

Take the IMF off life support

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As economists and politicians debate what to do about the latest challenges facing the IMF, civil society groups have a straightforward answer: take the IMF off life support.

For over 25 years the world has had one answer for countries that find themselves in a financial crisis: take the IMF policy medicine and get on the debt treadmill that comes with IMF and World Bank loans. This path has worked very well - for big corporations in wealthy countries which walk into countries through the doors opened by the IMF's policies and walk out with massive profits.

But for the people the IMF and World Bank say they are trying to help - the poor - the results have been very different, in fact, downright disastrous. The IMF has tremendous power — it can tell all other creditors to cut a country off if its orders are disobeyed — so it is no surprise that governments comply with its demands.

Neither should it be surprising that when a government lays off workers, sells off companies to foreigners, cuts spending on nurses and teachers, cuts the subsidies poor farmers and consumers rely on, privatizes essential services like healthcare and water provision, and makes credit unavailable to small businesses - in other words, following IMF instructions - the result is deeper poverty, worsening health indicators, growing illiteracy, and an economy reduced to providing raw materials and cheap labor to multinational corporations.

The IMF's commitment to market fundamentalism - the conviction that the solution to every problem is to open up to the forces of supply and demand - is so extreme that it ordered Malawi to "commercialize" its grain reserve agency in 2001. If you are puzzled by why an agency devoted to preventing famine would submit itself to market forces, imagine how the families of the thousand people who died later that year feel. They were left without access to food after the agency was forced to sell its existing reserves in order to "capitalize" itself; before it could replenish, shortages set in and prices shot up, leaving it, and poor Malawians, defenseless.

The governments that control the IMF - the US, the European Union, Canada, and Japan - met in Washington in April amid growing signs that the IMF's borrowers have had enough of these one-sided, catastrophic policy demands. While the poorest countries, mostly in Africa, remain locked in the grip of the IMF, those countries that can afford to do so - Brazil, Argentina, Indonesia, Uruguay, Turkey - are either paying off their IMF debts ahead

of schedule or seriously discussing the option. All of them say they will take no more IMF loans. That these are also some of the IMF's biggest debtors has given its bosses serious pause, since it might mean shrinking or even closing the IMF.

The assembled finance ministers and central bank governors - several of whom had been making loud noises of concern in the weeks leading up to the IMF meeting - pronounced themselves satisfied with the solution they had mapped out.

What is the new approach for the IMF? That's not entirely clear - mostly they talked about giving the institution more power to convene mini-summits of countries facing possible economic problems. But if the relieved expressions on the delegates' faces mean that they feel they have saved the IMF by increasing its role in the global economy, we could all be in trouble.

Since the end of the "Bretton Woods" currency arrangements in the early 1970s, the IMF has had virtually no influence over wealthy governments that do not require its loans. If what emerges from the latest crisis of confidence about the institution's role is an agency newly-emboldened to impose its constricted brand of economic orthodoxy - the same one that exacerbated the Asian financial crisis by ordering layoffs and increased interest rates, moves the IMF itself now admits might not have been very wise - then the notoriety that the IMF has earned in Latin America, Asia, and Africa could spread quickly in the richer parts of the world.

Global economic governance is not a bad idea. But the IMF is not the agency to carry it out. It is thoroughly discredited in developing countries and "emerging economies" after 25 years of abuse. Its attempts to impose its solutions on governments and citizens accustomed to making their own decisions is not likely to get very far. Indeed, the only solution to the continuing crises in Africa and other impoverished parts of the world is a restoration of policy sovereignty to people and governments.

The IMF's obsolescence is showing; rather than trying to put it on life-support by supplying it with new power, it should be allowed to die a natural death.

P.S.

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