

The IMF and the World Bank: It's time to replace them

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In 2014, the World Bank and the IMF will turn 70, and in October 2013, they will hold their usual annual meeting in Washington. Many organisations, including the CADTM, are joining together to call for a worldwide week of action against illegitimate debt and international financial institutions, from 8 to 15 October 2013. This article assesses the performance of the IMF and the World Bank, and offers ideas for a new international financial system.

- 1)** Since their creation in 1944, the World Bank and the IMF have actively supported all dictatorships and corrupt U.S.-allied regimes.
- 2)** In flagrant violation of the right of people to control their own destinies, they have trampled on the sovereignty of countless States, in particular through conditionalities they impose on them. These conditionalities impoverish people, increase inequalities, hand the country over to transnational corporations, and modify States' legislation (profoundly reforming the Labour, Mining, and Forestry Codes, and abrogating collective bargaining agreements) to cater to foreign creditors and "investors."
- 3)** In spite of having learned of massive misappropriations, the World Bank and the IMF have maintained or increased the amounts lent to corrupt and dictatorial regimes, allied with the Western powers (see the classic case of Congo-Zaire under Marshal Mobutu analysed in the 1982 Blumenthal report).
- 4)** Through their financial support, they aided Habyarimana's dictatorship in Rwanda until 1992, which enabled a five-fold increase in his army. The economic reforms they imposed in 1990 destabilised the country, and exacerbated latent contradictions. The genocide that had been prepared for since the end of the 1980s by the Habyarimana regime was perpetrated beginning 6 April, 1994, resulting in the death of almost a million Tutsis (and moderate Hutus). Subsequently, the World Bank and the IMF demanded that the new Rwandan authorities reimburse the debt contracted by the genocidal regime.
- 5)** They also supported dictatorial regimes in the other camp (Romania from 1973 to 1982, China from 1980) in order to weaken the USSR before its collapse in 1991.
- 6)** They supported the worst dictatorships up until they were overthrown: Suharto in Indonesia from 1965 to 1998; Marcos in the Philippines between 1972 and 1986; Ben Ali in Tunisia and Mubarak in Egypt until they were overthrown in 2011.

- 7)** They have actively sabotaged progressive experiments in democracy (from Jacobo Arbenz in Guatemala and Mohammad Mossadegh in Iran in the first half of the 1950s and Joao Goulart in Brazil in the early 1960s to the Sandinistas in Nicaragua in the 1980s, and of course including Salvador Allende in Chile from 1970 to 1973. The full list is much longer).
- 8)** The very people who are the victims of the tyrants financed by the World Bank and the IMF are forced by these same institutions to reimburse the odious debts these authoritarian, corrupt regimes have contracted.
- 9)** The World Bank and the IMF have also forced countries that became independent at the end of the 1950s and in the early 1960s to repay the odious debt contracted by former colonial powers when they colonised these countries. This is true, for example, of the colonial debt contracted by Belgium with the World Bank in order to fund its colonisation of the Congo in the 1950s. We must remember that this type of transfer of colonial debt is prohibited by international law.
- 10)** In the 1960's, the World Bank and the IMF provided financial support to countries like apartheid South Africa under and Portugal, which was keeping colonies in Africa and the Pacific under its yoke despite the fact those countries were under an international financial boycott imposed by the UN. The World Bank has supported a country that annexed another by force (Indonesia's annexation of East Timor in 1975).
- 11)** On the environmental front, the Bank continues to pursue a productivist policy that is disastrous for people and detrimental to nature. It has also succeeded in being assigned the role of managing the emissions trading market.
- 12)** The World Bank finances projects that flagrantly violate human rights. For instance, many components of the "transmigration" project in Indonesia, which was directly supported by the World Bank, , may be considered to be crimes against humanity (destruction of the natural environment of native peoples, enforced displacement of populations). More recently, the World Bank financed, in its entirety, the ironically-named "Voluntary Departure" operation in the DRC, a severance program that violates the rights of 10,655 employees of Gécamines, the public mining company located in Katanga. These workers have still not been paid their back wages and the compensation required by Congolese law.
- 13)** The World Bank and the IMF contributed to the emergence of factors that caused the outbreak of the 1982 debt crisis : a) the World Bank and the IMF encouraged countries to contract debts under conditions that led to their over- indebtedness; b) they drove, and even forced, countries to remove capital- movement and exchange controls, thereby increasing the volatility of capital and significantly facilitating its flight; c) they drove countries to abandon import substitution industrialisation and replace it with a model based on export promotion.
- 14)** They have concealed dangers such as over-indebtedness, payment crises, and negative net transfers, which they themselves detected.
- 15)** From the start of the crisis in 1982, the World Bank and the IMF systematically supported creditors and weakened debtors.
- 16)** The World Bank and the IMF have recommended, and even imposed, policies that put the burden of debt on common people, while favouring the most powerful.
- 17)** The World Bank and the IMF have attempted to spread an economic model that systematically increases inequalities between and within countries.

18) In the 1990s, the World Bank and the IMF, with the complicity of government leaders, extended structural adjustment policies to the majority of the countries of Latin America, Africa, Asia, and Central and Eastern Europe (including Russia).

19) In the latter countries, massive privatisations have been carried out to the detriment of the common good and have brought colossal wealth to a handful of oligarchs.

20) They have strengthened major private corporations and weakened both public authorities and small businesses. They have exacerbated the exploitation of employees and made their employment more precarious. They have done the same to small businesses.

21) Their self-proclaimed fight against poverty fails to conceal the actual policy that reproduces and aggravates the very causes of poverty.

22) The liberalisation of capital flows, which they have systematically encouraged, has increased the incidence of tax evasion, flight of funds and corruption.

23) The liberalisation of trade has strengthened the strong and weakened the weak. The majority of small and medium businesses in developing countries are unable to withstand competition from large corporations, both in the North and the South.

24) The World Bank and the IMF act in conjunction with the WTO, the European Commission, and willing governments to impose an agenda that is radically opposed to ensuring basic human rights.

25) Since today's crisis hit the European Union, the IMF has spearheaded the move to impose on the peoples of Greece, Portugal, Ireland, Cyprus, and other countries the same policies that were imposed on the peoples of the developing countries and Central and Eastern Europe in the 1990s.

26) The World Bank and the IMF, which preach good governance in one report after another, are in fact themselves engaged in dubious conduct.

27) The two institutions keep most countries marginalised even though they represent most of its members, preferring to back a handful of governments in wealthy countries.

28) In a nutshell, the World Bank and the IMF are despotic machines in the hands of an international oligarchy (a handful of major powers and their transnational corporations) that enforce an international capitalist system that is detrimental to mankind and the environment.

29) The destructive actions and policies of the World Bank and the IMF must be denounced in order to put to an end to them. The debt these institutions are trying to collect must be abolished, and they themselves must be brought to justice.

30) A new international, democratic financial system must be found as soon as possible to promote the redistribution of wealth and to support people's efforts to achieve development that is socially just and respectful of nature.

Build a new international financial system

Paths must be chosen that radically redefine the foundations of the international financial system (its missions, operations, and so on.) Let us consider the example of the WTO, the IMF, and the World Bank.

In terms of trade, the new WTO should work to have a series of fundamental international

agreements adopted, based on the Universal Declaration of Human Rights and all the fundamental treaties concerning human rights (individual or collective) and environmental rights. Its function would be to supervise and regulate trade so that it would strictly comply with social (International Labour Organisation – ILO conventions) and environmental standards. Such a definition is in direct contradiction with the WTO's current goals. This obviously implies a strict separation of powers. It is out of the question for the WTO, or for that matter any other organisation, to have its own tribunal. Therefore, the Dispute Settlement System must be eliminated.

The organisation that could replace the World Bank should be highly regionalised (banks in the South could be brought together within it). Its role would be to supply loans with very low or no interest and grants, which could only be given on condition that they be used in strict adherence to social and environmental standards, and more generally, respect of fundamental human rights. Unlike the current World Bank, this new bank which the world needs would not seek to defend the interests of creditors, while forcing debtors to submit to an all-powerful market. Its primary mission would be to defend the interests of the people who receive the loans and grants.

Meanwhile, the new IMF, should recover part of its original mandate to guarantee currency stability, fight speculation, keep watch over movements of capital, and act to prohibit tax havens and tax evasion. To attain this goal, it could assist in the collection of various international taxes by working with national authorities and regional monetary funds.

All these solutions require the development of a coherent international financial system that is hierarchical and has an internal division of powers. The UN could be its cornerstone, provided that its General Assembly becomes the actual decision-making body – which implies eliminating the status of permanent member of the Security Council (and the associated veto power). The General Assembly could delegate specific missions to ad hoc entities.

Another issue that has not yet been sufficiently investigated is that of an international legal mechanism, an international judicial power (independent of the other international bodies) which would complement the existing system, mainly made up of the International Court of Justice in The Hague, and the International Criminal Court. With the neoliberal offensive of the past thirty years, trade law has increasingly overshadowed public law. International institutions like the WTO and the World Bank operate with their own tribunals – the Dispute Settlement System within the WTO and the ICSID within the World Bank, whose role has increased out of all proportion. The UN's Charter is regularly violated by permanent members of its own Security Council. New zones outside the rule of law have been created (Guantánamo, where the USA denies its prisoners all legal rights). The United States, after having condemned the International Court of Justice in The Hague (where they had been convicted in 1985 of aggression against Nicaragua), refuses to recognise the International Criminal Court. All this is grounds for great concern, and means that initiatives must be taken immediately to bolster an international judicial body.

In the meantime, institutions like the World Bank and the IMF must be held accountable for their actions before national jurisdictions [1], the debts they are trying to collect must be cancelled, and action must be taken to prevent the harmful policies they recommend or impose from being applied.

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P.S.

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