PREVIOUS YEAR QUESTION UPSC 2019 · 20 marks

How are the rising powers challenging the USA and Western dominance in the IMF and the World Bank?

FLOW SNAPSHOT — HOW THE ANSWER MOVES

Intro routes

R1 twins still run on 1944 arithmetic → US 16.5% + 85% veto / G7 ~43% → BRICS ~11% against half the world's people, a fifth of output → **Strange**: "structural bias" → stake the line: challenge runs on two tracks, inside and outside

R2 power has moved, votes have not → the grievance is representation, not membership → rising powers neither exit nor accept → press for voice inside while building alternatives outside → same two-track spine

Body flow

Track 1 (inside): votes must follow economic weight → 2010 quota package (~6% shift; India 2.3 → 2.6, China 3.8 → 6) → contest the European-MD / American-President convention → BRICS bargain as a bloc → India's 2023 G20 presidency presses reform → **Track 2 (outside):** AIIB / NDB / BRICS CRA → finance and liquidity without conditionality (**Stiglitz**: conditionality deepened the 1997 Asian crisis) → **Woods**: a different development paradigm — infrastructure, industrialisation, poverty reduction over neoliberal prescription → exit works back as leverage inside → **Kahler**: "responsible stakeholders" or parallel institutions

Counter-view

veto survives → leadership convention holds → quota shifts too small to move the balance → **Weiss**: incremental reform cannot answer an obsolete architecture → new banks may fragment rather than replace

Conclusion routes

R1 gains real but partial → monopoly over development finance broken, control of the twins intact → drift from **Kindleberger**'s hegemonic stability towards **Keohane–Nye** complex interdependence

R2 close on **Kahler**'s fork → the West's choice is to accommodate the rising powers inside or watch the parallel architecture grow outside → reform is the price of keeping the twins central

MODEL ANSWER

The IMF and World Bank still run on the arithmetic of 1944. The US holds about 16.5% of Fund votes & a veto over decisions needing 85%; the G7 together hold close to 43%.

The BRICS, half the world's people & a fifth of its output, hold around 11%. Susan Strange called this a "structural bias". The rising powers press on two tracks, inside these institutions and outside them.

The 2010 quota package moved about 6% of quota to emerging economies, raising India's voting share from 2.3% to 2.6% & China's from 3.8% to 6%. The BRICS bargain as a bloc. & India's 2023 G20 presidency pressed reform of the financial institutions.

The AIIB, the NDB & the BRICS Contingent Reserve arrangement supply development finance & emergency liquidity without the conditionality that Joseph Stiglitz blames for deepening the 1997 Asian crisis.

Ngaire Woods notes their different development paradigm i.e. infrastructure, industrialisation and poverty reduction above neoliberal prescription. Exit is itself leverage inside. Miles Kahler argues that, absent reform, rising powers either settle as "responsible stakeholders" or build parallel institutions.

The veto survives, the convention holds and the quota shifts were too small to move the balance. Thomas Weiss argues that incremental reform cannot answer an obsolete architecture, and the new banks may fragment the system rather than replace it.

Western monopoly over development finance is broken; Western control of the twins is not. The order is drifting from Charles Kindleberger's hegemonic stability towards the complex interdependence of Robert Keohane and Joseph Nye.