As Economies Fail, the I.M.F. Is Rife With Recriminations

By DAVID E. SANGER

WASHINGTON, Oct. 1 — When the world’s finance ministers and central bankers gathered last year in Hong Kong, they nervously congratulated each other for containing — at least for the moment — a nasty financial brush fire in Asia. In a year’s time, many predicted in half-way chatter, the troubles in Thailand and Indonesia would look like a replay of Mexico in 1995 — a rough bump in the road for a world enjoying remarkable prosperity.

Talk about bad market calls. Twelve months later, as the same financial mandarins clog Washington with their limousines and glide through endless receptions at the annual meeting of the International Monetary Fund and the World Bank, just about everything that could have gone wrong in the world economy has: the worst downturn in Japan since World War II, economic meltdown in Russia, a depression in Indonesia that is plunging 100 million people below the poverty line, and deep fears over what happens next in Latin America.

What makes this year’s meeting of the I.M.F. most remarkable, though, is that the harshest criticisms are directed at the monetary fund itself, and, by extension, at the United States Treasury, which is viewed as the power behind the fund.

This year, in place of confident predictions, there are mutual recriminations. Arguments are breaking out over whether the true culprits were crony capitalists and weakened leaders like Boris N. Yeltsin, or huge investors who poured money into the world’s emerging markets with reckless abandon in the mid-1990’s and panicked in the past twelve months. Whatever the reason, one reality prevails: Hundreds of billions of dollars have fled from economies on four continents — seeking the safest havens possible, often in the United States — and the money is not returning anytime soon.

And the subtext of every seminar on capital flows and every concave of nervous ministers will be some painfully blunt questions: Can this be stopped? Or is the world headed for a global recession?

Fifty-three years ago the fund was created after the Bretton Woods conference, which sought to stabilize the world economy and secure the peace after World War II. Now it is under attack from all sides, charged not only with worsening a bad situation by misjudging the economics, but with being politically tone-deaf in some of the most volatile capitals in the world, from Jakarta to Moscow. For the first time there are disturbing questions about whether the institution itself is still capable, financially or politically, of containing the kind of economic contagion that caught the world unawares.

Once, the I.M.F.’s critics were largely found in Africa and South Asia, where the fund was often viewed as arrogant; today they include Wall Street.
Members of the North African delegations to the IMF annual meeting jostled yesterday in front of the United States Treasury. Inside, the mood was somber because of the growing criticism over the fund's handling of the biggest problems. The group was looking for some comfort in the United States Treasury. The Treasury officials assured them that the United States would take action to address the problems, but they were not convinced. The mood was somber because of the growing criticism over the fund's handling of the biggest problems. The group was looking for some comfort in the United States Treasury. The Treasury officials assured them that the United States would take action to address the problems, but they were not convinced.
The I.M.F. annual meeting jolted the world economy, because of the growing criticism of its policies. Most observers of the I.M.F. and the world economy believe that there may be a chance for growth in the future.

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