

Chapter 10

Reforming the International Financial Architecture

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ABSTRACT

The recent global economic crisis universally affected various nations across the length and breadth of our globe largely on account of globalization and increasing interconnectedness. However, the North bloc suffered greater losses, crises, mayhem, and misery on socio-economic, as well as political fronts. Massive reform packages and bail-outs en masse are short-term temporary solutions as introspection into the 'mother of all crisis' would point at larger issues at stake involving several multi-faceted functional and systemic changes. This audit also questions the hegemony of American-centric growth and the efficacy of the existing over-arching international financial architecture. Global growth and governance need to be democratic and inclusive as the South bloc nations, especially India and China must be recognized as partners in the global village. A revisit, review, reform, and reconstruction on an emergency basis are called for in the interest of long-term solutions and sustainable development.

1. INTRODUCTION

The present research paper attempts to focus on the ramifications of the global economic meltdown, along with a rationale for reforming Neo-liberal institutions, policies, and practices by presenting a few Southern viewpoints. Post-nineties, the world embarked on a range of initiatives to help prevent crises and to manage them

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in the event that they nevertheless occur. This framework is referred to as the International Financial Architecture (IFA). In response to major financial crises in the 1990s, the international community opted for good structural and social policies in addition to macroeconomic stability. These underpinnings are critical not only to successful economic development and poverty reduction but to market and financial stability as well. The international community has stressed the need for actions both at the country level in order to strengthen national systems and institutions, and at the global level in order to ensure global financial stability and to help developing countries benefit from financial integration (World Bank, n.d.).

We are amply aware of the recent global economic crisis that universally affected various nations across the length and the breadth of our globe largely on account of globalization and increasing interconnectedness. However, the North bloc suffered greater losses, crises, mayhem, and misery on socio-economic, as well as political fronts. Massive reform packages and bail-outs en masse are short-term temporary solutions as introspection into the 'mother of all crisis' would point at larger issues at stake involving several multi-faceted functional and systemic changes. The paper puts forth a case of audit in order to question the hegemony of American-centric growth and the efficacy of the existing over-arching international financial architecture. Global growth and governance needs to be democratic and inclusive in nature as the South bloc nations, especially India and China must be recognized as partners in the global village. Attempts to revisit, review, reform, and reconstruct our structures and archaic notions on an emergency basis are called for in the interest of seeking long-term solutions and attaining sustainable development. The bygone century witnessed tumultuous situations affecting the rise and fall of nations and powers on account of the two World Wars punctuated by the emergence of the Red Revolution that surged the Second World of Socialism as a plausible alternate economic system to an ailing American Capitalist 'First World' crumbling under the impact of the Great Depression. Several ideological and political dramas enacted by various actors across these two worlds in an era of Cold War led to the emergence of the League of Nations, the Non-Aligned Movement, the International Trade Organization and the birth of the Bretton Woods Twins, along with the facilitator and guide of international trade, namely the General Agreement on Tariffs and Trade (GATT).

The turn of this dynamic century was marked by the demise of several institutions and organizations as they had outlived their utility or were replaced by better institutions and systems like the GATT by the World Trade Organization (WTO) or the Socialist bloc by the Confederation of Independent States or Laissez-faire Capitalism by the Welfare State. The trajectory of these Northern developments were highlighted and publicized as these were presumed to be the creators of global growth that ran the engines of modern science, technology, markets, and formed dominant political ideologies. However, the oft-ignored matter of the fact remains

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