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LIFE and DEBT

THE ISSUES and THE PLAYERS

What Is the IMF?

The IMF is a cooperative institution consisting of 182 member countries. The goal is to facilitate the flow of foreign money between countries.

The purposes of the International Monetary Fund are:

(a) to promote international monetary cooperation,
(b) to facilitate the expansion and balanced growth of international trade,
(c) to promote exchange stability.
(d) to assist in the elimination of foreign exchange restrictions which hamper the growth of world trade,
(e) to make the general resources of the fund temporarily available to IMF members under adequate safeguards,
(f) to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

Since its inception in 1946, the IMF's purposes have remained unchanged, but its operations have developed to meet the changing needs of its member countries in an evolving world economy

Criticisms of the IMF

While providing economically troubled countries with loans, the IMF requires the countries to make fundamental changes in their economic and social policies. These conditions come in the form of Structural Adjustment Programs (SAPs). SAPs are designed to ensure that the recipient country pays back its loans to the IMF and other international lenders. These policy prescriptions are designed to promote exports, reduce government spending and government's role in the economy, increase taxation and devalue currency.

Critics, such as the American Lands Alliance, argue governments meet these requirements by slashing basic services and reducing worker protections such as minimum wages and benefit packages. These critics cite that less than a third of the nations aided by IMF funds since 1965 "graduated" from IMF dependency. In fact, they claim, 81 of 137 recipient nations have become more dependent on the IMF. Forty-three nations have been receiving IMF aid for more than 20 years.

What is the World Bank?

Founded in 1944, the World Bank is the world's largest source of development assistance, lending approximately $16 billion annually to its client countries. Its aim is to help each developing country onto a path of stable, sustainable and equitable growth in the fight against poverty.

The World Bank is now working in more than 100 developing countries, bringing a mix of finance and ideas in an attempt to improve living standards and eliminate the worst forms of poverty. For each of its clients, the World Bank works with government agencies, nongovernmental organizations and the private sector to formulate assistance strategies.

Criticisms of the World Bank

The World Bank also provides economically troubled nations with loans in the form of Structural Adjustment Programs (SAPs). These are designed to ensure that recipient countries are more hospitable to foreign investors and pay back their loans. SAPs include requirements that governments relax restrictions and regulations on trade, investment and business activity and reduce spending. Critics claim that these government spending cuts are most often made in basic services. Critics also assert that rather than creating financially independent nations, the Bank begets a spiral of dependence in which countries spend most of their money on servicing debt rather than development. An example is the $16.8 billion disbursed to Sub-Saharan Africa from 1990-1995. Nearly two thirds of this was returned to the Bank as payments on earlier loans. Furthermore, the 52 poorest nations in the world pay the same amount in debt service as they spend on health and education combined.

What is the WTO?

The World Trade Organization (WTO) is the only global international organization dealing with the rule of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

The result is meant to be assurance. Consumers and producers know that they can enjoy secure supplies and greater choice. Producers and exporters know that foreign markets will remain open to them.

The goal is also a more prosperous, peaceful, and accountable economic world. Decisions in the WTO are typically taken by consensus among all member countries and they are ratified by members' parliaments. Trade friction is channeled into the WTO's dispute settlement process where the focus is on interpreting agreements and commitments, and ensuring the country's trade policies conform with them. This reduces the risk of disputes spilling over into political or military conflict.

At the heart of the system are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations. These agreements are the legal ground-rules for international commerce. Essentially, they are contracts, guaranteeing member countries important trade rights. They also bind governments to keep their trade policies within agreed limits to everybody's benefit.

The agreements were negotiated and signed by governments, but their purpose is to help producers of goods and services, exporters, and importers conduct their business.

Criticisms of the WTO

Protectionists think governments should intervene to ensure that domestic producers dominate the domestic market. This calls for the government to discriminate against imported goods in favor of those produced within the country. Such government intervention changes market conditions and distort the prices faced by domestic producers and consumers away from those arising in the world market.

The WTO plays a big role in abolishing such protectionist policies in its member countries. Critics argue that third world economies are at a disadvantage because large, wealthy nations can afford to sell their goods at cheaper prices. With an influx of cheap imported products, local producers are forced to cut production, resulting in unemployment and less money entering the local economy. Critics also claim the WTO has a history of enforcing multinational corporate interests at the expense of developing countries and their citizens.

What is globalization?

Amazingly for so widely used a term, there does not appear to be any precise, widely agreed definition. However, the most common or core sense of economic globalization refers to the observation that, increasingly, economic activity in the world is taking place between people who live in different countries. Economists define globalization as the increasing internationalization of production, distribution and marketing of goods and services.

What are some of the Pros and Cons associated with Globalization?

PROS

- Global free trade promotes global economic growth.
- It creates jobs, makes companies more competitive and lowers prices for consumers.
- It also provides poor countries with the chance to develop economically and thereby creates conditions conducive to democracy.
- Global competition and cheap imports keep a lid on prices, so inflation is less likely to derail economic growth.
- An open economy spurs innovation with fresh ideas from abroad.

CONS

- Multinational economic institutions, including the WTO, the World Bank and the IMF, are viewed as the spearheads of economic globalization. These institutions are considered to be servants of corporate interests. This leads to corporations which exercise more power than elected governments but are interested only in profit.
- Millions of Americans have lost jobs due to imports or production shifts abroad. Millions others fear losing their jobs, especially those at companies operating under competitive pressure.
- Service and white-collar jobs in the United States are increasingly vulnerable to operations moving offshore.
- The IMF and the World Bank pressure governments to develop export-industries. Since forests provide an easily accessible commodity for export, increased exporting leads to increased logging.
- Globalization hurts local producers in third world countries. While consumers save money buying the cheap imported goods, local producers are frequently forced out of business which hurts the general economy.

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