

And the Walls Came Tumbling Down

Atish Rex Ghosh interviews IMF historian **James Boughton**

ACCORDING to the Spanish-American philosopher George Santayana, “those who cannot remember the past are condemned to repeat it.” As the IMF’s official historian, James Boughton has aimed both to prevent the institution from repeating the mistakes of the past and to offer a unique behind-the-scenes insight into the workings of an organization long criticized for its secrecy and lack of transparency.

The IMF has just published Boughton’s official history of the institution in the 1990s, the second such history he has written for the Fund. *Tearing Down Walls: The International Monetary Fund, 1990–1999* covers a tumultuous period not only in the life of the IMF, but also globally. The end of the preceding decade witnessed the fall of the Berlin Wall, which was swiftly succeeded by the collapse of the Soviet Union and the transition of many former Eastern Bloc countries to market economies. As the IMF grappled with the political transformation of the USSR’s successor republics, it was also drawn into the turmoil of successive financial crises. Meanwhile, back in Washington D.C., historic internal reforms were being implemented at IMF headquarters.

To coincide with the publication of this latest history, Atish Rex Ghosh, of the IMF’s Research Department, spoke with Boughton about the turbulent period described in the book, and his years as the IMF’s official chronicler.

F&D: The title of your forthcoming book is *Tearing Down Walls: The International Monetary Fund 1990–1999*. What is behind the choice of that title?

BOUGHTON: The title is meant to evoke several things that happened in the 1990s. The first major event was the collapse of the Soviet Union at the end of 1991. That created 15 new countries. These were all countries that had little or no experience with market economics, and the IMF was called upon to help these countries in that transition. It was a huge challenge.

The other thing that happened was a devastating series of financial crises that started with the Mexican peso crisis that hit in December 1994, continued across east Asia in Thailand, Indonesia, and Korea, and spread to Russia in 1998 and really affected the whole world economy in a major way. So that series of financial crises created a tremendous amount of work for the IMF, posing new challenges for the staff and management of the Fund.

It was a decade of globalization. Walls between countries, walls that limited trade between countries, walls that limited financial flows between countries—all of those walls came tumbling down. I’ve tried to write the book in a way that conveys that drama.

F&D: This was also a period in which “surveillance” as we understand it—in other words, monitoring a country’s performance and looking at their exchange rate to make sure that the world economy is functioning well—took on a greater role. Can you talk a little bit about what happened there?

BOUGHTON: When the Mexican crisis hit at the end of 1994, it was apparent to the Fund that it had not had enough data in real time to understand what was going on in Mexico, and that led to a lot of soul-searching in the [IMF] building.

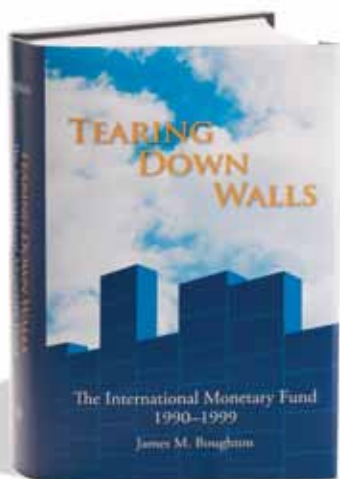
We had to work more closely and intensely with countries to understand what was going on in their economies. So all through the second half of the decade, this whole idea of the Fund itself being more transparent and the Fund encouraging countries to be more transparent in their dealings both with the Fund and with other countries became a major focus of what the Fund did. It was a really major cultural change.

F&D: What sorts of messages do you think come out of the history over this period?

BOUGHTON: The positive message is that when these major challenges hit, world leaders turn to the IMF. I think it’s fair to say that the IMF was able to rise to that challenge. Part of the evidence for that is that when the current world economic crisis hit in 2008, again countries turned to the IMF more than to any other institution for help.

But behind all this I think there’s a darker message, which is that these crises keep happening. People have learned that this is a problem that’s not going to go away, and I think that the future is going to see countries calling on the IMF time and time again.

It’s a very different institution from the one I joined 30 years ago, in 1981. The biggest change has been a cultural





shift from secrecy to openness. It was a much smaller institution. It was a much more closed institution.

F&D: The 1990s was a controversial time for the IMF, partly because of our involvement in the Asian crises and in Latin America, where we were accused of pushing the “Washington consensus.” What’s your reading of whether those criticisms were valid?

BOUGHTON: I think some of the criticisms are valid. There were various times in the 1990s when the IMF was a little behind the curve and was unable to anticipate what was happening. That usually came about because we didn’t have the data. One thing that I found very striking when I was doing the research for this book was that Stanley Fischer—one of the most prominent and successful macroeconomists in the world and then the IMF’s First Deputy Managing Director—told me he was shocked when he joined the Fund to find out that the staff didn’t really have anywhere near as much information about what was going on as he had expected. He thought that we knew everything, that there were people on the outside who didn’t know anything. But it turns out nobody knew enough.

The most severe criticism the Fund ever faced was because of the Asian crisis. We saw some problems out there, especially in Thailand, but it’s extremely difficult to predict when a crisis will occur.

I happened to have been at a conference at Cambridge University in England in July 1997 when we all learned that Thailand was devaluing the baht. The country was being forced into crisis mode and was calling in the IMF for advice. Stan Fischer was also at that conference. He knew immediately, having been in the Fund for almost three years at that point, that this was not just a little isolated problem in Thailand.

F&D: Your book has many fascinating details, some anecdotes, a lot of very solid research going through the archives and historical facts. Could you give us some reflections on being the IMF historian?

BOUGHTON: People ask me all the time, “Why does the IMF even have an historian?” It’s because the management of the Fund realized that nobody outside the building had any idea what was going on here, what kind of work we are really doing.

Witness to history

“I have always felt that I was standing on the shoulders of those who came before me. I saw myself as carrying on an important tradition,” says James Boughton of his work as the IMF’s official historian.

Boughton—who, coincidentally, was born the year the Fund was founded—is the third person to have held the post of IMF historian. Trained as an economist, he has researched and written two books of the multivolume series that composes the official history of the Fund to date.

The first appointee, Keith Horsefield, originated the series with *The International Monetary Fund 1945–1965*, which covered the founding of the IMF and its first 20 years.

“When I first took the job, Keith Horsefield was still alive, and he encouraged me to take on the work,” recalls Boughton. The two men never met, but Boughton kept up a lively correspondence with Horsefield, who had retired to the Isle of Wight.

Horsefield was succeeded by Margaret Garritsen de Vries, whose two publications *The System Under Stress* and *Cooperation on Trial* cover the workings of the Fund from the 1960s to the late 1970s. They trace the negotiations leading to the creation of the IMF’s “special drawing rights”—the Fund’s unique international reserve asset; the recurrent crises that culminated in the collapse of the Bretton Woods system, and the Fund’s response to the tectonic shifts in the global monetary and financial system.

Boughton’s own contribution to this series began with *Silent Revolution: The International Monetary Fund 1979–1989*, which centered largely on the Latin American financial crises of the period. The books were never intended to fall into neat, 10-year-long narratives, but coincidentally, each volume seemed to “constitute a natural decade of Fund history,” says Boughton.

Following the publication of *Tearing Down Walls*, Boughton suggests the next volume will likely center around the current global crisis: “How the IMF was written off as a global institution before being called in to deal with the crisis,” he says.

Boughton is now preparing for his own retirement, but the position of IMF official historian is likely to remain empty for a while before the naming of a successor. The IMF has always allowed for a hiatus between appointments, as history—including this current crisis—plays itself out before being committed to paper. Perhaps the time has come, he suggests, to make the position permanent and continuous.

I also get asked a lot of questions by IMF staff. When there’s a policy paper to be written, people need to know what’s been tried before, and I can explain why things that might seem workable on the surface have been tried and haven’t been accepted in the past. So there are a lot of facets to the job.

What I’ve enjoyed most is interviewing senior officials all over; I meet wonderful people and I hear great stories. What I’ve learned in 20 years of doing this job is hard to summarize, but trying to put it into words is great fun and a wonderful challenge. ■

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