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Cognitive Complexity and the International Monetary Fund: An $18 Billion Question

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Abstract. This article describes two common political positions on the Clinton Administration's proposal to allocate an additional $18 billion to the International Monetary Fund (IMF) and then offers a less common position. The three positions may be differentiated by the psychological construct of cognitive complexity.

The United States Congress--especially the House of Representatives--has continued to impede the Clinton Administration's efforts to allocate an additional $18 billion to the IMF. Some of the impediment has more to do with attempts to thwart any Clinton policy initiative, to further anti-abortion initiatives perceived as anathema by the Administration, and to play the many angles of domestic politics. However, there also appears to be a sincere policy difference between Congressional opponents and supporters of the allocation.

Opponents claim that IMF involvement with financial crises negatively reinforces the inappropriate behavior of people who created them. That is, the allocation of IMF funds in crises first removes investors, policymakers, creditors, and, less often, depositors and debtors--the corrupt, the incompetent, the unlucky--from an aversive situation and then increases the probability that their inappropriate economic decisionmaking will occur in the future. Opponents also claim that IMF positively reinforces the same inappropriate decisionmaking through anticipatory symbolic processing--i.e., through the activation of expectations that financial disaster will be righted by the IMF and then through the IMF's meeting of these expectations. Lastly, opponents maintain that IMF intervention often threatens the political integrity of a country or region through demands for austerity that may balance national and international books but challenge the material existence of most of a population.

Supporters of the $18 billion allocation claim that the current era of globalization continues to reinforce international economic interdependence and synergy. Windfalls and successes anywhere can strengthen the whole, while disasters and failures can precariously weaken it. Without IMF intervention--the argument goes--a spreading activation of financial horror is more likely. More and more populations and more of each population may be materially challenged. IMF intervention becomes the adaptive strategy of last resort--sometimes preventing arrival at a crisis of last resort.

These two very different positions seem to pose as stalking horses for ideologies comprising key concepts of political isolationism, interventionism, even Manicheanism and eschatology. Another position--less overtly ideological--is to consider the many potential consequences, positive and negative, of IMF involvement. Depending on political, social, cultural, and economic phenomena including the historic moment, government and IMF officials can develop positions on whether IMF involvement is necessary and, if so, what kind and how much. There will be times when various combinations of those involved in a financial disaster will be helped or not. There will be times when the consequences for local, regional, and global economic and political integrity will be helped or not. From the consequences will come narratives informing the next opportunity or threat of IMF involvement. With this perspective, one may judiciously support the $18 billion allocation.

Cognitive complexity--the psychological construct denoting how many options one can generate and how different they are from each other--offers a key to best employ the IMF through action and nonaction. How one can best induce cognitive complexity in policymakers is itself an $18 billion question. (See Cognitive complexity, moral complexity, and foreign policy: Commonalities between President Suharto and William Weld. (August 8, 1997). IBPP, 3(2); Hutus and Tutsis: A case for cognitive complexity and social intelligence in foreign policy. (November 15, 1996). IBPP, 1(3); Krugman, P. (May 15, 1998). The indispensable I.M.F. The New York Times, p. A23; Lunt, P. (1996). Rethinking the relationship between economics and psychology. Journal of Economic Psychology, 17, 275-287; Middleton, E. (1996). Adaptation level and "animal spirits." Journal of Rconomic Psychology, 17, 479-498; Rosenberg, S.W. (1995). Against neoclassical political economy: A political psychological critique. Political Psychology, 16, 99-136; Theodoulou, S. (1996). Construing economic and political reality. Journal of Economic Psychology, 17, 499-516.) (Keywords: Cognitive Complexity, Economics.)