

RESURGENCE

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IMF/World Bank

60 Years of Failed Policies

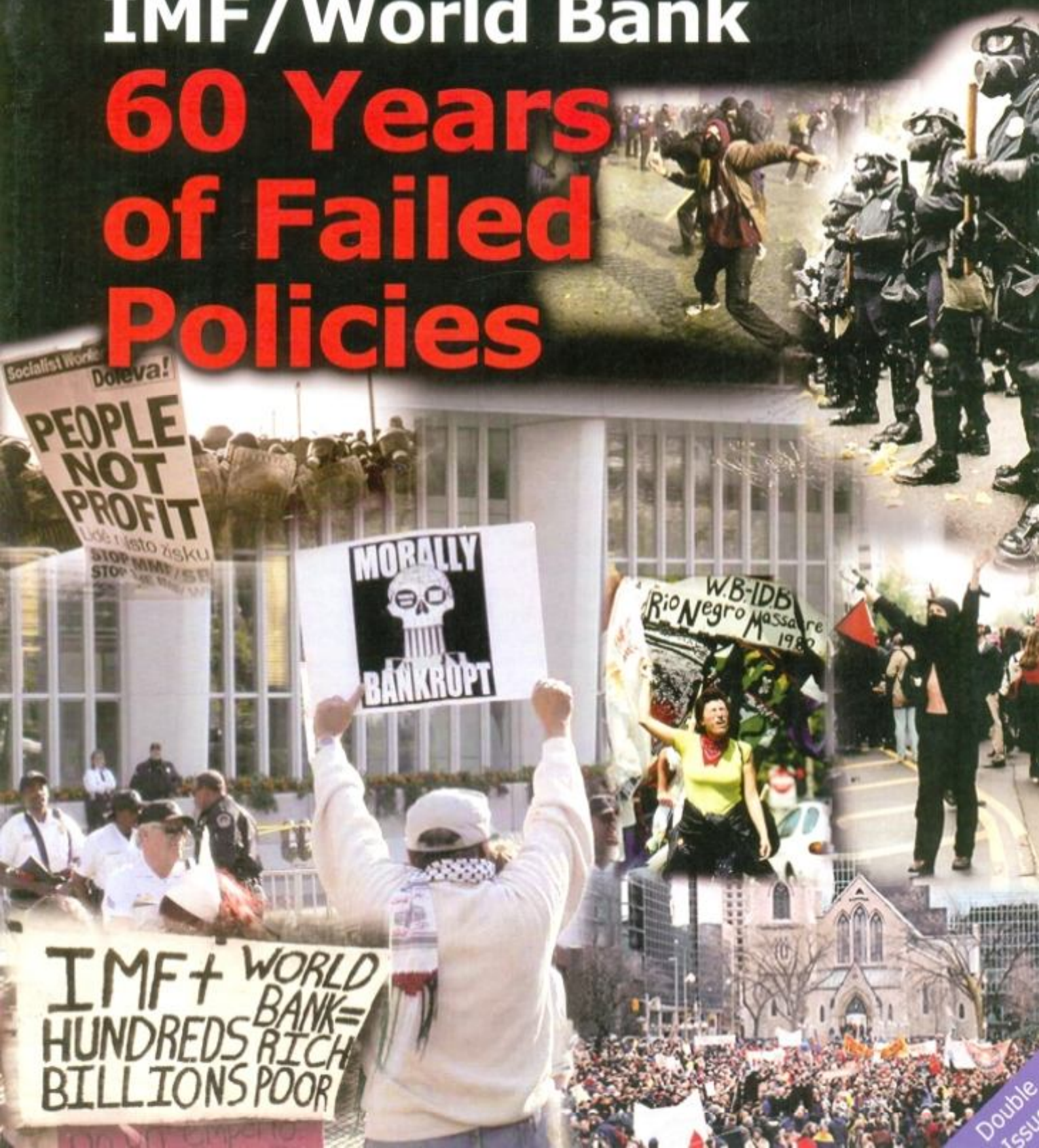
Socialist Worker
Doleva!
**PEOPLE
NOT
PROFIT**
Lide r isto zisku
STOP IMF/SE
STOP THE BIRD

MORALLY

BANKRUPT

W.B-IDB
Rio Negro Massacre
1982

**IMF + WORLD
BANK =
HUNDREDS RICH
BILLIONS POOR**



Double
Issue

Editor's Note

SIXTY years ago, in July 1944, a major international conference was convened at Bretton Woods in New Hampshire which was to have a decisive influence on the post-war international economic order. Although it was billed as the 'United Nations Monetary and Financial Conference', it was essentially an American-sponsored and -managed conference attended by delegates from some 44 countries. Only a small number of these were from the South as most Third World countries were still under colonial rule.

For the US, the Conference marked their ascendancy over British imperial power and was a defining moment in their role as the post-war hegemon. The financial system which they devised for the post-war world provided for the pegging of all national currencies under a system of fixed exchange rates to the US dollar, which in turn was pegged to gold.

A bank for providing long-term loans for post-war reconstruction and development (the World Bank) was established along with another, more important institution, the International Monetary Fund (IMF). The latter was established to promote consultation and collaboration on international monetary problems, to supervise compliance of member states with the Articles of Agreement of the Fund and to provide short-term loans to meet countries' balance-of-payments difficulties. In this respect, under the IMF Articles of Agreement, member states could also employ capital controls to curb any financial volatility.

However, the whole system of fixed exchange rates broke down in 1971 when the US Treasury, faced with mounting pressure on the US dollar and its depleting reserves of gold, closed the 'gold window', i.e., reneged on its commitment to pay out gold for US dollars. With the emergence of floating exchange rates in its place, a new period of financial volatility and economic turbulence has become the defining characteristic of our time.

Although it is the duty of the IMF to maintain exchange rate stability, more than any other institution, it has ironically been instrumental in promoting financial volatility. By persuading member states to undertake financial liberalisation prematurely and advising them to lift controls and restrictions on capital movements, it has exacerbated financial speculation on a hitherto unknown scale and caused the collapse of the fragile economies of many developing countries. Despite a history of such financial turbulence caused by its misguided policy advice and conditionalities, the IMF, just before the Asian financial crisis emerged, sought to intensify its drive for

financial liberalisation by pushing for an amendment of its Articles of Agreement to make financial liberalisation mandatory for its members.

While the Asian crisis (to which it contributed by its misguided policy advice and prescriptions) forced the IMF to stop in its tracks, it has never formally admitted its mistakes and explicitly abandoned its push for financial liberalisation.

Although it is empowered to make only short-term loans to member states facing balance-of-payments crises, the IMF has complemented the major vocation of its 'twin', the World Bank, in providing loans to debtor nations, subject to conditionalities. This has provided both these institutions with the opportunity to impose on the debtor nations controversial social and economic policies as the price of such loans. Such 'structural adjustment' policies, which include liberalisation, deregulation, privatisation and the ruthless slashing of public expenditure on health, education and other social services, go to the heart of national development policies. They have generated unparalleled human suffering while contributing to the economic collapse of these poverty-stricken nations.

The approach of the 60th anniversary of the Bretton Woods 'twins' has brought to the fore not only their dismal record but also the whole issue of their governance – a fact highlighted by the recent appointment of Rodrigo Rato of Spain as the new IMF Managing Director. The US and EU's monopoly of the key posts in these institutions is only one facet of the lack of democratic practice and policies of these organisations which have institutionalised the practice of 'one dollar, one vote'.

As part of our contribution to the worldwide campaign by activists to democratise and radically change these institutions, we feature as our cover story a review and appraisal of some of the policies and practices of the twins during the last three decades. To provide a better understanding of the ideological thrust of these institutions, we provide a historical analysis of their emergence. This is followed by a number of articles on various aspects of their policies, particularly the failure of their poverty reduction programmes. Finally, we take up the all-important issue of governance and the need for fundamental change in the operation of these institutions.

– *The Editors*

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COVER: In July 1944, the Bretton Woods Conference (*pic*) established the International Monetary Fund (IMF) and the World Bank. Over the years, the policies of these two institutions have met with growing opposition the world over. **13**

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THIRD WORLD RESURGENCE is published by the Third World Network, an international network of groups and individuals involved in efforts to bring about a greater articulation of the needs and rights of peoples in the Third World; a fair distribution of world resources; and forms of development which are ecologically sustainable and fulfil human needs.

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Cotton Harvest in Chad

Ugbo World Gallery