

Thoughts on the IMF and World Bank

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I am aware that I have mentioned the IMF's latest quarterly report in a number of posts over the last day or so. I think there are two reasons. One was the fact that being in DC, and in meetings at which they were present, made them somewhat more present in my thinking than usual.

But that obvious influence is not all of it, by any means. Nor am I seeking to justify working with them and the World Bank, because I have always been willing to work with partners who are seeking to advance common agendas, even when by no means all issues are agreed in common. Instead the reason for this attention, based on reflection as I find myself mid-Atlantic again, is the fact that I see very clear change in both those institutions.

I have been accused in the last day or so of having a relentlessly optimistic world view. I had not greatly thought about that, if I am honest, but I suspect it is true. I always believe that however grim things are (and I have been there) things can and will get better. I suspect this spills over into my view on economic wellbeing for the world.

I have no love for the supposedly rational but intensely antagonistic and self-serving logic of neoliberal economic and political thinking. Its impact on billions of people on this planet has been deeply harmful, not least because it has delivered to them the deeply untrue message that because they have commanded little in the way of income they have lived lives of little worth. I profoundly resent that wholly unfounded logic, but it is the case that by promoting the Washington Consensus both the Bank and Fund helped delivered that message around the world, and expected governments to act as if it were true.

I make no pretence that the institutions in question have purged themselves of all residues of that past. I suspect that's not true as yet. But I meet people who work for both organisations, look them in the eye, share meals with them, and do not believe that's what they think. Instead I see people whose concern for creating a fairer, better, more equal world is very real.

And as the IMF Fiscal Monitor showed they're willing to argue against inequality now. What is more they are willing to say that it is the job of government to correct market imperfections. In the process they are also saying that more spending on socially driven programmes is necessary. In addition they are saying that the cost of doing so must be borne by the best off.

At the same time they are calling out the failure of the banking system, and its failure to find a socially useful purpose.

And whilst they have done so without sufficient differentiation between differing types of debt, they have called it out for the problem, and risk, that it is.

What I also noticed this week was that the strongest nodding head when I discussed how tax gap methodology needs to be extended not just to support the admin task of recovering tax owing but to facilitate the decision to be taken on what should, and should not, be taxed in the first place if the social goals of tax are to be fulfilled came from the Bank.

I suspect it was the Bank and Fund teams who also best understood my explanation that tax does really not fund spending but is instead a macro tool to both regulate the economy and deliver social goals.

My optimism could make me guilty of wishful thinking. I am aware of that. I try very hard not to fall into that trap. I don't think I am here. I think that these institutions are really changing.

And as a commentator on the blog has said, this change may, just may, be the surest sign that neoliberalism really is dying. Of course a cynic could say the thinly veiled attack by the Fund on Trump's tax plans is just an old elite fighting back. It could be. But I think it's something else. They are instead saying that to rely on the dogma of Laffer, for which the Fund quite correctly says there is very limited empirical support, is just wrong and that no government should experiment and take that unfounded risk when that risk is, in this case, to both domestic and international financial stability.

There's been no mea culpa for the past from these institutions. Nor am I expecting one. It takes courage enough for their actions to indicate what now seem to be very different concerns from those they once had. And I am willing to take heart from that courage. If the world is to become a better place then we need all the fellow travellers we can find who share sufficient of our world view to be on a broadly similar journey. I now think many in the Bank and Fund are in that place. So I am willing to walk with them without recrimination. We all have a blemished past. It's what we do now that matters.