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## The IMF

The IMF was established to promote international financial stability, but critics claim it has contributed to global inequality. Simon Jeffery explains

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### What is the IMF and what does it do?

The International Monetary Fund is a UN agency set up by the 1944 Bretton Woods conference to secure financial stability in the world economy.

### How does it work?

It seeks to promote international monetary cooperation, exchange stability, and orderly exchange arrangements in its 183 member states. Hard currency is also lent to countries experiencing balance of payments deficits, probably the most important part of its work.

### What makes the IMF unpopular?

It is the economic reforms it insists upon as conditions for financial assistance. Critics say that since the 1980s the IMF has abandoned its original mission in favour of restructuring national economies along a US model once favoured by Ronald Reagan. Restructuring plans (now named "poverty reduction strategies") list an average of 114 conditions per country in return for capital. In each case, those on the receiving end have to remove trade barriers, sell national assets to foreign investors, slash social spending and crush trade unions.

### Who is affected?

Largely third world and developing countries. For example, Tanzania was forced to charge for hospital visits and school fees. Hospital treatment fell by 53% and the illiteracy rate soared. In Ecuador, the IMF ordered 26,000 jobs cuts along with a halving of real wages for the remaining workers. Meanwhile, it demanded the sale of the water system to foreign owners and an 80% increase in the price of cooking oil.

### What is it thinking?

The IMF is dominated by neo-liberal economics that decree countries are best served by making an easy fit with the world economy. Globalisation allows them to provide products and services demanded by external markets and the theory goes to bring in foreign investment. The removal of trade barriers and employment legislation makes the newly restructured countries more attractive to the multinationals.

### Does it work?

GDP and life expectancy did rise in the last 50 years of the twentieth century, but global inequality is growing and besides some of these improvements took place in the days before the neo-liberal IMF, when per capita income grew by 74% in South America. At present, the rich nations are becoming richer and the developing world, crippled by debt repayment and "restructuring", has little control over its economic future much having already been surrendered.

But we do not know what would have happened to the developing world if the IMF had not given its assistance. The restructuring was offered at times of economic crisis when previous models were judged to have failed, hit by rising oil costs and instability on the world financial markets.

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