



## The World Bank and International Monetary Fund: Instruments of Exploitation

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By  
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The International Monetary Fund (IMF) and the World Bank were created simultaneously, at an international conference held in Bretton Woods, New Hampshire, near the end of World War II.

Economists from the United Kingdom (Britain) and the United States were the primary architects of these two institutions, with the views of the American, Harry Dexter White, advancing over the views of British economist, John Maynard Keynes. It began operations in Washington, DC in May 1946; it had 39 members.

During the war, the capitalist classes of Europe were either supporting the Nazis, or fleeing Europe. Conversely, socialists, communists, and other left wing parties were vigorously resisting the Nazis regime. Therefore, as a means of preventing the working classes from gravitating toward one of those radical parties and subsequently gaining a firm political foothold in Europe, it became imperative that Britain and the United States return the capitalist classes back to power. They utilized a strategy that involved international institutions promoting and solidifying the power of the industrial corporate/industrial sector

The World Bank's objectives as reflected by its formal name (The International Bank for Reconstruction and Development), were to assist in the reconstruction of global infrastructure which had been destroyed by the war, and to facilitate the development of the economies of the other member countries.

The objectives of the IMF were to establish world commerce by reducing foreign exchange restrictions and using its reserve funds to lend to countries experiencing problems so they could continue trading without interruption.

This pumping up of the world market would benefit all trading nations, especially the United States and Britain. During that period of time, the concept of the Third World had yet crystallized, and countries of Asia and Africa were still colonial appendages to the European industrial powers.

The unwritten objective of the IMF and World Bank was to integrate the world's capitalist elite into a system of profit maximization. The billions of dollars controlled by the IMF and World Bank have assisted in creating a firm allegiance of national and international capitalists. It is fairly well known that whenever the IMF and the World Bank lend money to debtor countries, the money comes with stipulations that are conducive to the profit margins of the capitalist elite. The policy associated with these loans are referred to as structural adjustment and it requires that debtor countries open their economies up to penetration by foreign corporations, and allowing them access to their workers and natural resources of those countries at very low prices.

Other policies imposed under structural adjustment include the following:

allowing foreign corporations to repatriate profits, balancing the government budget, selling off publicly owned assets and devaluing the currency. Stated another way, the IMF's mission is to insure that countries pay back their debts. They do this through stabilization and structural adjustment programs. Countries are told to cut their budget deficits and increase exports, even if it means cutting down the remains of their forests, encouraging highly pollutive strip-mining, or exporting their teachers to work as housemaids overseas so the government can tax the money sent back to families.

Money which could be used to provide immunizations and medicines to fight preventable diseases, to promote child nutrition, clean water, education, and to build basic infrastructure for development is shifted out of social service programs in order to pay the debt.

To add insult to injury, the poorest countries, especially in Africa have fallen deeply into arrears, and are able to meet only about half of their scheduled payments. All deeply indebted countries have had to borrow anew from commercial banks and the World Bank to pay on old debts. Another horrendous situation is when countries were/are forced to reschedule their loans, especially those held by commercial banks, they were charged astronomical fees and even greater interest rates. Additionally, banks refused to enter into rescheduling negotiations with debtor countries such as some of the South American countries, unless the governments of those countries assumed responsibility for the debt incurred by their countries' private corporations. Thus the Bretton Woods institutions invoke tough, harsh rules against default and use policies of structural adjustment to apply strong international pressure to enforce debt repayment.

According to the World Bank, Third World countries collectively borrowed \$1.935 trillion and repaid \$2.237 trillion between 1972 and 1992. Despite these repayments, they still owe \$1.7 trillion to Northern governments (United States, Britain, Germany, and Japan), commercial banks (such as Citibank and Barclay's Bank), and multilateral institutions (the World Bank, regional development banks, and the International Monetary Fund). African, South American and Asian countries reporting to the World Bank owe well over \$1.7 trillion to their creditors. The situation is extremely worse in Sub-Saharan Africa. Although Africa's debt is small in comparison to South America, the nation's ability to repay is far less. The truth of the matter is that debt at present levels in all of the poor, indebted countries is unpayable.

The latest figures for Third World debt is at record levels- \$2.2 trillion at the end of 1997 and it is still rising. For the highly indebted poor countries, the debt burden is still growing: \$229 billion four years ago, \$245 billion today.

In conclusion, two points of meritorious worth must be mentioned as it relates to moral injustice: present rules for debt repayment insist on sovereign responsibility for repayment, even when the debt may have been incurred by dictators who have used the loans for their own personal use. Therefore, when dictators are overthrown, they almost always leave the masses of people with the repayment of debts for which they never received any benefits, but which the dictator and his family may be enjoying in Europe or the United States.

The other moral issue is that debtor laws in most industrial countries set limits on the amount that a creditor can claim each year from a debtor. This was to ensure that the debtor has food and shelter for himself and his family and the tools of his trade needed to earn his living and to repay the debt.

Lastly, structural adjustment loans by the IMF and World Bank have also led

to the loss of tens of thousands of U. S. jobs and exports. According to a study by the Institute for Policy Studies, IMF and Bank loans destroy over 20,000 jobs a year. The study looks at what happened to U. S. exports to 54 countries that received major IMF and World Bank adjustment loans during the 1980s. In each case, the study cites export trends from three years before through two years after the loan was made.

Of the 54 nations, or countries that received such loans, 33 slowed down the rate at which they were importing U. S. goods after the loan took effect. Overall, the study states that U. S. exports to the 54 countries were growing at a rate of 8.1 percent in the years prior to the loan. After the loan, the growth rate fell to 6.2 percent.

The Commerce Department estimates that for every one billion dollars in exports creates 20,000 U. S. jobs. Thus, the study estimates job losses resulting from the slowdown came to just over 20,000 jobs a year. Moreover, IMF and World Bank policies hurt U. S. jobs by promoting and encouraging U. S. firms to shift production overseas; the study states that many loans are conditioned on the creation of export processing zones which offer cheap labor and other advantages to attract foreign capital. These factors contribute to the negative impact on U. S. exports which includes the often mandatory currency devaluation which make imports more expensive, and cuts in government spending which reduces demand for U. S. products.

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