

Contents

Preface	ix
I. Introduction	1
Scope and Methodology	1
Preview of the Papers	1
Box 1-1. The Arrangements in Brief	3
II. Record of Fiscal Adjustment	6
<i>Adam Bennett, Maria Carkovic, and Louis Dicks-Mireaux</i>	
Coverage of the Accounts	7
Overall and Primary Balances	7
Initial Conditions	8
Program Objectives	10
Outcomes Relative to Target	13
Were Fiscal Adjustments Sustained?	16
Financing the Fiscal Imbalance	19
Initial Conditions	21
Program Objectives	22
Outcomes Relative to Target	23
Financing Through 1992	25
Program Monitoring: The Role of Performance Criteria and Adjusters	25
Fiscal Policies in Programs That Went Off Track	28
Conclusions	30
Bibliography	31
Appendix Tables	32
III. Behavior of Nominal and Real Interest Rates	36
<i>Adam Bennett</i>	
Overview of Developments During IMF Arrangements	37
Market Forces Take Over	37
Developments in Interest Rates	38
Developments in Spreads	39
How Real Interest Rates Were Raised	44
Role of Liberalization	44
More Bills, Less Money	44
Problem of Bad Debts	46
Can Real Interest Rates Be Too High?	48
Governments That Borrow Too Much	50
Quest for Credibility	50
Does Freedom Have a Price?	51
Whose Monetary Policy?	52
Concluding Observations	52
Bibliography	53
Appendix Tables	55

IV.	Experience with Nominal Anchors	65
	<i>Mauro Mecagni</i>	
	Inflation at the Outset of the Arrangements	65
	Role of Nominal Anchors	66
	What Is a Nominal Anchor?	67
	Nominal Anchors in IMF-Supported Programs	69
	When Was the Exchange Rate Used as a Nominal Anchor?	70
	How Well Did Nominal Anchors Work?	74
	Inflation Record	75
	Adherence to Fiscal Targets	76
	Monetary Conditions	79
	Indexing Arrangements	81
	Trade-Offs with External Performance	81
	Did Nominal Anchors Hurt Growth?	84
	Were Nominal Anchors Sustainable?	86
	Concluding Observations	93
	Bibliography	94
	Appendix Tables	96
	Box 4-1. Money as a Nominal Anchor: The Philippines	71
V.	Wage Controls During IMF Arrangements in Central Europe	107
	<i>James H.J. Morsink</i>	
	Rationales for Wage Controls in Transition Economies	107
	Design of Wage Controls	109
	How Were the Costs of Wage Controls Minimized?	109
	Designing Wage Controls as Nominal Anchors	111
	Role of Wage Controls in Restraining Nominal Wage Growth	112
	Evidence on the Distinctive Rationales for Wage Controls	116
	Role of Wage Controls in the Decline in Real Wages	117
	Microeconomic Evidence on Wage Setting	119
	State Sector Employment Growth	120
	Magnitude of the Costs of Wage Controls	120
	IMF Conditionality on and Monitoring of Wage Controls	120
	Conclusion	121
	Appendix 5-1: Setting of Wage Norms	122
	Appendix 5-2: Definitions of Variables	122
	Bibliography	123
	Box 5-1. Yugoslavia	109
	Box 5-2. Wage Bill Versus Average Wage as a Nominal Anchor	113
VI.	Private Saving in IMF Arrangements	125
	<i>Miguel A. Savastano</i>	
	What Do We Know from the Literature?	125
	How Is Private Saving Measured?	126
	Private Saving in Recent Arrangements	127
	What Explains Changes in Private Saving?	131
	Private Saving in Mexico and Tunisia	133
	Mexico: Falling Private Saving Amid Large Disinflation and Decisive Reform	134
	Tunisia: Rising Private Saving in an Environment of Gradual Adjustment and Reform	137
	Concluding Observations	139
	Bibliography	140
	Appendix Tables	142