmidt, 2011). This can also be referred to as a ‘joint belief shift’, in that the majority of the institution then changes its ideational framework regarding that specific policy issue (Culpepper, 2005).

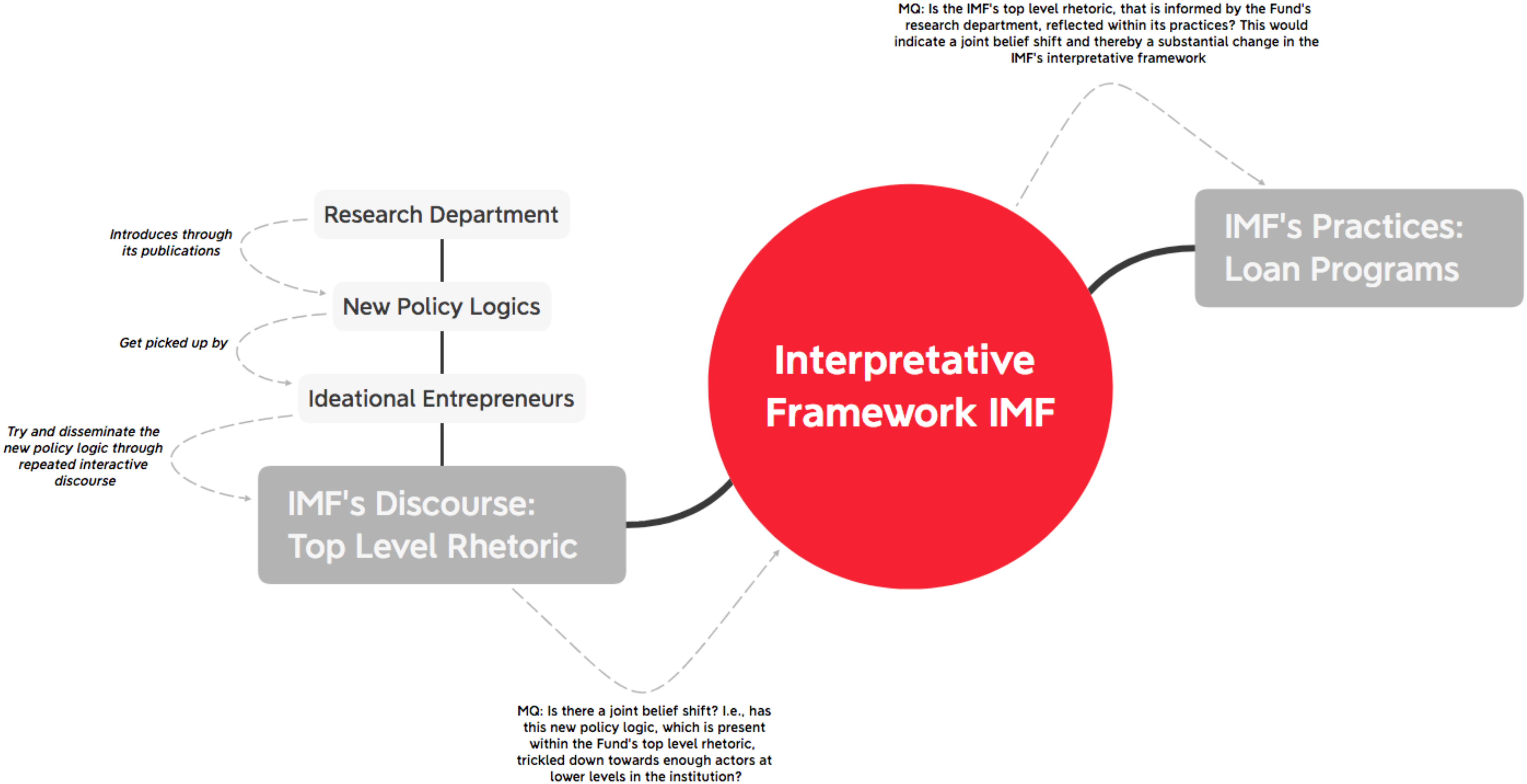
The actors disseminating and introducing these novel ideas are often referred to as ideational entrepreneurs (Bratberg, 2011). Without these actors to introduce and promote new understandings, these ideas would not be able to gain traction within the institution. Through the availability of credible novel ideas, strong rhetorical skills, and the power of the position which these actors hold within the institution, these ideational entrepreneurs can generate, promote, but most importantly embed new ideas within the institution (Swinkels, 2020). The essential rationale to consider here is that ideas held by actors about certain policy issues should not be viewed as pre-established or fixed, but these ideas are continuously being constructed and reconstructed through discursive dynamics with other policy actors (Hajer, 2013). Therefore, Discursive Institutionalism primarily focuses on how such policy actors construct, or make sense of public policy through discursive interaction with other policy actors.

The Origins of New Ideas and Change within the Policy Process

As alluded to above, the discursive approach studies how ideas can influence policy outcomes by analyzing the manner in which ideas are transmitted within the institution's policy process. Given the IMF's strong commitment to its scientific culture, Ban (2015) argues that new ideas within the institution are most likely to gain traction if they are produced in a methodologically rigorous and theoretically sound manner. Part of the IMF's legitimacy and institutional pride rests on the scientific respectability of the policy instruments that it mandates and advice that it gives. Hence, if reliable research, especially stemming from the Fund's own research department, provides a novel conception of what can be considered good or bad policy, then that provides the perfect breeding ground for a new idea to be picked up and promoted by an ideational entrepreneur who wants to see the IMF's practices change accordingly (Ban, 2005).

The literature which applies the Discursive Institutionalist approach places great emphasis on studying the discourse of the policy actors which become entrepreneurs, the sources of the new ideas, and how they spread these newly found ideas to persuade others and ultimately create the possibility for the institution as a whole to alter its practices. Hence also the focus of this thesis on the Fund's discourse in the form of its research publications and its top-level rhetoric, and the Fund's practices in the form of its loan documents and article IV consultations. The above explicated theoretical framework is summarized in figure 1 and visualizes the process of ideational change in the Fund. The primary idea within the IMF which this thesis is interested in is its notion of inequality. What is already clear is that the IMF's own research department, which can be considered a primary source for introducing new policy ideas, has indicated that the Fund's past mandate has produced negative effects on equality levels and that excessive levels of inequality have the potential to stunt economic growth (IMF, 2014). The top-level rhetoric of the Fund has acknowledged this new policy logic introduced by the research department. Hence, one could argue that here a novel idea regarding inequality is picked up by certain ideational entrepreneurs, the heads of the IMF in this case, and is discursively promoted through their speeches. If the policy entrepreneurs within the IMF are successful, they create windows of opportunity for others, in this case the local offices of the Fund who devise the crisis loans, to align with the novel policy idea regarding inequality, thereby also opening up the possibility for the Fund to change its practices on the ground accordingly. That is, if enough actors within the institution are convinced of the new policy logic. A full ideational shift can thereby be indicated by the Fund’s local practices, such as the recently published crisis loans, being more progressive, in line with the newly introduced and promoted policy logic. Now the primary question becomes, to what extent has the new idea regarding inequality taken hold within the Fund, i.e., has a real joint belief shift taken place and is the Fund’s novel commitment towards reducing inequality genuine and present at other levels than just the top-level rhetoric?

Figure 1
Theoretical Model



Methodology

Two in-depth analyses are crucial to perform as explained in the theoretical framework, that of the discursive attempts at meaning-making in the IMF's own discourse, and of the subsequent policy outcomes of the current Covid related loan disbursements and Article IV consultations. An empirical analysis of the IMF's research publications and speeches on the one hand, and the recently published loan documents and Article IV consultations on the other, and some first-hand interviews, should generate a better understanding of how the IMF sees itself in relation to the issue of inequality, and provide an assessment of whether their currently mandated and recommended policies live up to this vision.

Discourse Analysis

The first theoretical expectation which the analysis addresses concerns the emphasis that Discursive Institutionalism puts on analyzing how policy actors make sense of public policy through discursive interaction with other policy actors. Accordingly, the first section of the analysis performs a discourse analysis of the IMF's discourse, at several levels, in order to create an understanding of how the Fund sees itself as an IFI in relation to the notion of inequality. As alluded to in the introduction, the IMF currently has been promoting a novel discourse on inequality in which it sees the issue as a crucial component of its renewed mandate that centers around durable growth and stability. Scholars such as Nunn & White (2016) have also suggested that the IMF is discursively promoting a new politics, i.e., a new idea and discourse, which resembles a move away from its heavily criticized neo-liberal attitude towards a concern with the potential drawbacks of inequality on growth, and financial and political stability. The analysis of the IMF's discourse will therefore center around creating an image of the IMF's supposed new understanding and discourse on inequality, which has been promoted and disseminated within the institution since the 2008 financial crisis following the key research department publications. An additional primary objective of the analysis is to uncover in what manner this new discourse limits certain alternative policy logics that were previously deemed desirable. According to Hernandez (2020), the most precise way of gauging whether or not the IMF is ascribing to new ideas and policy logics, is to examine the range of policy options that are recommended in the 'deliberative discourse' of the institution. Deliberative discourse refers to the discursive arenas where policy constructing ideas and thoughts are contemplated. By analyzing the deliberative discourse of the IMF, an image can be created of which type of discourse and idea concerning inequality is most heavily communicated within the institution. As such, the theoretical expectation referred to above can be operationalized by diving into the places where these discursive attempts at meaning-making take place, hence also the choice for the discourse analysis method.

There are several arenas where new policy options and ideas are discursively scrutinized and recommended within the IMF, the most important of which is the IMF's own research department. The top-level rhetoric of the heads of the IMF, and the Article IV Consultations through which the Fund assesses and advises its members on a yearly basis, are two additional important areas where novel policy ideas are discussed and disseminated (Hernandez, 2020). Consequently, these sources of text will provide the discursive data necessary for the analysis to be able to create a picture of what types of ideas and discourses are being promoted within the IMF concerning inequality. The discourse analysis will be performed in order to identify the different understandings of inequality being promoted, and more importantly the resulting policy options deemed appropriate or not.

Laclau and Mouffe's discourse theory is specifically chosen as a method as it puts forward several relevant tools, written down in cursive below, which give direction as to how to concretely analyze and uncover the discursive meaning-making attempts in the Fund's discourse. As specified in the theoretical framework, meanings attached to certain social phenomena are never fixed which opens up the possibility for constant social struggles and expressions, or *articulations*, that attempt to define and redefine the meaning of these phenomena. The main goal of the discourse analysis is to uncover these struggles to fix meaning by mapping out the processes through which the meaning of a certain word, or *linguistic sign* as Laclau and Mouffe refer to it, is fixed (Jørgensen & Philips, 2002). This struggle to fix meaning to a certain phenomenon is a social process in that signs gain their value or meaning by their relationship to other signs as organized in a discourse. A *nodal point* here is defined as a privileged sign, or *key signifier*, around which other signs are organized and ordered (Jørgensen & Philips, 2002). A nodal point, which in this case regards the word 'inequality', therefore gains its meaning by its relation to other signs that surround it in a discourse, such as 'economic growth' and 'income distribution'. A linguistic sign can thereby be visualized as a knot in a fishing net, which derives its meaning from its relationship to the other signs, or knots, in the net. When certain signs are ordered and linked together to invest meaning into a nodal point, they create *chains of equivalence* (Jørgensen & Philips, 2002). A sign's meaning can thereby be temporarily fixed, as when a certain understanding of a phenomenon becomes dominant, there is a momentary stop, or *closure*, to the variations of meanings attached to that phenomenon (Jørgensen & Philips, 2002). This sign, or nodal point, then changes from a so-called *element*, a sign whose meaning has not yet been fixed, into a *moment*, a sign whose meaning has been temporarily fixed. A *discourse* then is understood as a totality, a.k.a. the entire fishing net, in which each sign is fixed as a moment by its relationship to the other linguistic signs surrounding it (Jørgensen & Philips, 2002).

The main point of the discourse analysis is to uncover the discursive attempts at meaning-making, and thereby map out the relational net of fixed signs which together embed meaning within the key signifier. The key arenas of coordinated discourse within the Fund are hereby seen as containing the most important discursive articulations that attempt to establish new meanings or understandings through positioning linguistic signs, or elements, in specific relationships with one another. As the main aim of the discourse analysis is to uncover the Fund's novel idea regarding inequality, this less formal approach to discourse analysis is warranted as it is not solely about identifying what type of discourse is present, but more so about identifying what this specific discourse looks like. Hence, rather than utilizing a pre-existing code and identifying certain key words that denote a certain discourse, Laclau and Mouffe's approach is utilized as it dives more thoroughly into uncovering the meaning-making attempts themselves thereby generating an accurate image of the novel discourse, which is precisely the point of the first section of the analysis. The concepts introduced above will be used to study and identify these discursive meaning-making attempts in the textual data.

Discourse analysis as a method is further deemed relevant, as when it comes to understanding ideational change within institutions, an account of the discursive dynamics within them is critical in order to understand how the relevant ideas evolved and changed over time (Rosamond, 2003; Schmidt, 2008; Hay & Marsch, 2016; Clift, 2018; Kaya & Reay, 2019). Furthermore, discourse analysis fits well with the Discursive Institutionalist theoretical framework as both are based on similar constructivist underpinnings, in that they deem language as a tool used by agents to strategically disseminate and promote their understandings of the empirical world in which they live (Machin & Mayr, 2012). Laclau and Mouffe's Discourse analysis therefore represents the ideal method, as it considers, in a similar fashion to Discursive Institutionalism, discourse to delineate what can be said, which truths can be heard, and specify how these supposed truths are to be understood. More importantly, discourse analysis, in this case, is applied in order to uncover these truths. Additionally, several provisions, drawn from Jørgensson and Philips (2002), have been taken to ensure the validity of the discourse analysis. Firstly, the analysis is made as transparent as possible by thoroughly explaining Laclau and Mouffe's approach, and by including the analyzed documents, with coding and comments, as an appendix so that the interpretations are carefully documented and made available to the reader. Secondly, the analysis is made as comprehensive as possible by analyzing the most relevant research publications as indicated by other scholars, and by including a carefully selected range of speeches. Lastly, a solid interpretation is ensured by analyzing several features of the texts such as what discourses they include and promote, and which they exclude. The above considerations should ensure a more reliable and replicable manner of analyzing the Fund's discourse.

First Hand-Interviews

Interviews provide another valuable area of empirical data in that they can be used to explore another more direct source of information, the opinions of local IMF staff itself. The main point for the interviews, similar to the discourse analysis, is to asses to what extent the ideas of the Fund's staff reflect the new stance on inequality that is being disseminated through the Fund's top-level rhetoric and research publications. The interview questions will therefore be based on the IMF's new and old agenda on inequality, in order to test which of the two the staff members adhere to most. The gap the interviews thereby address, regards the question as to what extent ideational change has trickled down to lower levels in the institution, which simultaneously also evaluates the extent to which IMF leaders, as ideational entrepreneurs, have been successful in disseminating their ideas regarding inequality. The questions are informed by the theoretical framework, as the theory posits that genuine ideational change is indicated by a change in discourse at multiple levels in the organization. If the novel ideas regarding inequality are found at lower levels within the institution, an argument can be made that some form ideational change is taking place.

Qualitative Content Analyses

The second question the analysis tackles concerns the issue of whether this new discourse is translated into the actual practices of the Fund. Here a second important theoretical expectation comes to the foreground that new ideas can introduce and promote new policy logics thereby debilitating the previously dominant ones, as a result of which the practices of the institution could change. The discourse analysis is able to asses to what extent the new idea and discourse on inequality are taking hold within the Fund, whereas the second section of the analysis will assess to what extent this new understanding of inequality, and the preferred policy options that come with it, are present within the policies mandated and recommended in the IMF's current loan disbursements and Article IV consultations.

The IMF's in-house research documents provide the groundworks for the IMF's recently found high level of commitment towards reducing inequality. They also include a series of structural and macro-economic policies that are characterized as decreasing or increasing socio-economic inequality. A synthesis of these policies, sourced from the IMF's own high-profile publications on inequality (Berg & Ostry, 2011; IMF, 2014; Ostry et al., 2014; Dabla-Norris et al., 2015) is utilized in order to create an analytical framework through which the IMF's actual commitment to reducing inequality can be tested. The synthesis is partially outlined in the analysis section and can be found in full in the first appendix. This framework is compared to the current policies being mandated and recommended in the crisis loan documents and the Article IV consultations, so that it can be assessed whether the IMF is mandating policies that they themselves have identified as good or bad with regards to inequality. The main point is to find out what proportion of the policies, which the IMF itself has found to reduce inequality, are present within the current high-profile policy programs and recommendations. A qualitative content analysis is the ideal method to apply here, as it is able to categorize the data into what can be deemed more progressive versus regressive policy options, and accordingly analyze to what extent the loan program documents are informed by the IMF's own research findings and thereby more progressive mandate. If most of the new progressive policies are present, that means that the IMF is taking its stance on inequality seriously. Conversely, if the opposite is found, and the IMF still promotes its prior neoliberal policy logics that they themselves have found to harm equality, then there is evidence supporting the opposite conclusion that the IMF is not practicing what it preaches.

As such, the final section of the analysis, instead of zooming in on the discursive practices of the IMF, focusses on factual evidence from conditionality requirements and policy advice, which according to Broome (2015) provides the primary window through which to assess the changes in the preferences of the institution concerning national economic policy reforms. Moreover, these preferences should reflect the ideational backdrop on which the policy choice is based. Hence, if policies are identified that go against the IMF's own findings on inequality, the argument can be made that the ideational shift has not fully taken hold in the institution. The interviews will further tackle the question as to what extent the novel agenda on inequality resembles a credible commitment of the entire organization. All in all, the first section of the analysis will concern itself with the realm of ideas, for which a discourse analysis is essential and interviews can provide a supplementary source of information, whereas the second section of the analysis will revolve around the realm of concrete practice, for which a content analysis is considered the appropriate method.

The above laid out method and source material is considered appropriate as when it comes to recent scholarship focusing on the evolution of the lending practices and policy prescriptions of the IFI's, the majority of the studies have also analyzed the contents of the loan programs (Gabor, 2010; Grabel, 2011; Lütz & Kranke, 2014), and examined the cognitive, or ideational assumptions which form the backbone of an institution's policy preferences (Moschella, 2011; Güven, 2012; Clift & Tomlinson, 2012; Babb, 2012; Blyth, 2013; Baumgartner, 2013). Moreover, these studies have almost exclusively relied on document analysis to produce their findings from textual data consisting primarily of policy documents, research publications and documented speeches, which in some instances is also further accompanied by interviews (Swinkels, 2020; Hernandez, 2019). Additionally, when it comes to the methodologies most used in these studies, content analyses and discourse analyses are most often the preferred options (Swinkels, 2020). Hence, the source material selected, and the methodology applied in this thesis, can be considered highly adequate for analyzing the topic in question.

Case Selection

Case countries were selected on the basis of two criteria: the country in question must be undergoing an IMF mandated loan disbursement in relation to the current pandemic, and must have been part of the Fund's own research samples. It would be rather contradictive if the IMF is currently mandating certain policies in countries which their own research has found to induce inequality and be harmful to economic growth, two issues that are crucial to protect in their current mandate. As the IMF's own research has focused on an extensive number of both developing and developed countries, a few additional selection criteria have been considered to narrow down the range of choices further.

First, the countries that currently score high on the worldwide income inequality index are relevant cases, as these countries most need the progressive policies which the IMF has been discursively promoting. The analysis should therefore include the cases where, at least one would expect, the IMF is most likely to deliver on its promises. This logic is further corroborated by Forster et al., (2019) who also expect that the Fund should be more progressive and more lenient in the conditions that they administer to countries with high-income inequality. Moreover, this expectation is further echoed in the institution's own discourse, as the Fund continues to stress the importance of inclusive growth when it comes to countries with excessive levels of income inequality and their loan programs.

Hence, one can expect for the more progressive policies to be visible in the loan programs especially in the cases that show the higher levels of income inequality and which have been part of the IMF's own research samples. If not, then the IMF is explicitly choosing to ignore its own research findings and rhetoric on inequality which means that its commitment to reducing inequality can be considered superficial. Moreover, the argument can be made here that if the IMF doesn’t implement inequality reducing policy measures in the cases that need it the most, and which they have also researched themselves, then the chances are slim that they will do so elsewhere. These cases can therefore be considered some of the more critical cases to study. Additionally, the potential for interviews and the availability of a recently published article IV consultation were two final criteria considered. Though these two factors were not a necessary requirement, these cases do provide more recent empirical evidence to analyze. Stemming from these additional criteria, a final case selection was made of Columbia, Nigeria and Peru.

Analysis

The first section of the analysis will focus on the ideational realm and entails the discourse analysis of the research department publications and the Fund's top-level rhetoric. The analysis will be performed using the methodological tools from Laclau and Mouffe's discourse theory. This means that from the overall selected texts, excerpts will be extracted in order to uncover and identify the relevant chains of equivalence that have been formed around the key signifier: 'inequality'. The signs that together form the chains of equivalence will be marked in italics and the meaning which they invest in the key signifier, marked in bold, will be expanded upon afterwards. But first, a brief description of the IMF's old and new agenda of inequality is necessary to set the stage for the remainder of the analysis.

The Fund's Old Agenda

Prior to the 2008 financial crisis, the IMF held a much different view of inequality than they do now, as their mandate was primarily informed by the Washington Consensus (WC) (Saad-Filbo, 2010). The WC entails a dogmatic belief in the virtues of the free market and having as small a government as possible. It further preaches that market-led growth alone is sufficient to tackle inequality and reduce poverty altogether. Moreover, redistributive policies are seen as distortive to the functioning of the market, as they supposedly dampen incentives for individuals to compete and excel (Saad-Filbo, 2010). There is therefore a supposed tradeoff between equity and efficiency, when it comes to redistributive policies. Growth, in that regard, is deemed more important than the reduction of inequality, as its benefits should automatically trickle down to the less well-off (Saad-Filbo, 2010). Consequently, under the WC, poverty alleviation is not considered a priority but an automatic side-effect of pursuing economic growth. The consensus thereby often pushes aside policies geared towards redistribution, as the dominant neoliberal policy logic deems untargeted market-led growth to be the answer to all inequality problems a country might have.

The IMF's Renewed Agenda

The Fund's firm belief in the workings of the free market, although widely popular, did prove to have an expiration date. In the late 1990s, due to a growing undeniable body of scientific evidence, even mainstream economists were compelled to acknowledge the fact that redistribution and poverty reduction were not spontaneous by-products of economic growth (Lopes, 2012). Poverty does indeed have to be addressed through a separate set of redistributive policy tools in order to be effectively tackled. Additionally, especially following the 2008 financial crises and the civil unrest following from Arab Spring, the IFI's were confronted with the key finding that high levels of inequality are detrimental to economic growth as they induce economic and political instability (Nunn & White, 2016).

From these novel research findings, a new agenda regarding inequality emerged. Since around 2010, within both its discourse and research, the IMF has placed a significant emphasis on inequality as detrimental to economic growth, and thereby as an essential part of its mission in ensuring the stability of the international monetary system (Nunn & White, 2016). The Fund has since created a dedicated website on the subject of inequality and has published several related research reports as well (Berg & Ostry, 2011; Ball, Furceri, Leigh & Loungani, 2013; Woo, Bova, Kinda & Zhang, 2013; Balakrishnan, Steinberg & Syed, 2013; IMF, 2014; Ostry, Berg & Tsangarides, 2014; Dabla-Norris, Kochhar, Suphaphiphat, Ricka & Tsounta, 2015; IMF, 2017). The identified negative correlation between increased inequality and macro-economic growth and stability was first introduced by three key IMF research publications (Berg & Osty, 2011; Ostry et al., 2014; Dabla-Norris et al., 2015). The Fund's novel stance on inequality will be further explicated through the discourse analysis of these key publications and the top-level rhetoric of the heads of the IMF.

Discourse Analysis Key Research Publications

The following discourse analysis will explore the realm of ideas around inequality in relevant departmental publications in a chronological order, and aims to create an image of the novel understanding of inequality introduced by them. The first document analyzed is the 2011 IMF Staff Discussion Note titled 'Inequality and Unsustainable Growth: Two Sides of the Same Coin?'. The later publications, which expand on the findings of this primary research report, will be analyzed subsequently.

IMF Staff Discussion Note 2011. The primary and for many groundbreaking finding which Berg & Ostry (2011) produced was that a more equal income distribution, is one of the most important and robust factors associated with longer growth spells. Inequality is thereby found to be among the key variables that have the strongest economic effect on growth duration. More specifically, a 10 percentile increase in equality, is found to increase the anticipated length of an economic growth spell by about 50 percent. These findings introduce a novel understanding and idea regarding inequality in that it should be considered a critical growth determinant. The older more neoliberal policy logic, that did not deem inequality a primary concern, is thereby directly contested:

> ''But the analysis below does perhaps tilt the balance towards the notion that *attention* to **inequality** can bring significant *longer-run benefits* for *growth*. Over longer horizons, reduced **inequality** and *sustained growth* may thus be two sides of the same coin.'' (Berg & Ostry, 2011, p. 3).

The chain of equivalence consists of the nodal point 'inequality' which is linked to the sign 'attention', 'longer run benefits' and 'sustained growth'. It indicates the novel relationship found between tackling inequality and sustained economic growth, which are two issues which should not be considered separate, but interrelated. The explicated relationship between these two signs thereby invests a new meaning into the key signifier 'inequality', as instead of seeing it as a non-priority, more attention to tackling the issue is now understood to bring long term benefits to economic growth. By the same token, a novel policy logic is hinted at as according to this new finding and thereby understanding of inequality, inequality reducing measures should not necessarily be classified as inefficient. Hence, as a result of the new research findings, a novel understanding of the relationship between economic growth and inequality is introduced and spelled out. The reasons as to why inequality should be considered macro-critical is explained later on in the document:

> ''too much **inequality** might be destructive to *growth*. Beyond the risk that **inequality** may amplify the potential for *financial crisis*, it may also bring *political instability*, which can discourage *investment*. **Inequality** may make it harder for governments to make difficult but *necessary choices* in the face of shocks. Or, **inequality** may reflect lack of *access* of the poor *to finance* and thus fewer opportunities to invest in *education* and *entrepreneurial activity*.'' (Berg & Ostry, 2011, p. 4)

Here the chain of equivalence consists of the nodal point 'inequality' and the signs surrounding it are 'growth', 'financial crisis', 'political instability', 'investment', 'necessary choices', 'access to finance', 'education and 'entrepreneurial activity'. The signs in this chain of equivalence invest further meaning into the key signifier by expanding on the various routes, such as increased political instability, through which excessive inequality can be detrimental to growth. The novel policy logic and idea regarding inequality being macro-critical thereby gains more substance, which is once more stressed in the final message of the discussion note:

''The main contribution of this note may be to push slightly the balance of considerations towards the view that *attention* to **inequality** may serve both *equity* and *growth* at the same time.'' (Berg & Ostry, 2011, p. 18).

Overall, the novel idea or understanding of inequality that is introduced by Berg and Ostry (2011) concerns the notion that inequality and economic growth might be considered two sides of the same coin, meaning that more inequality is robustly associated with less sustained economic growth. The novel policy logic hinted at here, which is not however yet statistically substantiated, is that inequality reducing policies, instead of being costly and inefficient, should reinforce sustained economic growth and could serve both equity and growth at the same time. This is a very strong departure from the IMF's prior more neoliberal attitude and mandate.

IMF Staff Discussion Note 2014. This publication titled ''Redistribution, Inequality and Growth'' further corroborates the primary finding above that a higher level of equality is robustly correlated with more durable and faster economic growth. Additionally, Ostry et al., (2014) identify, against conventional wisdom, that there is no negative relationship between redistributive policies and growth, as in the majority of the cases the consequences of redistribution are found to be pro-growth. Hence the policy logic already hinted at above, that redistribution policies could be considered good for growth, is statistically validated. Their findings therefore decisively reject the prior dominant hypothesis that economic growth will lead to benefits for all:

''**inequality** continues to be a robust and powerful determinant both of the pace of medium-term *growth* and of the duration of *growth spells*, even controlling for the size of *redistributive transfers*. Thus, the conclusions from Berg and Ostry (2011) would seem to be robust, even strengthened. It would still be a mistake to focus on *growth* and let **inequality** take care of itself, not only because **inequality** may be *ethically undesirable* but also because the resulting *growth* may be *low* and *unsustainable*.'' (Ostry et al., 2014, p. 25).

The above chain of equivalence neatly summarizes the main points of the research paper in that the key signifier 'inequality' is once again linked to the pace of 'growth' and the duration of 'growth spells'. Hence once more, the nodal point inequality is fixed with the novel meaning as a result of the spelled out negative relationship with the sign 'economic growth'. More importantly, the novel policy logic gets confirmed and reintroduced in the research paper in that inequality levels should not be left to their own device, and that it's good economics to tackle inequality through redistributive policies, precisely because they find that:

> ''there is surprisingly little evidence for the *growth-destroying effects* of *fiscal redistribution* at a macroeconomic level. The average *redistribution*, and the associated reduction in **inequality**, is thus associated with higher and more durable *growth*.'' (Ostry et al., 2014, p. 26).

Here another chain of equivalence is introduced as a new meaning is fixed to the sign 'fiscal redistribution' in that it has been found to be positively related to higher and more durable 'growth'. This second discussion note therefore provides statistical proof for the notion already introduced in Berg and Ostry's work that inequality reducing policies, fiscal redistribution more specifically, should be positively correlated with sustainable economic growth. The data thus does not support the old neoliberal policy logic that there is a major tradeoff between redistribution and growth. In fact, it introduces a new policy logic as it confirms the notion that the pro-growth effects of treating inequality are so substantial that they heavily outweigh any of the supposed incentive costs that might be associated with fiscal redistribution.

IMF Discussion Note 2015. The final of the three key research publications written by Dabla-Norris, Kochhar, Suphaphiphat, Ricka and Tsounta (2015) adds another substantial finding to the above body of literature as it further explored the relationship between income distribution and growth. It more specifically zoomed in on the effects of raising individual income shares on growth. They find that besides income inequality, income distribution itself also matters significantly for economic growth:

> ''we find an inverse relationship between the *income share accruing to the rich* (top 20 percent) and *economic growth*. If the *income share of the top 20 percent* increases by 1 percentage point, *GDP growth* is actually 0.08 percentage point lower in the following five years, suggesting that the benefits do not trickle down. Instead, a similar increase in the *income share of the bottom 20 percent* (the poor) is associated with 0.38 percentage point higher *growth*.'' (Dabla-Norris et al., 2015, p. 7).

Once again, the neoliberal policy logic, which relied on the trickle-down argument for inequality to be tackled, is contested as GDP growth decreases when the rich get even richer.

They also further establish the new meaning attached to inequality in that they acknowledge that excessive levels of inequality will dampen investment, and thereby growth, by fueling political, economic and financial instability. As a result, they reintroduce and strengthen the novel policy logic:

> ‘’Policymakers around the world need to consider *policies* to tackle **inequality**. Raising the *income share of the poor*, and ensuring that there is no *hollowing-out of the middle class* is actually good for *growth*.’’ (Ostry et al., 2014, p. 30).

Overall, the above extracted chains of equivalence all explicate the negative relationship that is found between excessive inequality and economic growth. As result, the key signifier ‘inequality’ is related to other signs within the discourse that further explain this negative relationship by articulating that inequality levels are found to be one of the most important determinants of sustainable economic growth. By identifying and spelling out this inverse relationship between economic growth and inequality, which is further given meaning by all the other signs that are included and interconnected in the discourse, (think of them as knots in a fishing net), in the end a novel meaning is fixed to the key signifier ‘inequality’ as it is now deemed a macro-critical issue. Simultaneously, a novel policy logic is introduced which argues that inequality reducing policies, such as fiscal redistribution, can be good for economic growth. Together, the chains of equivalence that are found in the discursive excerpts generate what Laclau and Mouffe refer to as a closure. This means that the nodal point ‘inequality’ gets temporarily fixated with a new meaning as a result of the discursive meaning-making attempts. This, at the same time, also means that all other potential meanings of inequality are excluded within the discourse. Hence, not only a novel idea and policy logic is being introduced, but simultaneously the older neoliberal policy logic is being contested.

Discourse Analysis: Top Level Rhetoric

In this section, a selection of speeches from three heads of the IMF over the period of 2011 to 2020 are analyzed to assess in what manner the Fund has positioned itself in relation to the issue of excessive income inequality following the introduction of the novel research findings. Moreover, the analysis also aims to find out to what extent the new idea regarding inequality has been incorporated within the Fund’s rhetoric and will subsequently asses what policy logic is introduced and promoted in response to it.

Dominque Strauss-Kahn 2011. In a speech at the George Washington University, Dominique Strauss-Kahn (2011) directly contests the old neoliberal policy logic as he states that ‘’the Washington Consensus is now behind us’’ (p. 1) and that the belief in the so-called rising tide of economic growth that lifts all boats came crashing down together with the financial crisis. He further establishes that the Fund’s primary mission is to rebuild the foundations of a stable international monetary system and that the next phase of globalization should work for all. This already hints at the themes inequality and inclusiveness being taken more seriously by the Fund, which is confirmed later on in the speech as he acknowledges that a new approach to social cohesion is one of the core areas of sustainably rebuilding the monetary system. The negative effects of pursuing untargeted growth and globalization are also acknowledged:

> ‘’The tendency was to *downplay* **inequality**, to see it is a *necessary evil* on the road to *riches*. But the *crisis* and aftermath have fundamentally *altered* our *perceptions*. The *lethal cocktail* of prolonged high *unemployment* and high **inequality** can strain *social cohesion* and *political stability*, which in turn affects *macroeconomic stability*.’’ (Strauss-Kahn, 2011, p. 3).

This chain of equivalence shows that the Fund’s perception regarding inequality has fundamentally changed as the key signifier ‘inequality’ is explained to have a negative relationship with the signs ‘social cohesion’, ‘political stability’ and ‘macroeconomic stability’. This understanding put forward by the Fund thereby acknowledges and establishes the novel idea, which the research publications identified and introduced, of sustainable growth being associated with less inequality. Consequently, the way in which the Fund positions itself with regards to the issue of inequality subsequently also changes as the goals of the Fund are redefined:

> ‘’We need a new form of *globalization*, a *fairer* form of *globalization*, a *globalization* with a more *human face*. The *benefits* of *growth* must be broadly *shared*, not just *captured* by a *privileged few*. While the *market* must stay center stage, the *invisible hand* must not become the *invisible fist*.’’ (Strauss-Kahn, 2011, p. 3).

By linking the sign ‘globalization’ to the signs ‘fairer’ and ‘human face’, Strauss-Kahn makes clear that tackling the schism between rich and poor is central to the IMF’s mission of rebuilding a stable international monetary system. This is even more so confirmed by the fact that the sign 'benefits of growth' is linked with the sign 'share' which goes directly against the neoliberal policy logic that deems sharing inefficient. The final sentence of the excerpt also directly opposes the prior dominant logic as it acknowledges that there are limits to the 'invisible hand' of the market, which indicates that untargeted growth is not considered the most effective policy logic any longer. The issue of inequality is therefore not only deemed crucial at the research department level within the IMF, but this understanding is echoed and promoted within the Fund's top-level rhetoric as well. The alternative novel policy logic, the policies that are needed to achieve this fairer form of globalization and economic growth, are more specifically addressed by the subsequent managing director of the IMF, Christine Lagarde.

Christine Lagarde 2013/2015/2019. At the World Economic Forum in Davos, Christine Lagarde, in line with Strauss-Kahn, acknowledges that excessive income inequality is detrimental to sustainable economic growth and that more fairness and inclusion is needed. The chain of equivalence that links the notion of 'growth' to 'sharing' is therefore also identified within Lagarde's discourse:

> ''At its core, it relates to *growth*. Surely, we have all learned by now that it is no longer enough to focus on *growth* alone. We need all people to *share* in *rising prosperity*— and, by the same token, *share fairly* in any *economic adjustment* needed to achieve or restore *prosperity*.'' (Lagarde, 2013, p. 3).

The signs 'economic growth' and 'rising prosperity' are related to the signs 'share' and 'share fairly' which reflects the Funds new mission of achieving a fairer form of globalization. Moreover, Lagarde directly goes against the older neoliberal policy logic by articulating that it is no longer sufficient to focus on economic growth alone, she states:

> ''I believe that the economics profession and the policy community have downplayed **inequality** for too long. Now all of us—including the IMF—have a better understanding that a more *equal distribution of income* allows for more *economic stability*, more *sustained economic growth*, and *healthier societies* with stronger bonds of *cohesion* and *trust*. The research reaffirms this finding.'' (Lagarde, 2013, p. 3).

The novel idea regarding inequality is once again established and accordingly the sign 'equal income distribution' is linked to the other signs, 'economic stability, 'sustained economic growth', 'healthier society' and bonds of 'cohesion' and 'trust'. The research department's findings are also directly referred to in the speech. More importantly, what this means for the central mission of the IMF, besides that inequality should no longer be downplayed, is more specifically expressed as:

> ''*Inclusive growth* is certainly a *top concern* of *policymakers*. The message is resonating widely […] What is less clear is how we achieve more *inclusive growth* in practice. Certainly, universal access to decent *education* is the non-negotiable starting point. Beyond that, I believe policies such as robust *social safety nets*, extending the *reach of credit*, and—in some cases—*minimum wages* can help.'' (Lagarde, 2013, p. 3).

The novel policy logic becomes more pronounced and defined here as for the first time an important new concern for the Fund, that of excessive inequality, is linked to what they term 'inclusive growth', where in principle the signs of 'growth' and 'inclusion' are merged together. This indicates that the Fund no longer sees 'economic growth' as an issue that can be separated from the issue of 'inequality' in that it needs to be 'inclusive', which is exactly the understanding of inequality which the research publications introduced and promoted. The term 'inclusive growth' therefore represents the Fund's acknowledgement, at least at the top-level, that economic growth and inequality are two sides of the same coin. The benefits of rising prosperity should therefore be shared indicating that there is a need for achieving a more equal distribution of income. Accordingly, the sign 'inclusive growth' is linked to the other signs which explain what policies are necessary, such as access to decent 'education', robust 'social safety nets', and an extended 'reach of credit'.

In a speech at the Grandes Conferences Catholiques in 2015, Lagarde further specifies the new policy logic:

> ''My *key message* tonight is: reducing excessive **inequality** – by *lifting the "small boats"* – is not just *morally* and *politically* correct, but it is *good economics*…. In other words, if you want to see more *durable growth*, you need to generate more *equitable growth*.'' (Lagarde, 2015, p. 2).

The novel policy logic is neatly summarized in the positive relationship that is explicated between the signs ‘equitable growth’ and ‘durable growth’, indicating that generating a more equal distribution of income is a necessary prerequisite for achieving sustainable growth. Moreover, in the speech she directly quotes the findings of Dabla-Norris et al., (2015) and argues that the benefits of pursuing economic growth are trickling up instead of down, which produces higher levels inequality and thereby worsens the prospects for long term economic growth. Consequently, the neoliberal analogy that economic growth resembles a rising tide which lifts all boats, is directly contested as it is now understood that the ‘small boats’ need to be ‘lifted’ separately in order for growth to become more inclusive and sustainable. Moreover, such a rationale is not only deemed ethically correct, but good economics as supporting policies that will lift the income of the poor will benefit all individuals, because these policies are crucial to generate more sustainable, but most of all higher economic growth according to Lagarde. Additionally, the policies necessary to induce a more equal level of income distribution are afterwards shortly laid out in the speech. Smart fiscal policy through widening the tax revenue base and using the freed-up resources for stronger social safety nets and better education, and structural reforms in for instance the areas of education and health care are referred to as optimal policy choices.

This novel policy logic is further defined in a 2019 speech in Geneva, where Lagarde proposes that the most important policy tool to reduce excessive levels of inequality is social spending:

> ‘’What this tells us is that for *economies* to be *resilient* and *growth* to be *sustainable*, this *growth* needs to be *inclusive*— which calls for *social spending*. This in turn provides the *social* and *political* buy-in for *growth-supporting policies*—and in doing so, builds *trust*.’’ (Lagarde, 2019, p. 3).

The term ‘growth’ is once against linked to the sign ‘inclusive’ in order for it to be ‘sustainable’, and the policy option for achieving this outcome is coined ‘social spending’. Thus, a positive relationship is explicated between the key sign ‘social spending’, and the other signs, ‘political’ and ‘social buy-in’, and the ‘trust’ necessary for ‘inclusive growth’. Consequently, the novel idea regarding inequality that it is bad for economic growth, is now associated with the novel policy logic, already identified in the research department publications, that social spending is an effective policy tool to promote a more equal income distribution and thereby higher and more sustainable economic growth. She references the findings by Ostry et al., (2014) and once again stresses that this rational is good economics:

> ‘’It is clear, then, that *social spending* is not just an expense, but rather the *wisest of investments* in the *well-being* of our societies. *Expansion of access to education and health* generates broader *productivity gains* across the population, allowing all citizens to flourish. To reap the rewards of a *stronger global economy* tomorrow, we must begin by strengthening *social programs* today’’. (Lagarde, 2019, p. 3).

The notion of lifting the small boats here is given more meaning as social spending and redistribution is deemed the most fitting policy option. As a result, the position of the IMF in relation to the issue of inequality becomes clear, in that it has become a primary concern for the Fund and the policy logic accompanying this novel stance, posits that better ‘social programs’ are needed in order to foster a ‘stronger global economy’. This indirectly reaffirms the notion that inequality is a macro-critical issue which the Fund is aiming to give the attention it deserves through the novel policy logic of social spending:

> ‘’In all of our programs, protecting *the poor* and *vulnerable* is now, and will continue to be, a *core objective*.’’ (Lagarde, 2019, p. 2).

Important to note here is that the Fund has made a 180 degree turn when it comes to the institution’s stance concerning inequality. In Christine Lagarde’s words, it is now a core objective within their mandate. This couldn’t be further away from the preferred policy logic which the Washington Consensus instilled within the Fund that deemed inequality a non-priority issue. Lagarde was not the latest head of the Fund to acknowledge and further promote this novel understanding of inequality.

Christina Georgieva 2020. In her 2020 speech at the Vatican City, Christina Georgieva discusses the Fund’s new priorities for the global economy. In line with Strauss-Kahn and Lagarde, she notes that the economy which we have now continues to cast a dark shadow, that of excessive inequality. The first area of action which she highlights as one of the new priorities with regards to lifting this dark shadow, is ‘inclusive growth’. The main aim for this priority is to promote a culture of solidarity that can fight off the social tensions, political polarization and declining trust in institutions resulting from the excessive levels of inequality. She states that:

> ‘’The best way to nurture *solidarity* is to reduce the **inequality** *of opportunity*. This means *investing in people*—not just spending more on schools and training, but improving the quality of education and the access to life-long learning and re-skilling. Not just *expanding social programs*, but *allocating spending* more effectively to reach the most *vulnerable*. These *policies* help *reduce the* **inequality** *of opportunity*—which in turn is critical for *lower income inequality*. IMF research has also shown that *lower income* **inequality** is associated with *stronger* and more *sustainable growth*.’’ (Georgieva, 2020, p. 2).

What is evident from this chain of equivalence is that, once again, the novel idea regarding inequality introduced in the research department publications is fully embraced and promoted within the Fund’s top-level rhetoric. This is the case as the key sign ‘lower income inequality’ is defined as having a positive relationship with ‘stronger and more sustainable growth’. Moreover, the accompanied policy logic which argues that reducing ‘inequality of opportunity’ is essential to lower ‘excessive income inequality’ through, for instance, targeted ‘social programs’ and investing in ‘education’, is another important chain of equivalence that once again acknowledges social spending as the appropriate policy logic to deal with excessive inequality. More importantly, Georgieva states:

> ‘’The goal is to ensure that *policies deliver* for *people*. And that is why the IMF has increased its *focus* on *social spending issues*, and we have increased our *attention* in *IMF-supported reform programs* to helping *vulnerable groups*.’’ (Georgieva, 2020, p. 2).

Here the human face of economic growth is brought back into the picture as the sign ‘policies’ which the IMF mandates and recommends, is linked to the signs ‘deliver’ for ‘people’. Moreover, in line with Lagarde, the core objective of protecting the poor and vulnerable is reflected in this chain of equivalence as well, as the Fund states that it has increased the ‘attention’ of its ‘reform programs’ to help the ‘vulnerable groups’ added to which is the increased ‘focus’ on ‘social spending’.

Overall, the same closure of meaning that was identified within the research department publications, that excessive inequality is bad for economic growth, is therefore also present within the top-level rhetoric of the IMF. Moreover, the most important insight from the above-performed analysis is that the Fund's discourse defines the appropriate policy logic to revolve around social spending. It also introduces the term inclusive growth, further setting in stone the novel idea of inequality which the research department introduced, that inequality and economic growth are inherently interconnected. This means that the latest three heads of the IMF can be considered ideational entrepreneurs in that through their discourse, they have attempted to introduce and promote this novel idea and policy logic regarding inequality stemming from the research department publications. Simultaneously, because this specific meaning and policy logic is fixed to the key signifier 'inequality', the older neoliberal policy logic is pushed aside and thereby the meaning that it previously attached to inequality as warranting no concern, is excluded from the current discourse of the IMF. Moreover, by adhering to this novel understanding of inequality, the Fund has shifted the way in which it positions itself in relation to it, as now it is considered a primary concern for which the Fund has a novel policy solution, social spending. The above excerpts therefore represent the discursive meaning-making attempts that aimed to fix a certain meaning to the notion of inequality within the Fund. They also provided the basis for the interview questions, which can be found in the second appendix. Now the question becomes, however, when we look at the more practical realm, whether this novel attention to inequality is also identifiable.

Content Analysis

This second section of the analysis will explore the practical realm and has the primary aim of assessing to what extent this new understanding of inequality, but more specifically the preferred policy options that come with it, are present within the policies currently mandated and recommended in the Fund's recent article IV consultations and loan programs. The key research publications analyzed in the first discourse analysis have also examined the policy implications of their findings and have come up with certain suggestions as to which policies are benign or detrimental with regards to inequality. The IMF 2014 fiscal monitor further explores these issues in more detail and together with the aforementioned publications, provides the groundworks for the synthesis of the fund's own research findings that has been created, which neatly summarizes the macro-economic policies that are found and characterized as either decreasing or increasing socio-economic inequality. The policies in the synthesis are compared to the policies being mandated in the crisis loan documents and recommended in the Article IV consultations, so that it can be assessed whether the IMF is currently mandating and recommending policies that they themselves have identified as good or bad with regards to inequality. The policies summarized in the synthesis, which can be found in the first appendix, are therefore utilized as a tool to assess the extent to which the IMF's policy recommendations and loan documents reflect the novel research findings, and thereby high-level rhetorical commitment of the Fund, concerning the importance of reducing excessive inequality. If policies are identified that go against the IMF's own findings on inequality, the argument can be made that the ideational shift has not fully taken hold in the institution as the rhetorical commitment is proven not to have been translated into the Fund's practices. If the opposite is found and a more progressive line of policies is mandated and recommended, then the opposite conclusion can be drawn.

Article IV consultations

The policy advice and discussions within the Article IV consultations are quite revealing in that inequality related concerns are repeatedly visible within the recommendations made. Where it is identifiable, it is often recommended in addition to certain fiscal policy recommendations, such as fiscal consolidation, in order to protect those who will be hit hardest by such regressive reforms. Firstly, the case of Nigeria will be analyzed, after which Peru and Colombia will follow.

Nigeria. Several of the policies found to reduce inequality, which are summarized in the synthesis, are present in the policy recommendations of the Article IV consultation to Nigeria. Most importantly, the Fund recommends that significant revenue mobilization and additional revenue-based fiscal consolidation is necessary in order to reduce the risk of Nigeria having an inadequate capacity to service the debt. Fiscal consolidation is, however, associated with inducing inequality as it often leads to cuts in public spending and increased levels of taxation, both of which will hit the poorer segments of society the hardest. Consequently, as the IMF's research has recommended, fiscal consolidation should be balanced by ensuring progressivity of the tax measures and by mandating targeted social spending measures to cushion the impact of such fiscal reforms. The Article IV consultation takes these concerns into account as the Fund recommends Nigeria to:

> ‘’ Significant revenue mobilization will be needed to reduce fiscal sustainability risks. Tax policy and administration reforms are required to reduce fiscal risks and allow for

an increase in priority social spending. With high poverty rates and current economic weaknesses, revenue mobilization will need to rely on progressive and efficiency-enhancing measures, with higher VAT and excise rates awaiting a more sustained economic recovery. Improved social safety nets through better targeting and higher coverage is essential to cushion the negative impacts on the poor from VAT rate increases and removal of fuel and power subsidies.'' (IMF, 2020a, p. 27).

As is identified above, the Fund repeatedly stresses the importance of adequate and well-targeted social policies to protect the least well off from the negative impacts of the recommended fiscal reforms. Next to fiscal consolidation, the proposed VAT rate increase, and the removal of the fuel and electricity subsidy are expected to have substantial negative impacts on the poor. To counter this, the Fund recommends one of the policies found in the synthesis: additional social spending in the form of better targeted and improved social safety nets. They conclude that these increases in social spending, will only cost a fraction of amount of money saved as a result of the abolition of the subsidies. Moreover, Nigeria's draft 2021 finance bill mentions targeted tax relief and exemptions which is another progressive policy measure found in the synthesis. Hence, even though certain regressive policies such as fiscal consolidation and subsidy removals are proposed, several of the inequality reducing measures summarized in the synthesis, under which also the replacement of the general and fuel subsidies with targeted social spending, are present and promoted in the article IV consultation. Consequently, the novel policy logic regarding inequality introduced in the research findings and confirmed and promoted in the top-level rhetoric, is therefore also present in the policy recommendations made to Nigeria.

Peru. In the article IV consultation to Peru, similar progressive policy discussions and recommendations are identified. With regards to consolidating social assistance, the Fund recommends the Peruvian government to improve social protection through investments in two key areas, pension and healthcare reforms, both of which are also identified as progressive policy measures in the synthesis. Moreover, they posit that the reform agenda should be focused on the weaknesses which the pandemic has exposed and should aim to promote 'stronger and inclusive growth' by implementing policies which will enhance productivity and strengthen social spending. The more progressive line of reasoning, also resembled by the inclusion of the term inclusive growth, is therefore present in the recommendations made to Peru:

‘’Heightened health risks require continued policy support. Using the space available, fiscal policy should address the new health emergency and sustain household incomes to reduce poverty, limit scarring, and ensure against downside risks to growth. In the absence of inflationary pressures, monetary conditions should remain accommodative. Structural reforms should address the needs exposed by the pandemic, focusing on policies to enhance productivity, improve governance, and strengthen the social safety net.’’ (IMF, 2021b, p. 11).

The excerpt reveals that the macro-economic stability risks associated with increased poverty rates are acknowledged, and accordingly the recommendation is made to sustain household incomes and to strengthen the social safety net. More importantly, in relation to fiscal consolidation, the Fund proposes something which it does not often do. It advises the Peruvian government to more gradually than was planned withdraw the fiscal stimulus package currently in place. The stimulus package addresses the financial and economic pressures resulting from the pandemic to limit the impact of the crisis on poverty levels and ensure against any potential risks to growth. They thereby advise against the current fiscal path the Peruvian government intends to take to in the short-term return to their pre-Covid fiscal rule, by means of fiscal consolidation. The Fund argues that it might be too soon and that these plans are too ambitious considering the significant uncertainty of the country’s macro-economic outlook and considering the fact that there still is a need for higher spending. On top of that, they consider a fourth round of the Bono Universal*,* which entails a cash transfer program to low-income households most affected by the pandemic, to be appropriate as well, which is another type of progressive policy found in the synthesis. Moreover, when it comes to enhancing social protection, the Fund also recommends the government to strengthen its efforts to financially develop in order to ensure a larger share of financial inclusion of the public. This is a significant factor in effectively getting social spending to where it needs to go, and another recommended progressive policy from the synthesis. The novel policy logic which stresses the importance of reducing poverty through social spending measures is therefore also present in the Peruvian case.

Colombia. When it comes to the case of Colombia, the results of the content analysis do not diverge much in comparison to the prior two cases. The focus on reducing inequality, however, is more directly pronounced in the recommendations made. Importantly, they do recommend Colombia to return to a gradual but steady path of fiscal consolidation which, besides growth-friendly revenue mobilization, is also accompanied by several fiscal reforms such as the reduction of VAT exemptions, broadening the base for personal income taxes, and the elimination of preferential treatment regimes. However, in line with the recommendations made to Nigeria, as these measures have a potential negative impact on the poorer segments of society, the Fund stresses the importance of the revenue mobilization reforms to be sustainable, progressive and efficient. Accordingly, the Fund states that the fiscal reforms mentioned above should be accompanied by sufficient social spending mechanisms to protect and compensate the poorer households hit hardest by the reforms. Moreover, the Fund stresses that:

> ‘’To reduce the risk of domestic tensions and protests reaching the intensity observed elsewhere in the region […] Staff welcomes progress on the implementation of the Peace Agreement and the NDP, and recommends a continued emphasis on elements supporting regional, social, gender and economic inclusion.’’ (IMF, 2021c, p. 20).

The NDP, which refers to Colombia’s National Development Plan, and the Peace agreement, are both recent initiatives started by the Colombian government that are aimed at eradicating poverty through the direct delivery of state resources in the form of subsidies to the most vulnerable segments of the population, accompanied by a substantial investment in the education systems to increase public participation. Both of these measures are also progressive policies found in the synthesis. Moreover, these plans are specifically aimed at tackling inequality through enhanced economic, gender, regional and social inclusion which indicates that the novel policy logic, that acknowledges the risks that are associated with increased inequality through political instability, is also recognized and promoted within this article IV consultation. This is the case as the Fund deems it a priority to reduce the risks of domestic tensions within Colombia. The inclusion of enhanced targeted transfer programs through more progressive pension subsidies is also recommended in the consultation, which is another progressive policy found in the synthesis. Overall, the fund therefore acknowledges that for an equitable recovery to be achieved, the poorer households require continued support to decrease the macro-economic risks associated with excessive inequality levels.

The findings from the analysis of the three cases reflect the rhetorical commitment of the Fund that excessive inequality, and thereby social spending, deserves significant attention within the policies and reforms that it recommends. On the practical side, at least with regard to the policy recommendations made in the Article IV consultations, the Fund seems to be towing its more progressive mandate as it includes significant discussions of poverty and inequality concerns within the recommendations that it makes. On the more theoretical side, this could be interpreted as a sign of an ideational shift having taken place within the Fund as not only the Fund's rhetoric has changed, but its practices with regards to its consultations as well. Now the final question becomes, is this also the case in the most important documents of all, the crisis loan documents?

Crisis Loan Documents

The requested and promoted policies in the loan documents attached to the crisis disbursements reveal quite a different pattern from what is identified above, as they do not incorporate the new progressive policy logic regarding inequality. Overall, whereas in the article IV consultations the notion of fiscal consolidation was repeatedly accompanied by a concern and recommendation to offset its negative impact through appropriate redistributive measures, this concern is not present within the crisis loan documents whatsoever.

Nigeria. A commonality that is found to the policies identified in the Article IV consultation, is that there is a stressed need for Nigeria to implement a regressive fiscal policy identified in the synthesis: revenue based fiscal consolidation. The Fund repeatedly advises that Nigeria's actions in the short term to fiscally accommodate increased health spending and alleviate the impact of the pandemic on households and businesses, should not lose sight of the long-term adjustments that are necessary to unlock growth and reduce the chances of having an inadequate capacity to service the debt. However, the more progressive rhetoric and policy logic, that such fiscal adjustments should be accompanied by increased social spending in order to offset potential negative impacts, is not present within the policies recommended and requested from Nigeria. The Fund's focus seems solely aimed at ensuring fiscal sustainability:

> ''Staff supports the authorities' immediate actions to respond to the crisis and their commitment to medium-term macroeconomic stability once the COVID-19 crisis passes. The short-term focus on fiscal accommodation and the removal of fuel subsidies are welcome. The important steps taken towards a more unified and flexible exchange rate are welcome and should be followed by the immediate unification of the exchange rate. Once the crisis passes, it is important that these reforms be sustained and that

revenue-based fiscal consolidation resumes. Swiftly implementing ERGP reform priorities—including on power sector and governance—will also be important.'' (IMF, 2021d, p. 12).

The above policies requested, such as the removal of fuel subsidies, the ERGP reform priorities and most importantly the continuation of revenue-based fiscal consolidation, are all regressive policies found to negatively impact on the poorest segments of society. Moreover, the Economic Recovery and Growth Plan (ERGP) reform is further promoted by the Fund which entails fiscal reforms such as fiscal consolidation by means of increasing excise taxes, implementing VAT reforms and removing tax exemptions. The same is recommended in the article IV consultation, but there it is accompanied by the request to improve social safety nets in order to cushion the negative impacts from the reforms mandated above. The concern with higher poverty rates that is identified in the Article IV consultation, and according to which revenue mobilization is recommended to have to rely on progressive and more efficient measures, is not present within the loan document as these issues go unmentioned. Hence, the novel policy logic regarding inequality, that redistributive measures are necessary to achieve sustainable and inclusive growth, is left unacknowledged in Nigeria's crisis loan.

Peru. To the contrary of the policies mandated to Nigeria above, in the document attached to the loan disbursement to Peru there is no significant focus on fiscal consolidation. This is however no surprise as in the Article IV consultation to Peru the opposite was recommended to what has been recommended to Nigeria, as the Peruvian government was advised to more gradually return to the pre-Covid fiscal rule. The reason as to why Peru has the fiscal space to do so is clarified in the loan document as Peru has imposed a much stricter fiscal rule, than for instance Nigeria and Colombia, which has allowed its debt to be contained within the 30% of GDP debt ceiling. Peru's debt ceiling is the lowest in the LAC region (Latin America and the Caribbean). Moreover, due to Peru's strong and strict policy and institutional frameworks, its economic growth over the past 15 years has been relatively robust. As a result of this high level of prudent fiscal management, the Fund is less worried about Peru having an inadequate capacity to service the debt. As a result, the policies which are mandated are thereby less strict in comparison to the case of Nigeria, however, this does not mean there is no fiscal advice given whatsoever:

‘’In the medium term, growth is expected to return to its potential of 31⁄2 percent and the fiscal deficit to gradually decline to below the fiscal rule ceiling—one year later than in the pre-Covid-19 path. The return to the debt ceiling of 30 percent of GDP may, however, need a longer period. Nonetheless, public debt is expected to remain low at the end of the projection period and on a downward trajectory. While the medium-term fiscal adjustment and the return to the numerical parameters of the fiscal rule will be to a large extent the result of the dissipation of temporary support policies and of higher tax collection associated to the economic recovery, it will be nonetheless key for the authorities to complement this process by continuing to focus on revenue administration measures—particularly on reducing the VAT compliance gap.’’ (IMF, 2021e, p. 11).

As a result of Peru’s prudent fiscal policies, there is no need for the Fund to stress the importance of returning in a timely manner to the countries prior fiscal rule and they even stress that the return to the debt ceiling may take some additional time. Still, however, certain policy proposals are identified in the excerpt as the Fund does advise the Peruvian authorities to remain focused on improving the budget process and revenue mobilization in the medium term by means of tackling the VAT compliance gap and implementing a budget framework. These fiscal recommendations are also taken up by the Peruvian government in that they remain committed to reforming their tax administration and thereby improving revenue mobilization through the measures highlighted above. However, the eventual return to Peru’s prior fiscal rule does mean a significant reduction of its fiscal deficit and hints at fiscal consolidation being warranted in the medium-term, although this is not literally stated in the document. Additionally, where in the article IV consultation these structural reforms were linked to strengthening the social safety net, no such mention of any necessary redistributive policies is made in the loan document. Hence, the novel policy idea and logic stressing the importance of reducing poverty through social spending is also not present in the Peruvian case.

Colombia. When it comes to the case of Colombia, similar policy instructions are identified in comparison to Nigeria’s crisis loan disbursement. Most importantly, the country is requested by the IMF to reinstate the original fiscal rule from 2022 onwards, which means that a more equal fiscal balance should be achieved in the medium-term. This implies that in order for Colombia to return to its currently suspended fiscal rule, they have to implement the necessary policy corrections needed to do so. This indicates that the fund expects Colombia to narrow the current account deficit through fiscal consolidation:

> ‘’The temporary suspension of the fiscal rule in a well-defined manner and a commitment to return to the rule in 2022 as the crisis recedes are welcome. […] Over the medium term, the current account deficit is expected to continue narrowing, including because fiscal consolidation that is expected after the fiscal rule is reinstated in 2022 should help raise national savings.[…] The authorities remain firmly committed to their fiscal sustainability framework including adherence to the structural balance rule which would place public debt on a declining path in the medium-term. As such, their plans embody a sharp headline deficit adjustment in 2021 to ensure that the structural balance rule returns in 2022.’’ (IMF, 2021f, p. 12).

Hence, Colombia’s plans include a sharp headline deficit adjustment in 2021 to ensure that a more equal fiscal balance is achievable over 2022 in addition to which the Colombian authorities stress that additional expenditure efficiency measures and revenue-enhancing fiscal policies will be necessary. These measures are further expanded on in the Article IV consultation, such as the VAT and Personal income tax reforms that are recommended. However, again no mention of additional social spending policies is made whatsoever in the loan document. The NDP and the peace agreement referred to in the Article IV consultation as being crucial in supporting social and economic inclusion and lowering the domestic tensions currently present, are left unmentioned in the crisis disbursement publication.

Overall, on the more practical level, the novel idea that an equitable recovery is to be achieved through the reduction of excessive inequality, which is introduced by the Fund’s research department and subsequently picked up and promoted in its top-level rhetoric and article IV recommendations, is not present in the crisis loan documents. These documents represent the most important level of all in that they carry the most substantial weight as they have the ability to significantly influence a country’s policymaking by means of the policies requested and mandated. This is even more so the case as Article IV consultations by themselves have been found to only generate an impact when accompanied by the presence of a loan program (Momani & Hidden, 2017). In this case, the rhetorical commitment of the Fund that excessive inequality, and thereby social spending, deserves significant attention in its mandate, does not seem to be reflected in its practices as there is no significant discussion of poverty or inequality found in the policies recommended or mandated in the loan documents. Consequently, the potential ideational shift identified in the Article IV consultations, is not reflected by the contents of the crisis loan publications. Other regressive policies more in line with the Fund's old neoliberal policy logic, i.e., the plethora of fiscal reforms and adjustments recommended to achieve fiscal consolidation, on the other hand, do gain acknowledgement and are welcomed by the Fund repeatedly.

Insights Interviews

The primary aim of this final section of the analysis is to assess to what extent the novel progressive ideas present within the research publications, the top-level rhetoric and article IV consultations, are also present within the lower levels of the Fund. These interviews thereby further assess the extent to which the novel idea of inequality being macro-critical has trickled down from the research publications and subsequent top-level rhetoric towards the staff level, at least with regard to the staff members interviewed. For privacy reasons, neither the names nor position of the staff members will be revealed. However, they are all closely affiliated with the three case countries analyzed above and therefore provide valuable additional insights regarding the Fund's stance on inequality.

Quite adamantly, the interviewees suggest that the Fund is sincerely committed to reducing excessive inequality levels, and they thereby confirm that tackling inequality has become part of the Fund's core mandate:

> ''You may confidently say that the IMF places a high value on these issues such as inclusive growth, social inclusion, and income distribution and actively takes them into consideration with regards to the surveillances programs and when it comes to the impact of its policy recommendations as well.''

This view, albeit articulated differently, is also reflected in the stances of the other interviewed staff members who further corroborate that the Fund is genuinely committed to reducing inequality. Another important insight regards the fact that the novel idea and policy logic, that excessive levels of inequality are corrosive to macro-economic stability and that thereby economic growth should be inclusive, is also supported by the interviewees:

> ''So, you already know that the Fund has started focusing on inequality at least starting about ten years ago or so. Initially, there has been some work that was more research-

oriented. And afterwards, following those publications, it has become more part of the core work of the Fund, because of the realization that inequality is very important to one of our mandates, which is, broadly speaking, is macro-economic stability. So, the idea is that growth should also be inclusive and the mandated policies should be mindful of the impact on inequality. This is an important and enrichment of the way that we used to look at policy.''

Hence, the views of the staff acknowledge and promote the novel policy idea that excessive inequality levels do not foster long term sustainable growth. Furthermore, they acknowledge that this addition to the Fund's policy logic is a welcome one, that inequality should be considered macro-critical, and that accordingly:

> '' […] the fund needs to do more to support countries through its policy advice, and also in loan programs by including some structural measures that support the provision of reducing inequalities basically.''

Here, a third important insight is uncovered as the novel policy logic regarding the usefulness of redistributive measures is also confirmed. When asked about the regressive effects of fiscal consolidation, the interviewees repeatedly highlighted the importance of implementing targeted social policies to offset the redistributive consequences of such regressive fiscal reforms. A fourth important insight drawn from the interviews is that the research department represents the primary source of ideational change within the Fund. This confirms the theoretical expectation regarding the centrality of the research department in introducing novel ideas within the interpretative framework of the institution:

> ''but that nexus between economic growth, development, and the problem inequality can cause to that, is certainly in the back of the mind of most of the people, within the institution. And of course, what happens is that we are a very organized institution, and when these issues are researched, discussed internally in our headquarters, and all these ideas flow naturally to all of our offices, in various countries, that doesn't exclude Nigeria of course. So yes, to summarize, the issue of inequality is important, and in everything, we do we have our eyes attentively close particularly in those countries where you know that social instability might be an issue. And it cannot be disregarded as a macroeconomic concern right.''

The above excerpt indicates that the process of an ideational shift has been set in motion as the interviewee states that most of the people have been made aware of the nexus between economic growth, development and inequality. Moreover, the process of a novel policy idea being introduced and disseminated is neatly summarized here in that it is described as the idea originating from the research department, subsequently being discussed within the headquarters, and afterwards flowing to the local offices in the member countries. This indicates that the novel idea regarding inequality should have made its way through several levels within the institution, and stems from the research department. Moreover, the macro-criticality of inequality is once again acknowledged.

A final insight regards the matter as to why such a significant difference is identified between policies recommended in the Article IV Consultations and those mandated in the loan documents. Two out of the three interviewees gave a similar answer as they argued that the documents analyzed resemble crisis loans and should thereby be differentiated from the fully-fledged loan programs that the Fund normally mandates, as these crisis loans are usually not accompanied by a full loan program or conditionality matrix. This is the case as they are one-off emergency disbursements and their primary focus thereby lies on providing the emergency assistance necessary to successfully battle the pandemic. As a result, they argued that the emergency loans are by nature not the type of loans through which extensive policy reforms are mandated and recommended. Consequently, policies supposed to deal with inequality issues should be less present within the loan documents attached to the current crisis loans. However, at the same time the interviewee recognizes that the crisis loans do still include a letter of intent in which the Fund likes to see a few commitments made by the country in question in exchange for the emergency funding. Hence, the above argument as to why the crisis loans do not include discussion of matters pertaining to inequality issues, does not seem to have a watertight foundation. This will be further elaborated on in the discussion section. Moreover, one of the interviewees provided a different answer as to what explains the disjunction between the two types of documents, and hinted at it becoming an issue in the upcoming review of one of the crisis loan type, the Flexible Credit Line. Unfortunately, he/she could not further elaborate on the matter as it entailed information too sensitive to share. Finally, the argument was made that once countries exit the emergency phase of the crisis, more normal, full type loan program engagements will be made in which discussions about inequality related issues, such as social spending, are expected to be more present. This is the case as these types of loans should include more extensive discussions of the necessary fiscal policy reforms.

All in all, the above interview excerpts uncover that also at the staff level in the Fund, at least with regards to the three individuals interviewed, the novel policy logic and idea regarding the macro-criticality of inequality is present and promoted and therefore seems to have trickled down. Furthermore, next to the novel policy logic being acknowledged, all interviewees argue that it has become a primary concern for the Fund to tackle excessive inequality levels. To conclude, the rhetorical commitment of the fund towards reducing inequality is genuine, and one that is also shared by most of the Fund's staff members according to the interviewees. Hence, the above insights seem to point in the direction that an ideational shift has been set in motion in the institution.

Conclusion

The principal question this thesis set out to answer regards the extent to which the IMF's current practices in Peru, Colombia and Nigeria have been informed by the Fund's own research findings on inequality. The first section of the analysis, which focused on the ideational realm through the discourse analysis of the Fund's own research department publications on inequality, highlights the newly introduced idea that there is an inverse relationship between high levels of inequality and economic growth. It further uncovered the novel policy logic that inequality reducing measures, such as fiscal redistribution, can be good for growth. Hence, a new and untraditional policy logic that sees inequality as a critical determinant of macro-economic stability is introduced and promoted through the research department publications. Simultaneously, this novel understanding of inequality and the accompanied progressive policy logic strongly go against the more regressive neoliberal policy agenda which the Fund has promoted in the past. From the second discourse analysis, which analyzed the Fund's top-level rhetoric following the key research publications, it becomes clear that the heads of the IMF acknowledge and promote this novel understanding of inequality and also identify the appropriate policy response to regard social spending. Hence, the novel idea and policy logic that was introduced by the research department, is also present and promoted in the top-level rhetoric of the Fund. Moreover, by adhering to this novel understanding, the Fund has shifted the way in which it positions itself in relation to the subject of inequality, as it now is considered a central part of its mandate. From the second section of the analysis, which dove into the practical realm by means of the content analysis of the Article IV consultations, it becomes clear that the Fund is towing its more progressive mandate as significant discussion of poverty and inequality concerns, and the appropriate policy solution that social spending provides, is repeatedly acknowledged and promoted within the recommendations made to all three case countries. The Article IV consultations confirm the rhetorical commitment of the Fund that excessive inequality, and thereby social spending, deserve significant attention within the policies mandated and recommended in response to the pandemic. This progressive sentiment, is also overtly present in the views of the interviewed staff members who further acknowledge the macro-criticality of inequality, and stress that the Fund has a central role in tackling the issue.

The above three levels of analysis therefore all point towards the conclusion that the Fund's commitment to reducing inequality is genuine as the novel policy idea and logic that is introduced by the research department is not only reflected in top level-rhetoric, but is also identified within practical policy recommendations. However, when it comes to the final content analysis, that of the Fund's recently disbursed crisis loan documents, this more progressive sentiment and mandate is not present whatsoever, as there is no significant discussion of poverty or inequality related issues identified in these publications. Hence, there is a significant discrepancy between what is being recommended in the Article IV consultations and what is mandated in the crisis loan documents. The rhetorical commitment of the Fund to deem inequality an essential part of its mandate, is thereby not reflected in the loan documents.

Looking purely at the findings identified above, it can be concluded that the IMF's practices in Peru, Colombia, and Nigeria have not been fully informed by its own research findings. When it comes to the most important level of analysis, that of commitments made and policies recommended in the actual loan documents, the novel idea and policy logic of inequality is left unacknowledged. Overall, with regard to the extent of change in the Fund's rhetoric and practices according to the novel research findings, one can conclude that the Fund's rhetoric, Article IV consultations and staff opinions are strongly informed by the research as they all include significant discussions of the macro-criticality of inequality and the appropriate policy response of social spending. However, the Fund's crisis loan documents do not seem to be informed, in that they neglect to include the new progressive mandate and continue to promote several regressive fiscal policies.

Discussion

The discussion section will further assess the legitimacy of the Fund's commitment to reducing inequality by means of interpreting the results, identifying the theoretical and social implications, discussing the limitations and introducing the relevant areas for future research.

Interpretation

A central question still to be addressed concerns what the results mean with regard to the theoretical question of whether the Fund has undergone a successful ideational shift, and whether the heads of the IMF, as ideational entrepreneurs, have been successful in disseminating the novel idea of inequality. There is no straightforward answer to these two questions as the findings are interpretable in two ways. Firstly, the more progressive mandate is absent when it comes to the loan documents where the IMF can impose conditions and make the most weight bearing policy requests. However, two interviewees indicated that this does not necessarily mean that the Fund's commitment to reducing inequality is disingenuous, as the analyzed loans are crisis disbursements which are by nature not the type of loans through which extensive policy reforms are mandated and recommended. They are thereby expected not to include much discussion of fiscal redistributive issues, and accordingly one could still conclude that an ideational shift has taken place, as is reflected in the contents of the Article IV consultations. There are, however, some concerns to be raised with this interpretation.

The above-introduced line of reasoning posits the crisis loans to essentially be about the funding, and not so much about the policies or reforms the Fund would like to see implemented in order for the country in question to regain the required fiscal space to pay back the loan. This argument is not fully reflected by the contents of the loan documents, as the Fund does in fact include several fiscal policy recommendations and requests despite the loans being of the crisis category. As such, regressive fiscal policies, such as fiscal consolidation, are repeatedly requested and promoted. The loan documents even go into specific detail as to how to achieve this through, for instance, increasing revenue mobilization by raising excise taxes. In light of the crisis qualification that these loans carry, it seems counterintuitive that certain regressive fiscal policies are still requested and recommended in such detail that are more in line with the Fund's neoliberal past, while other more progressive policies are consciously left out of the mix despite supposedly also being a central tenet of the Fund's current mandate. One can therefore respectfully question why there is no discussion of progressive fiscal measures in the loan documents. From this second line of reasoning, the conclusion could be drawn that no full ideational shift has taken place as the IMF's practices with regard to its current crisis loans, seem to consciously exclude the Fund's more progressive research, rhetoric and mandate.

Both interpretations explicated above are plausible; however, one has to acknowledge, as is also indicated by the interviewees, that it still remains to be seen whether the Fund will tow its more progressive mandate over the coming decade, as more extensive loan programs will be disbursed which do resemble the types of loans through which extensive policy reforms are mandated. These documents are expected to include discussion of the necessary regressive and progressive fiscal policy reforms and should be able to provide a more conclusive answer to the theoretical question posited above. What can be said, despite the progress that is identified in the Article IV consultations, is that the Fund's current loan practices in Peru, Colombia and Nigeria do not fully reflect the Fund's more progressive stance on inequality, as the loan documents do not incorporate any progressive policy alternatives.

Implications

The findings posited above add to the existing body of literature in that they provide an additional nuanced analysis of the Fund's most recent crisis related loans in Peru, Colombia and Nigeria, and the extent to which they reflect the Fund's more progressive research and rhetoric. Moreover, the findings do seem to support the assumptions laid out in the theoretical framework in that it correctly identified the research department publications as the source of the Fund's novel idea regarding inequality. The manner in which such new ideas could influence the Fund's practices, was also confirmed by the insights gained through the interviews. They described the process of ideational change in the institution as originating from the novel ideas introduced by the research department, subsequently being discussed within the headquarters, and afterwards flowing to the local offices in the member countries. Hence, the theoretical assumption, that a novel idea is disseminated by means of discourse, and subsequently influences the interpretative framework of the Fund thereby altering its practices, seems a plausible notion.

When it comes to the societal implications of the findings, unfortunately the analysis cannot comprehensively determine whether or not the Fund is towing its more progressive mandate. However, if the Fund were to remain on its more regressive neoliberal path, which its current crisis loans seem to suggest, this would be a worrying prospect in that currently the IMF has recommended countries to implement austerity measures in over 80% of the crisis loans disbursed. Such measures, if not accompanied by the necessary redistributive policy options, often lead to extensive cuts in social protection and public healthcare systems. This is not only exactly the opposite of what is needed in the current state of the pandemic, but it is also inconducive to sustainable economic growth, one of the main targets of the Fund. The drive for austerity in the crisis loans, which is also present in those of Peru, Nigeria and Colombia, will worsen poverty and inequality, which therefore also goes directly against the IMF's core mission of ensuring macro-economic stability. Therefore, if the future loan programs do not mandate the progressive recommendations made in the Article IV consultations, a bleak picture can be painted, not only for the already disadvantaged segments of society, but also for the respective countries' economies. This is even more so the case, as according to Momani and Hidden (2017) the Article IV's only manage to muster an impact when backed up by the presence of a loan program. Without the financial carrot that these loans resemble, the Article IV consultations do not carry much weight when it comes to steering a country's policies. Hence, it is crucial for the coming loan programs to start mandating the progressive policy tools.

Limitations

As we are still relatively early in the overall time span of the economic fallout of the pandemic, one clear limitation, already alluded to above, regards the fact that it is currently still unclear whether the Fund will tow its more progressive rhetoric. A future analysis of the expected more extensive loan programs would therefore lead to a more complete understanding of whether or not the IMF is practically incorporating its own research findings on inequality.

Moreover, a second limitation regards the fact that the methodology is based on a small-scale in-depth case study, which means that the generalizability of the results is rather limited. Additionally, some might argue against the ideational theoretical framework and more subjective methodological approach chosen, as it does not allow for a larger scale quantitative type of analysis which could encompass a larger sample and thereby produce a more representative answer to the research question. Having said that, within the relevant body of literature ideational approaches are gaining more ground and have become increasingly appreciated because of their proven capacity in identifying changes in mandates and providing adequate explanations as to the sources and potential reasons for such changes (Swinkels, 2020). Seeing as the primary topic of this thesis was not solely to assess what changes were identifiable within the Fund's practices, but also to asses and uncover the source and the reasons for such changes, the ideational theoretical approach, and thereby the more subjective discourse analysis method, was deemed appropriate. Furthermore, the level of depth this type of analysis allowed for was crucial in identifying ideational change within the institution, as this is not something that happens over night, but in incremental stages and at different speeds and locations. Overall, the specific combination of methods used in this thesis allowed for a conclusion to be drawn not solely regarding the Fund's practices, but also regarding the Fund's ideational framework, which could not have been achieved using a more formal quantitative approach.

Recommendations

It would be interesting to interview a significant amount of the staff, in order to more comprehensively assess whether a full ideational shift has taken place within the Fund. Additionally, as explained above, this type of research should be performed again in the near future in order to more fully assess the extent to which the Fund has incorporated its novel progressive rhetoric. Moreover, the case selection could be broadened to include all of the currently disbursed crisis loans to expand the scope of the study and thereby strengthen its external validity. Now that the discourse analysis has identified the 'fishing net' of textual signs that resemble and explain the novel idea and policy logic regarding inequality, a quantitative analysis deriving its codes from this qualitative backdrop could be performed in order to more extensively and efficiently research which countries' loan documents include discussions of the Fund's more progressive rhetoric and mandate. This type of larger scale analysis would be a welcome addition to the body literature.

All in all, the above research findings and conclusion provide a good basis for assessing the extent to which the Fund has managed to listen to its own research findings during the pandemic, and thus to evaluate whether it has altered its interpretative framework according to those newly introduced ideas. Much work, however, is still to be done in order to draw a more comprehensive conclusion as to whether the Fund is starting to close the gap between its progressive rhetoric and its practices. Further research over the coming years analyzing the loan programs that will eventually be disbursed, will have to conclusively show whether or not the Fund has started to finally retire its neoliberal armor. The analysis performed above, however, indicates that he IMF is still wielding some of its neoliberal weapons.

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Appendix I: Synthesis IMF Research Findings on Inequality

	Advanced Countries	Developing Countries
Policies which reduce inequality		
Social Spending		
Improve fiscal sustainability of existing pension systems through increasing statutory retirement ages	x	x
Tighten link between contributions and benefits		x
Expand non-contributory means-tested social pensions		x
Expand means-testing of family benefits with stronger link to work		x
Intensify use of active labor market policies (ALMPs) and in-work benefits for social benefit recipients	x	
Develop unemployment savings accounts	x	
Consolidate social assistance programs and improve targeting		x
Replace general price subsidies with targeted transfers		x
Expand conditional cash transfer programs as administrative capacity improves	x	x
Improve design of public works programs as a safety net instrument		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 packages		x
Taxes		
Implement progressive 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
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 for businesses	x	x
Use specific excises mainly for purposes other than redistribution	x	x
Monetary and Financial Sector Policies		
Four dimensions of financial development can reduce income inequality and poverty: strengthening financial access, efficiency, stability and depth	x	x
Policies which can increase inequality		
Fiscal Policy and Social Spending		
Fiscal consolidation, but possible to minimize by balancing spending cuts with tax increases, ensuring progressivity and targeting distributional effects. In developing countries fiscal consolidation tends to have a negative impact on inequality in the short term but adverse effects can be reversed in the medium/long term, especially if inflation is reduced	x	x
Better access to education and healthcare and well-targeted social policies can help raise the income share of the poor and the middle class	x	x
Labor Market Policies		
Reduced labor market regulation and decline of organized labor	x	x
Evidence based on data from 93 countries between 1970 and 2013 shows that changes in income inequality across a wide range of countries have been driven significantly by changes in the inequality of wages, while the distribution of income between labor and capital has not been a major factor	x	x
The erosion of labor market institutions is associated with the rise of income inequality in advanced economies. In particular, the decline in unionization is related to the rise of top income shares and less redistribution, while the erosion of minimum wages is correlated with considerable increases in overall inequality. There is also some evidence that the broad extension of collective agreements to non-union members is associated with higher inequality, likely owing to higher unemployment	x	
Trade Globalization and Technological Progress		

Globalization has a small but reinforcing role. Technological progress and the resulting rise in the skill premium is associated with widening income disparities in advanced countries, while financial deepening is associated with rising inequality in EMDCs, suggesting scope for policies that promote financial inclusion.	x	x
Technological progress has a greater impact than globalization on inequality. In particular, whereas trade globalization is associated with a reduction in inequality, financial globalization – and foreign direct investment in particular – is associated with an increase	x	x
Evidence from 18 advanced countries over the period 1982–2002 suggests that technological progress, especially in the information and communications sectors, has had a bigger impact than globalization in terms of reducing the income labor share in unskilled sectors	x	
Monetary and financial sector policies		
One dimension of financial development – i.e. financial liberalization, increases inequality	x	x
On average, capital account liberalization reforms increase inequality and reduce the labor share of income in the short and medium terms (depending on the level of financial development and the occurrence of crisis)	x	x
Contractionary monetary actions increase income inequality, with effects varying over time, depending on the type of shocks, the state of the business cycle and the share of labor income and redistributive policies	x	x

(Sourced from: Berg & Ostry, 2011; IMF, 2014; Ostry et al., 2014; Dabla-Norris et al., 2015)

Appendix II: Interview Questions

LINE I

STANCE ON INEQUALITY

To what extent is the reduction of inequality a core component of your local office's mandate?

If so, why do you consider reducing inequality an essential part of your mission?

In what manner do you pursue this mission? Which policies have you for instance mandated in your latest loan program?

Do you consider inequality macro-critical?

Where, according to you, does this new focus on inequality stem from?

Has it always been in place, or is it a relatively new addition to the agenda?

How would you characterize the relationship between inequality and growth?

In what ways, do you believe, can inequality be detrimental with regards to economic growth?

Should these two factors, inequality and growth, be considered interrelated?

Which policies do you deem desirable/detrimental when it comes to tackling inequality?

E.G.: How important is austerity, i.e., fiscal consolidation, with regards to a country being able to pay its loan back in a healthy and timely manner?

Are there potential drawbacks of these policies?

Often the argument is made that redistribution harms growth as there is a tradeoff made between equity and efficiency. Do you believe, however, that there are certain fiscal policies that are able to reduce inequality and foster economic growth at the same time?

What policies are these?

To what extent have you taken them into consideration regarding country x's latest lone program?

POTENTIAL BLOCKADES TO CHANGE:

Why do some of the current loan programs continue to mandate certain measures, such as x y or z, that have been found to increase inequality?

Do you believe that there is a certain delay between the Fund's own rhetoric, and the policies which it mandates in the field?

If so, what causes this delay, what are the potential barriers to changes in the IMF's mandate and practices on the ground?

LINE II

STANCE ON INEQUALITY

To what extent is the reduction of inequality a core component of your local office's mandate?

If not, why do you consider reducing inequality a non-essential part of your mission?

What would then resemble the most important mission of local office?

In what manner do you pursue this mission? Which policies have you for instance mandated in your latest loan program?

How would you characterize the relationship between inequality and growth?

In what ways, do you believe, can inequality be detrimental with regards to economic growth?

Should these two factors, inequality and growth, be considered interrelated?

Which policies do you deem desirable when it comes to tackling inequality?

Are redistributive policies to be avoided?

Do you consider poverty reduction and inequality alleviation byproducts of economic growth?

Which policies do you consider to be detrimental with regards to equality levels?

E.G.: How important is austerity, i.e., fiscal consolidation, with regards to a country being able to pay its loan back in a healthy and timely manner?

Are there potential drawbacks of these policies?

Often the argument is made that redistribution harms growth as there is a tradeoff made between equity and efficiency. Do you believe, however, that there are certain fiscal policies that are able to reduce inequality and foster economic growth at the same time?

What policies are these?

To what extent have you taken them into consideration regarding country x's latest lone program

POTENTIAL BLOCKADES TO CHANGE:

In top level rhetoric, the Fund puts inequality front, right and center as of late. Why do your local office's priorities lie elsewhere with regards to country x's current loan package?

Appendix III: Interview Transcripts

Transcript interview X

K: To what extent is the reduction of inequality a core component of your local Office's mandate?

A: This is a very important question. We have, in the IMF, grown increasingly concerned with the issue of inequality. Simply because, other than the moral reasons that different people may have about the need for more equality or not in the various countries, we have understood, and there is plenty of research about that, that depending on how much inequality grows, the process of development and growth in the economy may be jeopardized. You may have problems of social cohesion, you may have political instability, you may have disruptions, and this is true throughout the membership, not for any particular country. So, with that in mind, not because directly one would like more or less equality, and we have different views, but that nexus between economic growth, development, and the problem inequality can cause to that, is certainly in the back of the mind of most of the people, within the institution. And of course, what happens is that we are a very organized institution, and when these issues are researched, discussed internally in our headquarters, and all these ideas flow naturally to all of our offices, in various countries, that doesn't exclude Nigeria of course. So yes, to summarize, the issue of inequality is important, and in everything, we do we have our eyes attentively close particularly in those countries where you know that social instability might be an issue. And it cannot be disregarded as a macroeconomic concern right.

K: Are there any specific policies that you would deem detrimental when it comes to tackling inequality, but necessary with regards to a country being able to pay its loan back?

A: I can come up at least with two things, that in the case of Nigeria are relevant, but also for other countries. One is the issue of fuel subsidies. It is a typical issue that many countries face. So, the price of gasoline, of fuel, may not be necessary following the international price, and there is an intrinsic subsidy that is given by the government or by the oil company operating in the country. That has a huge fiscal cost if you have to pay the difference. The consumer is not paying the actual price, so it is being naturally subsidized. Now it ends up being the case that in most countries, those who consume gasoline, are mostly the rich or more rich people. And the benefit of the subsidy only goes a little bit to the poor, in public transportation and in other settings, but the big cars, those who use mostly the fuel, belong to the richest people. So, we call that an untargeted subsidy, so it is a subsidy that is not going to the target amount, so fiscal resources are being used, not targeted to the poor people. But the perception sometimes is not like that, that such a subsidy is inefficient, as people like to have low gasoline prices and subsidies, even the poor people. So here if you are going to protect fiscal resources, and ensure that the price, the domestic price reflects the international price it would be very important to create a mechanism to target social assistance to the poorest people. Otherwise, this may cause social disruption, protests, and things of this sort. So here you have a case where a subsidy that should be trying to protect the poor, and be more inclusive, but in fact, it is doing the opposite. It is protecting the richest. So, removing that subsidy would actually be good for equality in that sense because it is very regressive in that sense. Therefore, we and the World Bank, who also typically handles a lot this issue, social protection mechanisms that give more to the poor and in this case, part of the taxes related to fuel could go to the poor, would be extremely important to demystify the subsidy and may facilitate the move by the authorities, who are typically very well concerned that trying to remove that subsidy and charge international prices on fuel would create demonstrations. So, this is just one case of how policies really can hamper inequality.

A: Another one is the VAT (value-added tax), for example in the case of Nigeria, we say that the VAT rate is too low, now there are some exemptions to the VAT, and we try to make sure that the base of the tax increases so we typically recommend for VAT exemptions to be removed so that collections can increase. Nigeria, for example, mobilizes very little revenue, it is very difficult to do policies if you do not have the fiscal space to do it. So, what you need to do is to collect revenues. And there are problems of course of corruption and issues, people may not be very willing to pay the taxes. So, there are issues related to that, but people need to pay taxes so the government can have the necessary funds. Now typically the VAT rate or removing some of the exemptions, will cause an issue for some poor families, so again how do you do that at the same time protecting through social protection mechanisms. So that the impact on those can be mitigated, and only the others, for example, if you give an exemption of VAT on bread. Because bread is a basic staple, you only want the cheap bread for the poor, you do not want that the breakfast of a senior official of a major oil company to be subsidized. Therefore, these things need to be taken care of, even the VAT exemption. You should remove that, make sure that everyone pays a regular price for bread, including its tax, and you use part of those revenues, to directly buy some bread to the poorest or give a lumpsum, or some more efficient way that you can actually do well. For that you need to register the poor families, you need to do some work, and that would be more effective for social inclusion, reducing inequality, and taking care of the poor. So, we certainly take very seriously these issues when we discuss policy actions with the governments. And they are concerned as well, particularly in countries where social inequalities and disruptions can produce very negative outcomes, including instability.

K: So, in your opinion, there would be certain redistributive policies, which if they are more targeted they can help produce more equity but also be more efficient overall. So there doesn't need to be a trade-off between the two necessarily?

A: Exactly. There are many cases where there may not be a trade-off between equity and efficiency. So, you are not in the production or the possibility frontier, if you wish, in between the two. You are still inside, and you can move to the frontier, in between equity and efficiency, I think I just gave you two examples of how that could happen. Of course, on these things, there are always trade-offs, but here I think you know the capacity to develop a social protection mechanism, to target the poorest, is an important factor. You need to be able to do this well. Because there might be governance issues, there might be registration problems, and who should really get it or not, universality, the costs of monitoring are sometimes too high, then they might as well give to everyone. So, you know many important questions are there. We discuss these things and we are certainly concerned particularly with the fiscal implications of some of these mechanisms. Of social protection, and with the macro-economic stability of course.

K: I looked at the article 4 consultation, and I compared the language in it with the document attached to the loan which was mandated about a year ago. And in the Article IV consultation, there is a lot of talk about the social protectionist measures, and the tax measures becoming more progressive and efficient. But in the loan document, I found these issues to be less pronounced. Why would there be a difference between these two documents?

A: First of all, the loan that we gave to Nigeria, was not a program, in the sense that we consider programs. There are long-term programs, and conditionality, that we agree with the authorities some conditions that they should commit to, for us to be able to disburse the loan that you are referring to of 3.4 billion dollars, was what we call an emergency loan. In fact, there were no conditions attached to the loan. There are some commitments in the letter of intent, regarding the governance of it, some moves on the action grade mechanism, there are some ideas that we would like to see the government implementing, and many were, or many are being implemented. But it's not a full program, or conditionality matrix, that we have agreed with the government to do. It doesn't mean that such issues are not important, it's just the nature of the instrument is not the one that we use for policy reforms that you would see in an IMF program in other countries. But the document that the staff reported, the article IV consultation, that document is a surveillance document where we express our views on the economy and give honest candid policy recommendations. So, they are connected to the other document because many of the issues are still present. I can mention the issue of governance, I can mention the issue of exchange rate reforms, they were mentioned in that letter. But it does not mean that that letter of intent, which should be a summary of a few commitments that we would like to see in exchange for the emergency funding that we provided, but we have actually given the emergency money before even any of these things happened. Do you see what I mean. It's not that they are trenches that if you meet these we will give you another disbursement. It did not work as a program, it worked as an emergency assistance to one country that needed and this was a request by the government of Nigeria. And in fact, many countries in the world that were in need approached the IMF for the emergency and we gave to many of these countries. And in fact, it doesn't say anything about the willingness of either side of having an IMF program in the future, it might happen, it may not happen. We don't know, so in the surveillance document, the Article IV report, we do talk about everything that we think is important, and it went beyond in this case, beyond of what was in the letter of intent of the disbursement of the RFI, which was the emergency assistance. I hope that that clarifies.

K: The Article IV consultation, those things that are mentioned in there they are also directly reflected, or at least discussed with the Nigerian government, right?

A: Absolutely, the Article IV consultation, is a two weeks mission that is being done virtually, with a series of meetings, with the Nigerian central bank, and the Nigerian minister of finance, and some other stakeholders, so this is a full mission. We would do this physically in the country if it wasn't for the pandemic. And in fact, that report also reflects the views of the government on the various issues, not only our own views. We have to report on their own views if they agree with our assessment, if they agree with the policy recommendations. And if they don't, why they don't. This is very important in this type of consultations, which happens once a year.

K: So those issues regarding inequality, and social protection, which are found in the article IV consultation, those recommendations will be taken into account into the future, especially also with regards to fiscal consolidation for instance.

A: Absolutely, these are important issues we discussed with the treasury. And you know, because of the pandemic, many of our recommendations were for example on monetary policy, not necessarily to raise rates immediately on the VAT rate, try to wait a little bit particularly because of the economic recession and the unemployment and all these difficulties that the country was sustaining so, it's quite a bit of understanding and discussions on these issues because they are important to the government and to the country. So we shouldn't take these things lightly, we definitely should listen to the constraints, to the concerns they have for adopting one as an economist may consider, what the first best should be you know, we are not in the business of achieving the first best no matter what, we are in the business of having a discussion with our counterparts, understanding the countries, understanding the problems, and then try to see how we can be most helpful considering all the trade-offs.

K: Over the past ten years the IMF has been much more vocal also regarding inequality, and how it should be considered as macro-critical, and it should be more actively incorporated within the loan documents. But where do you believe has this renewed focus on inequality primarily stemmed from.

A: That is an interesting question because it happens in every topic that we put into consideration, and first of all, rather than that it's one topic that is valid for all countries, we like to tailor our assessments and recommendations to the particular needs of every country. So yeah, I mean, for example, if you observe a pattern amongst several countries, then we may want to have that discussion with authorities when we engage with them. One natural avenue is not only the research department but any analytical work that discusses the issues of social inequalities, and the problems that might be happening around the membership could already be a good step. So, in several of our flagship reports we had studies of inequalities. I am referring for example to the regional economic outlook of sub-Saharan Africa. I think they had at some point at least a chapter related to that, maybe in the Word economic outlook and the Fiscal Monitor publications issues of that sort are brought, particularly in the context of low-income countries, but not only. So, the institution starts studying these issues and this starts trickling down, and the teams that engage with the authorities may then have that in the background of their discussion, they do not necessarily discuss that issue perse of inequality in general, but when discussing policy and the implications of the various policy recommendations, that is going to be in their mindset. As I was discussing, the fuel subsidies, VAT rates, I gave you two examples. So, it's very important that when we give our policy recommendations if we know that there is already a general problem of social inequality, that our policies do not further increase social inequalities. That goes even in the wrong direction, of course, there might be some conflicting implications and we need to assess that, but knowing that a specific country suffers from social inequality or other inequalities, it is important that we craft our advice having full knowledge and being quite conscious about that issue. So how that internally translates, it's a mix. It's a mix from analytical work of various themes, research departments, flagship reports, and also what we hear from the membership. Sometimes the authorities will approach us saying we would like to be able to do what you are suggesting, but we have these issues, we have the unions in the streets, we have too many poor people now, we can’t actually do now what you want us to do. This will have to wait a little bit. And we need to show some understanding to some of these constraints. So, I think it is a very important question that you are asking, how things are formulated, and I wish I could give you a prescription of how that is. But actually, it may come from a lot of different sides, and ultimately it may not, as with other issues, it may not have a clear direction from the top, it also comes from the bottom up. So the institution given the importance of the subject is certainly very aware of the issue particularly for low-income countries, but as I said not only, even in advanced economies, and if the authorities certainly are interested in their surveillance things that we get more involved they may ask us to get involved, right. Thinking about how we operate, I would say that it's a mixed in between top-bottom, and bottom to the top. But it's very important to, in my view, and that's also my job, to listen very carefully to the authorities of the country, and to other stakeholders, to fully understand what is the essential challenge they may have. And if the challenge is social inequality, it will come very quickly on the agenda. Poverty issues, inclusion, all these issues are extremely important for the countries that I mostly work for, low-income developing countries. And this is a common mission, a challenge that many countries face. So, you may confidently say that the IMF places a high value on these issues such as inclusive growth, social inclusion, and income distribution and actively takes them into consideration with regards to the surveillances programs and when it comes to the impact of its policy recommendations as well.

Transcript interview Y

K: As of recent, the Fund has incorporated inequality as one of its core components in its mandate. Where do you believe does this new focus on inequality stems from within the Fund?

L: So, you already know that the Fund has started focusing on inequality at least starting about ten years ago or so. Initially, there has been some work that was more research-oriented. And afterwards, following those publications, it has become more part of the core work of the Fund, because of the realization that inequality is very important to one of our mandates, which is, broadly speaking, is macro-economic stability. So, the idea is that growth should also be inclusive and the mandated policies should be mindful of the impact on inequality. This is an important and enrichment of the way that we used to look at policy, as it was merely focused on the tools to get back to macroeconomic stability after a crisis.

L: So, I think in addition the ideas that there is a trade-off that you mention, between inequality and growth, from some research work that has been done at the Fund, it has been proven wrong, because you could see from some evidence that people have produced in their research, that actually more equal societies and more equal growth can actually be more stable and more durable. And so, I think this has also lead to the more focus on policies, in part also fiscal policies, that look at this social aspect. And so, typically the Fund, intervenes in situations that already quite difficult, in terms of lending. You probably know enough about the Fund, but, just to summarize very briefly, the Fund has three main functions. One is to surveil, which is an obligation that member countries have to consult with the Fund to get advice from the Fund on macro-economic policies, and to make sure that, because these policies may have spillover effects on other countries, so it has to do with the macroeconomic stability mandate in which you try to minimize adverse impacts on other countries of the policies of one of the members. The second function is lending, to lend to countries that have balance of payment difficulties. So, if these countries have problems in terms of repaying the external obligations, the Fund intervenes by lending. But it generally does that with some conditions, and the conditions are aimed at making sure that the original problem is addressed. The original problem that led to that imbalance is addressed. And the third function is capacity development. So, it regards technical assistance training, for instance. So, for lending, typically the Fund comes in in a situation where the macroeconomic stability is compromised, or there are already serious problems that need to be addressed, and typically for a balance of payment problem, you have to reduce the external imbalance. And how do you reduce the external imbalance is the main question. But there are several ways, it depends on the policies that have been set before the imbalance manifested. And that includes fiscal policy for example. So, they have to tighten fiscal policy, and that in general would have adverse effects on parts of the population. And so, I think, the Fund has arrived to more awareness about this, and has looked at the impact of fiscal policy in these conditions, you know, in conditions in which you have to tighten, and has tried to find ways to minimize this problem. So, to make sure that fiscal policy has the least adverse impact on income distribution. This has led to more emphasis on understanding the social policies, and how they can be used under these circumstances, and it has also led to the policy advice now that you know fiscal stimulus in the crisis now, is a very important tool, to help firms and households to survive the crisis and it shouldn't be withdrawn prematurely.

K: So, with regards to Peru's latest loan disbursement, has the reduction of inequality been one of the core concerns for the Fund?

L: Well, it is indeed. Because Peru has been hit very hard by the covid crisis, and poverty has increased, in fact, poverty and inequality have increased. So, in our last article IV consultation, and that is part of the surveillance function I was telling you about. It is called article IV because it is the name of the article of the agreement under which this obligation to consult with Fund is made. And this report has already been published. In the report, it is explained, that we worked with the World Bank to analyze the impact on poverty of COVID, and of how measures that the government took to alleviate this have been useful to reduce some of that. But we ended with the recommendation to spend more on households, trying to support households more, because poverty has increased to a very large extent despite the measures of the government. But in terms of the lending, first of all, there has been no disbursement, because the arrangement that is called the Flexible Credit Line. So it is a line of credit that the country can use, so if the country qualifies for that line of credit, they can use the credit any time that they need it, but the qualifications have macro-economic stability and a number of things. But they do not specifically regard inequality, so I would say inequality and poverty enter the picture only indirectly.

K: I have found this indeed, that inequality seems to be an issue that goes unmentioned within the Peru's loan document. There is therefore a discrepancy between the policies recommended in the Article IV consultations and mandated in the Loan Documents in that the prior publication focusses much more on inequality related issues and policy responses. Why do you think this is the case?

L: Well the flexible credit line is an instrument that was entered in 2009, so in a sense, it dates back to the additional focus that the Fund has on inequality. This may be an issue that comes up in the review of the FCL, which is supposed to take place next year. But this is what I can tell you now.

K: Are the recommendations made to the Peruvian government in the Article IV consultation taken to heart?

L: They are, but I think part of this is the political situation, so I think the crisis has heightened the conflict between the legislative and the executive power. And the legislative power, the congress is taking a lot of measures that you could say are populist. And the government tried to fight some of them. The government has the prerogative to refute or approve a law, but then the congress can approve even if it is vetoed by the president. And then the president appeal to the constitutional court. And this has happened several times during last year, because there was a continuum of proposals from the congress to do things like, for example, the withdrawal from pension funds. This is not a great measure because, if you have a country with 70% of informal workers, none of these workers will benefit from the withdrawal of pension funds because they don't have funds and pensions by definition. So, the best approach is social spending by the government with subsidies, possibly targeted to low-income households. And certainly, the government has not done very well in that regard because it has been late, and it has shown some structural problems in doing it. For example, they did not have a very up to date list of the beneficiaries, so the government took the view in the end that they were already deviating a lot from the fiscal path. You know they have some fiscal rules that are among the most conservative in the world, because they have a debt ceiling of 20 percent of GDP, which is very very low in comparison. And so, this year I think they will reach 38 percent of GDP. So their concern is mostly about how to get back below that, and how to get back to the fiscal rule. And now I would advise that they have a strong fiscal position, so they could afford to do more to address poverty and inequality, but we will see what the next government will do, because they have elections in June. But this government is a transitional government, they didn't feel like taking more of these types of policies. But generally, they pay a lot of attention to our recommendations.

K: In the Article IV consultation the Fund proposed for Peru to postpone getting back to its fiscal rule, at least with regards to 2021. Would this advice also have to do with poverty alleviation and inequality measures that are currently still needed?

L: Yes, I think we motivated our advice mostly on poverty and inequality. And we thought they have done a very good program for businesses, this is a lending problem, it is not subsidies. Subsidies to businesses were very small, you know subsidies to the payroll or things like that. But in terms of what they have disbursed for households, there was room to do more. So that was the main reason for our recommendation, and of course the fact that we assessed their position as being very strong. There is no discussion if you compare them with other countries in the region, they are among the strongest.

K: Are there any specific policies you would advise against? Are there any specific policies you deem detrimental especially with regards to inequality?

L: Well one of them regards the withdrawal from the pension funds, just another one has been approved by Congress, over the veto of the president. This is the fourth, in Chile, they are doing the same. The problem with this as I said, in Chile the informal sector is much smaller, in Peru it is very very large. And so, it does not go to benefit those who are most in need. And the second problem, which is also very important for Peru, is that it undermines the integrity of the pension system. The pension system in Peru is based largely on private pension funds and if you take all the savings out of the pension funds, many people will not have an adequate pension in their old age, it is a serious problem of adequacy of the pensions that is opening up in Peru that requires a reform.

Transcript Interview Z

K: In fact, I have started looking into the differences between what is mandated in the loan documents, and the Article IV consultations and I've found quite a difference between them.

D: Yes, since you are looking at post-pandemic, country specific documents, it is unlikely that in many of them you will find, especially on the conditionality side, anything on inequality, simply because there was a lot of emergency disbursements and those are not by nature program disbursements, they are just one-off emergency disbursements. So, I would expect that over the coming couple of years there should be more coverage on inequality in the following loan programs, but we can discuss what the Fund has been doing beforehand as well.

K: Yes, so to what extent would you consider inequality to be a core component of the Fund's mandate?

D: It is related to the core mandate because the IMF provides the loan disbursements to countries supporting their adjustment programs and often the adjustment programs include measures that may have distributional implications. In that context, it is important that the Fund takes into account these distributional implications. Just to give you an example, often IMF advises countries especially when they are going fiscal consolidation, fiscal adjustment, to reduce subsidies, and those by definition have distributional implications so, in that context, Fund staff looks at how a particular reform, affects different layers of society. Moreover, how to mitigate for certain policies the effect on the most vulnerable groups of society. So that is one aspect, and sometimes these distributional implications can arise that are macro-critical, so they can undermine also the policy objectives. If you don't take these considerations into account when you design a policy, this may unravel and we have seen some spectacular examples in the past, when, for example, governments launched subsidy reforms, and mass protests followed, and then the government had to basically backtrack on the policies that they had announced. So it is important and often in the program context, especially they can become macro critical, and the Fund increasingly is now taking into account. This has not always been the case, but after 2015 it has come more into the focus. In 2015, the Fund started to operationalize inequality issues in its loan programs more and it started first with some pilot country studies, and in 2018 it was decided that inequality issues should be taken into account in article IV consultations, and also in the program context, there are also titles on social spending.

K: So, are there any specific policies that you would deem detrimental with regards to equality levels that are currently still necessary for a healthy fiscal balance?

D: Yeah, I think, especially when it comes to on a fiscal level, whether it's a tax policy change or expenditure policy change, they all have to some extent distributional implications. And especially now after the pandemic, in the post-pandemic world, where many countries will face two main challenges. Firstly, the crisis has brought the debt levels very high, record levels in most countries around the world, so countries will need to bring those debt levels down. And second, and this is a point that is also made in the latest fiscal monitor, the pandemic has demonstrated that there is a demand from the public for basic public services, and everybody saw the benefits of these services whether its health, or education, or access to basic infrastructure like water, sanitation or internet. The pandemic has demonstrated that there is a strong demand for this, and that it really helps the vulnerable groups of the population. So, given this strong demand, and the need to invest in these types of activities, in lots of human and physical capital, countries will need to ramp up spending in these areas. So, this need for reducing debt levels, and also have enough revenue to ramp up spending in social sectors and make public investments, this is something that will have important implications in terms of distribution and needs to explicitly taken into account by the Fund. So, consolidation will definitely have an impact if not designed well, to the detriment of the vulnerable groups, so that needs to be mitigated, and on top of that, it is also recognized that these groups need better access to basic services. So, there is significant policy changes within what the Fund has mandated over the years.

K: So, there is always a certain balance to be made whenever there is certain regressive fiscal measures that need to be imposed, for instance when a subsidy is taken away, there is always the need for targeted social spending in order to cushion the impact of those fiscal measures, so that there need not be a tradeoff between equity and efficiency?

D: Yes, that is exactly right, so this is something that we always emphasize. So, we as the IMF will also provide technical assistance it wants to countries, especially in the department where I am. So, when a country decides that it wants to implement a subsidy reform, one of the main things that we advise countries is to put in place some mitigation mechanism to protect the most vulnerable groups of the population. And we advise on both sides, so we advise how to better design the subsidy reform, and how to design the mitigation mechanism, the social protection system that will protect those who are most affected by this reform.

K: Where do you think that this renewed focus on the issue of excessive inequality has come from within the Fund? Where do you consider the main driver of that new focus to lie within the institution?

D: So, let me divide the answer in two parts, one that was before the pandemic, and one that was after the pandemic. So, before the pandemic, there was increasing recognition that inequality was becoming a macro-critical issue. Hence, there was a need for the Fund to look at this more in a structured way, so that in both in cross country analytical work and also in bilateral surveillance or program work these issues need to be tackled and discussed in a more structured and systematic fashion. So, this recognition came by realizing that, by simply looking at inequality trends around the globe. On the one hand we saw a very positive trend, which is global inequality was going down, but this was mainly because on average in China a lot of people were taken out of poverty through its fast economic development, but on the other hand, if you looked at inequalities within countries, especially in advanced countries, and also in some large emerging markets, including china, inequality was actually going up. Then in poorer countries, you did have a trend in the right direction, so inequality going down, but the level of inequality was still very high and so the research that was done in the Fund shows that this high level of inequality does not foster long term sustainability of growth, so it ends with growth implications, especially when those inequalities are driven by what we call inequalities of opportunity, where people do not have the same level of access to life time opportunities, such as access to education, health care, jobs etc... So all of this came to the fore, and the recognition that the fund needs to do more to support countries through its policy advice, and also in loan programs by including some structural measures that support the provision of reducing inequalities basically. So that was before the pandemic, but after the pandemic what we see, and we have said publicly already, inequalities have made this effect of the pandemic worse, and we document that in the chapter and we also note the number of country-specific studies that show that places where poverty and inequality was higher, health outcomes were worse. So, it makes that we have observed this, but it's unfortunate, and we came to recognize that inequalities have exacerbated the health outcomes. The same can be said about education, not everybody, or all kids, suffer the same, but they have suffered a lot of losses in education, and especially children from less advantaged families. So that's one, and the second finding is that the pandemic has made these inequalities larger, we see some sign of inequality going up. So, what was before a concern before the pandemic, now has become clear that its urgently needs to be addressed. And these issues may become even more pronounced over the coming years because you'll see the effect of the pandemic play out more overcoming couple of years, which will make inequalities even worse. Long term inequality may also be worse because the effect of the pandemic on education was not uniform, so we meaning the Fund, so far has not come up with a strategy for post-pandemic work but it was clearly communicated that tackling inequalities will become one of the pillars of the policy advice, going forward. Along with issues on digitalization and climate change. So, this will be the three pillars of the IMF's work over the next few years.

K: Just to clarify, how would you explain the discrepancy that is found between the policies recommended in the loan documents and the article IV consultations?

D: Yes, so normally, and this was the guidance before the pandemic so that in loan programs where it is warranted some conditionality has to be included on issues related to inequality, especially social spending for instance. So, a lot of disbursements that were made last year, were emergency disbursements, so in those, there was more focus on just providing the emergency relief to countries, whether it's through disbursement or debt relief, so that they had enough resources to fight the pandemic and to also socially protect people, so what we call protecting lives and livelihoods. So now we are exiting the emergency phase of the crisis and we move into a more steady-state, and we will see more usual loan program type engagements, and there I expect to see that there will be more discussion about how the pandemic affected different layers of society and what policies governments are putting in place to reduce those inequalities and we will see increased emphasis on social spending. Normally in loan programs the way we do that is we have… so one factor is the advice that we provide is that you need do extra policies to protect and support the more vulnerable groups in society, and secondly is the conditionalities that we give. As conditions we have floors on social spending, and this is a quantitative indicator, and sometimes it's a performance criteria so it's a hard conditionality, and sometimes it is an indicative target. It depends on how acute the problems and social issues are in a country, but also on the availability of the data. Meaning that data has to be available at a frequency that allows IMF to monitor program implementation. So social spending is one, and then often you will see structural benchmarks that are given in the program documents. Like a specific policy change that a government needs to introduce to increase coverage of the population through social assistance programs, or increase their adequacy, or improve their sustainability. We really look at those three things, coverage, adequacy and sustainability of the social assistance programs. We also closely work with departments of expertise, we also work closely with other entities like the world bank, who has much more research space to cover these issues in a more operational way. So, when it comes to designing for instance a specific social assistance program, that is something that the world bank staff would normally take on, but the IMF teams would also normally coordinate and cooperate with the World Bank on these issues.