

Funding the Future

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This is [from an article published by the IMF this week](#) and written by three of its in house economists:

[T]here are aspects of the neoliberal agenda that have not delivered as expected. Our assessment of the agenda is confined to the effects of two policies: removing restrictions on the movement of capital across a country's borders (so-called capital account liberalization); and fiscal consolidation, sometimes called "austerity," which is shorthand for policies to reduce fiscal deficits and debt levels. An assessment of these specific policies (rather than the broad neoliberal agenda) reaches three disquieting conclusions:

-The benefits in terms of increased growth seem fairly difficult to establish when looking at a broad group of countries.-

-The costs in terms of increased inequality are prominent. Such costs epitomize the trade-off between the growth and equity effects of some aspects of the neoliberal agenda.-

-Increased inequality in turn hurts the level and sustainability of growth. Even if growth is the sole or main purpose of the neoliberal agenda, advocates of that agenda still need to pay attention to the distributional effects.-

So, capital account liberalisation - which spawned a massive increase in the use of tax havens, amongst other things - and austerity do, between them increase inequality without delivering growth. Or to put it another way, the IMF may now be realising that it has been involved in a massive exercise in redistributing wealth upwards in society.

Is this change in heart real? I think it may be. I was in DC this week, admittedly next door to the IMF at the World Bank, but there were IMF people present. And what was the conference called? It was '[Winning the Tax Wars](#)'. And who was undertaking that war? *Tax havens, their users and those who provide services to them.*

Was such a conference title imaginable in such a place only three years ago? I suggest not.

The appreciation that neoliberalism is not just failing but has failed is growing, and I welcome that.

Now we need the alternative.