

International Affairs

The International Exploiting Fund

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Lewis Wilson

The International Monetary Fund (IMF), along with other institutions founded by Western nations, claims to help people around the world by acting as a stabilizing force. This could not be further from the truth. The IMF actively plays a role in restructuring developing economies to the benefit of large multinational corporations (MNCs) that are mainly based in the northern hemisphere. The IMF has strayed too far from its original purpose, and now actively plays a neocolonialist role in large parts of the southern hemisphere. By using its structural adjustment programs as a guise to aid countries, the IMF systematically dismantles developing economies to allow MNCs to dominate these emerging markets. The IMF should be abolished as it no longer serves its original purpose, and has instead been manipulated to further exploit developing nations.

The original purpose of the IMF was to ensure the stability of currencies around the world to help liberalize trade and the movement of capital in the post World War II era. It achieved this by pinning the

value of IMF member countries' currencies to the American dollar, which itself was tied to the value of gold. This system of fixed exchange rates facilitated trade between countries, and allowed for a quicker movement of capital.

This supported the huge reconstruction efforts that were being undertaken across the world, especially Europe. This system was established just after the end of World War II during the Bretton Woods conference, a conference in which the Allied powers of World War II convened to streamline and intertwine international financial markets to facilitate trade and make conflict even less desirable. It would last until the gold standard was abolished by the United States' government under the Nixon administration.

After the disbanding of the gold standard, in favour of market forces determining the value of currencies, the IMF had lost its primary function. The American government, after spending so much on the IMF, and other Bretton

Woods institutions like the World Bank Group, wanted to maintain these organizations; “the Bretton Woods system was successful because it was a unique embodiment of US ‘benign hegemony’.” (Corbridge 1). This shows the true purpose behind the IMF and the Bretton Woods system as a whole. Any institution created at this time was meant to further the political and economic power of the United States. The Bretton Woods system was centred around the United States, and the American government held an unimaginable amount of power during this time.

“Thus, the IMF changed its major operation from regulating currency to managing balance of payments difficulties, becoming more involved in the national policies of much of the developing world.” (Vreeland 8-9). This change further demonstrates the desire of the United States’ government to be as interventionist as possible, especially in the southern hemisphere, in order to further their own interests. The IMF was essentially rebranded into a large internationally run commercial bank that would give loans, advice, and consultatory services to any member country. “Let me emphasize that the IMF is not a charitable institution, nor does it carry out its operations at taxpayers’ expense. On the contrary it operates like a credit union” (Sachs 216). The IMF is now infamous for its conditional loans

and structural adjustment programs, which have been keeping developing nations from developing any further, without working extensively with and for Western nations. “...as part of its conditions, International Monetary Fund generally promotes the capitalist model by pressing the South to move toward easing restrictions on their economies and adopting free international economic exchange.” (Boyer et al.) The IMF is inherently a capitalist institution that mainly benefits the West at the exploitation of the impoverished southern hemisphere.

Structural adjustment programs are one of the key tools that the IMF uses when it is claiming to help governments become more fiscally responsible. In actuality the International Monetary Fund is just an elaborate instrument for the West and its MNCs to exploit nations in the southern hemisphere . This generally begins with the privatization of public resources which allows MNCs to acquire lots of resources for way less than their actual value. This results in, or furthers, corruption within developing nations as senior officials seek to sell as much as possible in order to receive commissions from selling public resources.

In order to create competition within the market, the next step of the structural adjustment program is often market

deregulation. This allows either MNCs, or even local businesses, to: cut corners, pay their workers even less than they would already receive, worsen working conditions, and generally cut necessary costs that were regulated for a reason. The IMF seeks to create a fully open free market system regardless of short or long term consequences to the general population. The creation of the fully free market is achieved through the elimination of subsidies to citizens. These subsidies are placed on essential goods, grain, and other foodstuffs, cooking oil, etc. This elimination of said subsidies makes it even harder for people to live and often results in violence. This violence usually takes the form of mass protesting, normally leading to rioting as the government usually responds with security forces.

These riots destabilize the country, and make any other investors nervous about their investments, leading to the mass exodus of both foreign and domestic capital. This leads to the sale of businesses, at values that are far lower than they should be, and these businesses are bought up by MNCs from the West. “financial development interacted with policy generates a positive effect on realized financial openness, supports the view that the success of capital account opening depends on domestic financial development. Changing the policy

stance alone does not necessarily induce changes in international financial integration. Thus countries that are well developed financially are better placed to gain from financial globalization” (Bush 580-581).

This shows that the West, as well as their MNCs are benefiting hugely from the IMF’s interventionism while the citizens of the country that is being advised by the IMF is being pillaged and exploited. Lastly, with a market now dominated by large MNCs, freed trade agreements are imposed on the country by the IMF so that the corporations can get their product to the markets around the world, especially in the West, for as cheap as possible.

Since its inception, the IMF has been an institution governed by and designed to benefit West, and this is inherent in its governance structure. Every member country is allotted a share of the votes; however, this share of votes is based on the member country’s share of the global economy. Due to this, many countries within the West have large amounts of power due to their immense share of the global economy. This is especially true for the United States as it has the largest economy in the world. The IMF is also very American-centric, as it was established in the United States, and is headquartered in Washington, D.C. The IMF has been and continues to be one of

the biggest tools of American imperialism and neo-colonialism by allowing the American government, and their allies in the West, to rule over the southern hemisphere.

“The Washington based financial institutions were already undermining the integrity of domestic policy formulation, and ambitiously promoting the interests of international financial and corporate capital” (Bond vii). This kind of explicit dominance is something that has unfortunately continued in the world, even with explicit colonialism on the way out. “A significant feature of IMF lending to developing countries is the recidivist tendencies of many countries a tendency most pronounced among but by no means limited to low income countries” (Bird 483). This shows that the IMF’s main goal is not to help anyone, especially not the nations in the southern hemisphere, but to clear the way for MNCs of the West. Chronic debt allows the IMF to dominate these economies as the organization has the country on a metaphorical hook.

The way in which the IMF operates by using its standard four step plan to open a country’s domestic market with a blatant disregard for the local population is the epitome of neo-colonialism. The fact that the IMF structural adjustment programs are implemented without regard for the population reflects the

explicit nature of the capitalist West that continues to push for more despite knowing that most countries in the southern hemisphere would be better off without intervention at all. It is the consistent intervention of the West in the southern hemisphere, through international institutions like the IMF or military interventionism, that keeps countries in the southern hemisphere impoverished. This is the active goal of the capitalist West. By keeping a majority of the population living under these conditions, it allows for companies in the West to pay their employees less as the West forces the states of the southern hemisphere into the global free market. The population of the southern hemisphere will continually be disregarded or actively harmed in the West’s quest for economic domination.

The IMF must be abolished as it was created to be, and successfully operates as, a tool for the capitalist West to dominate the world’s population. The IMF does not provide substantial aid to member states. All the money it gives is in the form of loans with interest, and rates can be exceedingly high. By removing the IMF from the world stage, the world would benefit as there would be one less American run institution representing the interests of the wealthy West, at the expense of a majority of the world’s population. There would no need for a replacement, if the countries of the

West truly wanted to help the developing southern hemisphere, they could simply send money in the form of grants, or no interest loans. Without the IMF, the countries of the southern hemisphere could be given the chance to flourish after hundreds of years of colonial and neo-colonial rule by the West.

The IMF is an institution that should not be allowed to exist after reinventing itself to continually exploit the nations of the southern hemisphere. By abolishing this capitalist institution of the West, the people of the southern hemisphere would be able to live their lives with one less interventionist system. This first step in the liberation from neo-colonialist

rule could hopefully allow the West and the southern hemisphere to begin to work together co-operatively instead of the exploitative nature of this relationship that has existed, and will continue to exist, under this institution. Without the IMF and structural adjustment programs, the West would begin to lose control of the economies of the southern hemisphere, thus allowing the local population to take control of their economy, as well as the production of goods and services. The world would be a much better place for both the West, but especially the southern hemisphere, without the IMF, and this step would be the first of many towards reconciliation.

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