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Published on *Global Exchange* (http://www.globalexchange.org)

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What are the IMF and World Bank?

The IMF and World Bank have been empowered by the governments which control it (led by the U.S., the U.K., Japan, Germany, France, Canada, and Italy -- the "Group of 7," which holds over 40% of the votes on their boards) with imposing economic austerity policies in the countries of the so-called "Third World" or "global South." Once Southern countries build up large external debts, as most have, they cannot get credit or cash anywhere else and are forced to go to these international institutions and accept whatever conditions are demanded of them. None of the countries has emerged from their debt problems; indeed most countries now have much higher levels of debt than when they first accepted IMF/World Bank "assistance."

Structural Adjustment Programs (SAPs)

The World Bank is best known for financing big projects like dams, roads, and power plants, supposedly designed to assist in economic development, but which have often been associated with monumental environmental devastation and social dislocation. In recent years, about half of its lending has gone to programs indistinguishable from the IMF's: austerity plans that "reform" economic policies by suffocating the poor and inviting corporate exploitation.

Although the IMF finally got some of the criticism due it with the East Asian financial crisis (where it imposed austerity programs on South Korea, Indonesia, and Thailand), the two institutions continue to be the chosen tools of the political and business elites for ruling the global economy, and run, to one degree or another, about 90 Southern countries' economies. These countries are forced to adopt policies even more committed to deregulation and withdrawal of government from insuring public welfare than those in the U.S. Considering how impoverished many of these countries were to start with, the effects of these policies have been predictably devastating. The of "emerging market success stories" we sometimes read about generate wealth which goes to very small segments of the populations, and much of it ends up in the North. The great majority of the people of the South are enduring increased poverty, decreased access to basic services, and decreased control over their own economies.

> The IMF/World Bank conditions -- "structural adjustment programs" -- force Southern countries to promote sweatshops, exports to rich countries, and high-return cash investment. The resulting increase in international commerce -- corporate globalization --

led to demands by corporations and investors for ways to lock in their privileges and protection against the perceived danger of governments seizing assets or imposing new regulations. The WTO was the answer to those demands, an institution whose secret tribunals can overrule national laws if they are found to violate the rights of corporations.

SAPs Work for Corporations and Elites--Impoverish the Rest

How--and why--do the structural adjustment programs that the IMF & World Bank impose create conditions that multinational corporations desire and that devastate most people in the Southern countries? A look at the most common SAP conditions show how economic "advice" is used to maintain the interests of the wealthy at the expense of continued suffering for the bulk of the people.

IMF / WORLD BANK CONDITION	IMPACT ON ELITE (Corporations, Investors, Wealthy)	IMPACT ON POOR
Cut Social Spending: Reduce expenditures on health, education, etc. [IMF claims it is now making sure such spending goes up, but often it's to put in place systems to collect fees.]	More debts repaid, including to World Bank and IMF.	Increased school fees force parents to pull children--usually girls--from school. Literacy rates go down. Poorly-educated generation not equipped for skilled jobs Higher fees for medical service mean less treatment, more suffering, needless deaths. Women, already overburdened, must provide healthcare and caretaking for family members.
Shrink Government: Reduce budget expense by trimming payroll and programs.	Fewer government employees means less capacity to monitor businesses' adherence to labor, environmental, and financial regulations Frees up cash for debt service	Massive layoffs in countries where government is often the largest employer Makes people desperate to work at any wage

Increase Interest Rates: to combat inflation, increase interest charged for credit and awarded to savings	Investors find country a profitable place to park cash, though they may pull it out at any moment	Small farmers and businesses can't get capital to stay afloat. Small farmers sell land, work as tenants or move to worse lands. Businesses shut down, leaving workers unemployed
Eliminate Regulations on Foreign Ownership of Resources and Businesses	Multinational corporations can purchase or start enterprises easily Countries compete for foreign investment by offering tax breaks, low wages, free trade zones Once in the country, corporations can turn to WTO for enforcement of "rights"	Control of entire sectors of economy can shift to foreign hands Governments offer implicit pledges not to enforce labor and environmental laws.
Eliminate Tariffs: Stop collecting taxes on imports; these taxes are often applied to goods which would compete with domestically-produced goods	Allows foreign goods easy access to domestic markets Makes luxury items cheaper for those in the country Allows country to comply with WTO agreements	Makes it harder for domestic producers to compete against better-equipped and richer foreign suppliers Leads to closure of businesses and layoffs
Cut Subsidies for Basic Goods: Reduce government expenditures supporting reduced cost of bread, petroleum, etc.	Frees up more money for debt payments	Raises cost of items needed to survive Most frequent flashpoint for civil unrest
Re-orient Economies from Subsistence to Exports: Give incentives for farmers to produce cash crops (coffee, cotton, etc.) for foreign	Produces hard currency to pay off more debts Law of supply and demand pushes down price of	Law of supply and demand pushes down price of commodities as more countries produce more, meaning local producers

markets rather than food for domestic ones; encourage manufacturing to focus on simple assembly (often clothing) for export rather than manufacturing for own country; encourage extraction of valuable mineral resources	commodities as more countries produce more, meaning guaranteed supply of low-cost products to export markets Local competition eliminated for multinational corporations Increased availability of low-cost labor	often lose money Best lands devoted to cash crops; poorer land used for food crops, leading to soil erosion Food security threatened Women often relegated to gathering all food for family while men work for cash Makes country more dependent on imported food and manufactured goods Forests and mineral resources (oil, copper, etc.) over-exploited, leading to environmental destruction and displacement

So Why Do Countries Agree to SAPs?

With such unpopular policies, it is the rare government that can "sell" structural adjustment to its people, especially after 20 years of similar failed policies. The slogan "short-term pain for long-term gain" sounds hollow when people have heard it for a whole generation. SAPs encourage instability in democratic countries by forcing elected governments to institute measures which make them illegitimate among their people. It has been argued that the IMF prefers dictatorships to democratic governments, because dictators can more successfully impose SAPs. And once the rules are in place the WTO extends the attack on democracy by overruling any regulations that corporations claim interfere with their right to profits.

The fact that institutions based in Washington and largely controlled by the U.S. Treasury Department have been starving peoples around the world for two decades is a scandal. That people in the U.S. are barely aware of the fact is a disgrace.

SAPs are anti-democratic in more than one way. The institutions are correct in saying that the plans are formulated in part, and agreed to, by the governments. But the government officials involved are usually limited to the Finance Ministry and the Central Bank, usually among the most conservative, Northern-educated, and wealthy members of the government -- in other words, those most likely to agree with IMF economics and benefit from the policies. In many cases even they feel coerced into going along with IMF/World Bank demands. If they don't cooperate, the consequence can be a complete cut-off of credit because other lenders follow the lead of these institutions.

Read more here. [1]

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