# The IMF is not an alternative to the socialist planned economies

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For the countries that have now liberated themselves from the burden and the primitive accumulation of socialist planned economies, nothing would be worse than that they should now be placed under the incompetent economic direction of strategists of the International Monetary Fund. If we consider the worldwide policy of the IMF during the last decades, we can see that this institution has not promoted an economic policy that serves human beings in a single country, but has rather driven one national economy after the other into ruin. Behind the concept of "the free market economy" stands the monetarism of the IMF. In order to maintain the largest debt burden in the history of mankind, the indebted countries are being bled completely white, in accordance with the ancient principle of the usurer. The countries of the Southern Hemisphere, still hopefully called the "developing countries" in the 1960s, were systematically ruined in the process.

If the policy is so devastating, why do so many countries get mixed up with the IMF at all? In a few cases, out of ignorance, but in most cases because they are forced. An emergency, often consciously created, is exploited to get the IMF involved through "credits." In the former communist countries, after decades of primitive socialist accumulation, the emergency is obvious, and is not in the least the responsibility of the populations of the countries. Since today the situation in the business of international credit is such that no banker in the entire West will give international credit without the IMF having determined the credit risk, there is no alternative to a country but to allow the so-called IMF experts to come into the country. If the IMF approves credit, this credit is always tied to the infamous "conditions" that so ruin the economic power of the debtor that he soon must accept new credits on significantly harsher conditions, which are then secured at higher interest and with even more drastic demands.

## IMF conditionalities

Without being familiar with the IMF conditions, for example, for the $1.7 billion U.S. credit to your country, I fear that the conditionalities would not be different from those discussed in the following. It is also typical that Czech and Slovak Federated Republic could not receive any of the urgently needed credit from the West, apart from the IMF. This is the entry into a vicious circle. The IMF conditionalities are almost always the same:

1) *The priority is always short-term repayment of the debt:* The development of the economy to a level at which sufficient surpluses are created to make possible repayment of the debt is thus prevented. Further indebtedness of the economy and a decrease of its productivity is preprogrammed.

2) *Devaluation of the national currency:* Thus foreign debts are further increased, and more of the real wealth of the country must be paid out for imports. Exports, in contrast, become cheaper. The country can be better bled of its life's blood. The consequence of the decades-long IMF policy toward the countries of the so-called Third World: Incredibly, these countries are, despite the fact that their population is being decimated by hunger and disease, net capital exporters into the industrial nations of the Northern Hemisphere!

3) *Reduction of the standard of living:* The demand made everywhere by the IMF for the reduction of the standard of living through wage freezes, with the simultaneous elimination of price subsidies and increase of taxes, is not at all necessary for sound economic growth. Quite the contrary! In the countries of the Northern Hemisphere, millions of human beings are falling below the poverty level as the result of these policies—these are hardly beneficial policies for young democracies. The ultimate consequence of this policy is today alarmingly clear in the countries of the Third World,

as can be seen from the following quote from former Tanzanian President [Julius] Nyerere, given at a press conference of the German Committee of Unicef on Sept. 20, 1988: "Do we have to let our children go hungry to pay back our debts?" It was further said at the Unicef press conference that this was not only true of the Third World countries; precisely the same is true for Europe: "Too little considered are the effects on the population of an adjustment strategy that aims only at equalization of the balance of payments: decreasing wages and salaries, increasing joblessness, price increases on the most important goods of daily consumption such as food, reduction of public expenditures in social areas and thus the impairment of health care and education. . . . In the study, Unicef referred to 10 countries where there is a policy of financial stabilization that ignores the human factor and in which the number of undernourished children grew, disease increased, child and infant mortality again went up." The new figures are terrifying: Unicef assumes that in 1991, one-half million children will have to die because of the debt repayment policy forced by the IMF!

*4) Reduction of the state budget and privatization of government services:* Thus, the standard of living is further reduced, and any state investment in infrastructure is made more difficult or simply impossible. Great infrastructural projects, which must be state projects and increase the productivity of the overall economy, are expressly forbidden by many IMF conditions. As far as privatization goes, this condition has become so perverted that the so-called debt-for-equity schema is being used in the countries of the Third World. Foreign creditors thus gain equity in state property in return for uncollectable debts, with large losses for the debtor country. The IMF requires full convertibility of currencies, and no restrictions whatsoever on foreign investors. What this means in view of the rising dollar valuation in relation to a given national currency is known in your country. Here, more than 30 crowns must be plunked down for one dollar.

"The demand for privatization of state enterprises means nothing other than sale to foreign countires," said former Guinean Information and Cultural Minister Jean Claude Diallo, who conducted negotiations with the IMF for his country. Hiroshi Nakajima, director of the World Health Organization (WHO), clearly expressed the consequences of IMF demands for continually reduced expenditures on state projects. On March 27, 1991, he told the press in Lima, Peru, that the cholera epidemic "is [a result of] the measures of structural economic adjustment that are carried out in agreement with the International Monetary Fund and the World Bank . . . and which did not allow investments in sewerage infrastructural projects." At present, 120 million human beings are threatened with cholera. Thus, 120 million human beings are the victim of the IMF's "structural accommodation."

The question arises concerning the role of the IMF and the World Bank and how they in fact became the world powers they are today. The two would, as measured by their balance sheet total, rank approximately 20th among major international banks. As is known, the overall U.N. structures of the International Monetary Fund, the World Bank, and GATT [General Agreement on Tariffs and Trade] were created in July 1944 at Bretton Woods in the United States. The World Bank was supposed to serve "reconstruction" and "development"; the IMF was to take care of international currency stability through oversight of the exchange market. What a one-sided orientation these organizations had from the beginning is clear from the arbitrary establishment of a parity system that originally put developing countries at a disadvantage. Through an appropriate determination of parities, the currency of the states of the Southern Hemisphere—and, ultimately, all currencies except for the U.S. dollar and the British pound sterling—had a comparatively low purchasing power so that the countries had to pay dear for the import of industrial goods.

## Anglo-Americans conceived Monetary Fund

The conception of the IMF goes back to a British and American plan: on the British side, to a plan by Lord John M. Keynes and on the American side to the work of an assistant to Treasury Secretary Henry Morgenthau, Harry Dexter White. It is worth noting that, at the same time that White worked out the conception of the IMF, in the years 1942-43, he was principal author of the Morgenthau Plan, according to which Germany was to be completely de-industrialized at the end of the war. White was also named at the first IMF managing director.

Today, the secret of the enormous power of the IMF is its role as the supernational coordinator of a handful of major international banks, which dominate financial transactions worldwide. The IMF statutes, agreed on in 1944 and still valid today, though now broadened, state in Article 1 that the purpose for the existence and most important economic-political goal of the IMF is to promote the expansion and harmonic growth of *world trade*. According to this credo, the IMF "may" alleviate the poverty that exists in most of its member-nations only through the improvement of world trade, but not through development.

Its declared goal is therefore to serve the poor countries, but not to develop partners on a solid economic foundation that would thus pursue trade over the long term on a equal basis with one another for the benefit of all. Only national economies that create good development opportunities for domestic industry through a solid and modern infrastructure can profit as equal partners from world trade.

Some details of the original IMF statutes, which are still valid today, deserve mention: With membership, IMF member-states give up some essential sovereign rights in favor of this supranational agency. The Fund has more and more significant immunities and privileges than other international organizations. The relevant provisions are stated in Article 9 of the IMF statutes, and are quite extensive. It is expressly required that internal legal systems conform to the demands of Article 9. Article 9 includes extensive rights of diplomatic immunity for IMF bureaucrats, their actions, their acquired property, and their records. The communication of IMF bureaucrats with their foreign employers are put on the same footing as diplomatic communications.

In Section 5, the following is said on "giving information": "The Fund can require all information from its members that seems to it to be necessary for its activity." The detailed listing that follows includes virtually all information on the currency and economic policy of the country. Additionally, it says in Section 5 (c): "The Fund can hold meetings with members on the provision of additional information. It shall serve as the central exchange for the collection of information on monetary and financial problems and through that will make possible the carrying out of studies that members can use in the pursuit of *policy that serves the purposes of the Fund*."

The Fund also has available brutal sanctions. Governments that do not "cooperate" and pursue the "policy that promotes the goals of the Fund" are politically isolated and worn down until they either knuckle under or an opposition emerges that overthrows the government and renews negotiations with the IMF.

One of the "institutional sanctions" of the Fund is the publication of a report that "critically" represents the economic condition of its members. An official press statement of the Bretton Woods Conference published on July 21, 1944 is revealing for the intention of this provision. The statement says, "An important incidental provision in this connection is the power of the Fund to warn a member country, even though that country may not be using the Fund's resources, that the conduct of its affairs is not consistent with the purposes of the Fund. Such a warning might point out to the country, that its conduct not only constitutes a failure to perform an obligation undertaken by joining the Fund, but also may be prejudicial to the country, if in future it should wish to have recourse to the Fund."

The Fund also shares its "views" with the appropriate countries in an "informal" way. In the annual consultations with its member countries, it is made clear which currency and economic policies each country has to pursue in order to avoid sanctions. If a country opposes such measures, then it is not only cut off from IMF credits, but also from all other important lines of credit. These are very drastic sanctions for countries that are dependent on curriences in order to purchase industrial and investment goods from the Western industrial countries for the development of their own national economies. Organized capital flight is another important sanction possibility.

For developing countries, coming to terms with the IMF and the World Bank is the precondition for new credit and debt facilitation. The given directions that the IMF and World Bank formulate in a "letter of intent" are taken over by private banks and governments in the same way for their debtors. The IMF boasts that its measures are "bitter" medicine, but in reality it is administering deadly poison, as the following examples will show. Even IMF Managing Director Michel Camdessus recently expressed his understanding that the consequences of "economic adjustment measures" of the IMF can be characterized as "horrible" for the populations of the countries affected.

## Devastation of Africa

I would like to give some further examples. You are all informed of the extent of the catastrophe in Africa. The IMF and the World bank played a decisive part in this development. I will not be able here to describe the causes of the debt crisis in the Third World. I would like to give only a few basic points in explanation of the emergency situation in countries of Africa, which came about through no responsibility of their own: the oil price crises of 1973-74 and 1979, the high interest of the U.S. administration in 1979 under Federal Reserve head Paul Volcker (a 3% interest rate increase in 1984 meant an immediate increase in interest to be paid for Africa of $2 billion), and the constant reductions in raw material prices, which are decided by British and American financial markets. Raw materials have now arrived at the level of 1932, and are far below the cost of production. Merely in the past decade, the countries of black Africa have incurred revenue losses of $150 billion through manipulated raw material price reductions.

Since 1980-81, a total of 21 African countries have accepted IMF "structural adjustment programs"; debt service consumes around half of the export revenues of the countries; the living standard has sunk by a further 20% from that time to the present; many of the still significant state industries privatized on IMF orders have been sold to foreign concerns. Just like Ibero-America, the continent has become a *net capital exporter,* and nowhere is there any hope today for the development of productive, national economies. Almost all the infrastructural projects have been stopped as a result of the conditionalities of the IMF.

Examples of IMF and World Bank conditionalities make clear how the emergency, which is not the responsibility of the given country, becomes exploited. Wilfried Thalwitz, vice president of the World Bank for West Africa and co-author of a World Bank study on Africa, said cynically at a U.N. special meeting on the African economic crisis that the African continent has "lost in the last 10 years all the economic success since its independence." Cynically, he says that, now, at last, he sees "an astonishing will of the governments to limit their own *function as a factor of disturbance* and to introduce new economic-political structural packages." So, he says, there will be a clear change in the planning of investments in the direction of more efficiency: *"White elephants such as useless dams or railroad lines belong predominantly to the past."* Where that is still not the case, as, for example, with the Manantali Dam in Mali, the World Bank is putting on the brakes, he said.

In their own publications, the World Bank and the IMF state proudly that they have developed a "concept of core investments programs" in which a "limited number of projects are supported that can be completed quickly, using domestic resources, and will produce a high profit."

It is not enough that the IMF flatly forbids or sabotages sensible infrastructural programs and sets up work camps; they are also familiar with the discussion on technology transfer, which has taken on new dimensions as a result of the Gulf War. A technological apartheid will now be practiced that will allow the countries of the Southern Hemisphere no chance of industrial development. U.S. Secretary of Defense Richard Cheney spoke recently of the necessary embargo of the North against the South.

It is to be hoped that nations potentially so large and rich as your federated republic will not submit to the diktat of the IMF. This country not only has the right to development and the best possible unfolding of its potential, but also the duty to do exactly that. Through common efforts, enough wealth must be produced in Europe so that it will make possible that all the human beings on our planet will be able to live and work in dignity.

## The example of Sudan

Today, when pictures of the famine and the war in Sudan are shown, the fact that Sudan is potentially a very rich nation is kept in the background. At the beginning of the 1970s, there were ambitious plans for how Sudan could become the bread basket of Africa and the Arab world. A diversification of agricultural cultivation was begun, a break with the cotton monoculture intended for import. Large-scale irrigation projects were planned, the core of which was to be the Jonglei Canal, a 250 km canal that was supposed to make the masses of water that today seep away collectively in the swamps of the south useful for irrigation of large arable areas. An extensive infrastructure was planned to develop this land rich in natural and human resources. In the 1970s, Sudan was a food exporter.

Since, however, the only technology that the Sudan could take over from the British colonial power was that connected with cotton cultivation, Sudan had to go into debt to buy fertilizer, insecticides, agricultural machines, and machines of all other kinds. Every developing country is initially, of course, a net importer of capital goods in order to develop its productive facilities, and that means an initial trade deficit. The cycle began with debts, and the IMF set the conditions. After the Jonglei Canal was more than half-finished, the World Bank and the IMF, together with international environmental organizations, forced its termination. The infrastructural project, begun with hope in 1972, was stopped by the IMF in 1984. In 1986, the IMF declared that the Sudan was a "non-cooperative" country, with corresponding consequences on the international financial markets. The situation today is well known.

## IMF targeting of Ibero-America

Some of the looting mechanisms of the Ibero-American continent have been described in detail in this journal. The intended free trade treaty between the United States, Canada, and Mexico gives a dramatic glimpse into the future of the continent: More and more human beings will work under genocidal conditions in low-pay work camps producing for export.

On Dec. 19, 1983, *Der Spiegel* conducted an interview with then-President of Argentina Raúl Alfonsín. He concisely and clearly expressed the dilemma: "The military left a ruined economy behind them. Argentina, once one of the wealthiest countries in the world, has become one of the poorest debtors. A country of emigration and capital flight has developed out of a country of immigration and investment. How could a country be so totally ruined?" Alfonsín's answer: "Through the application of the monetarist theories of the Chicago School. We have indebted ourselves through the import of goods that we ourselves previously produced. We put ourselves into debt while our factories closed and unemployment grew. But that is not our fault alone. We were discriminated against in trade. . . ." Today, the potentially rich country of Argentina, under the leadership of Harvard-educated [Finance Minister] Domingo Cavallo, is being sold off to international finance capital through so-called debt-for-equity agreements and the total opening up of the economy to foreign finance capital.

On Feb. 2, 1989, Social Democrat Carlos Andrés Pérez came to power and "restructured" the economy of Venezuela according to proposals of Harvard Prof. Jeffrey Sachs and the IMF, the same "advisers" who are now ruining the Polish economy. Within a year, imports were reduced by 39%, and the export of all goods, with the exception of crude oil, increased by 42%, in order to pay back $21 billion in usurious interest. There were insurrections among the population against this austerity program that were suppressed at the cost of thousands of lives. The London *Financial Times* praised Pérez, in that he had "rightly resisted the temptation to use the insurrections as an excuse to cancel the austerity measures." Now, undernourishment and the collapse of health care are also leading in Venezuela, as everywhere else on the Ibero-American continent, to the outbreak and catastrophic spread of disease. The publisher of the influential conservative daily newspaper *El Universal,* Theófilo Nuñez urgently warned on Venezuelan television on Nov. 18, 1990 against the IMF conditionalities. "The government must retain the possibility of being able to subsidize agriculture, health care, public building projects for residences and similar projects when necessary, and the IMF does not allow that." Nuñez warned that "the democratic system will be undermined" if "these possibilities no longer exist."