People's Global Action
The Global Economy: What's it all about?
August 2002

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countries will not allow this, as it would threaten their economic dominance. Thus the only way to keep up repayments on old debts is to take out new loans (known as the "transfer problem"). When the World Bank, IMF and rich nation politicians talk about poverty relief and improving the developing world's prosperity, remember that the system itself is designed to create a permanent 'underclass' of poor countries. Desperately in debt and having lost their self-reliance they become subservient to the demands of western economic and political interests. This is no accident.

Note from the Editors on The Global Economy: What's it all about?

Although, as it stands, this is a good clear article, we could have some disagreements. Where the last paragraph (Why loans just can't work) talks about 'rich' nations, they forget to mention that even within 'nations' the people are divided between slaves and masters and that those of us who are slaves in the 'poor countries' need to recognise that our true friends are the slaves in the 'rich countries' and not the masters in the 'poor countries'. Only by uniting across borders will we be able to get rid of all masters and so build a world of equality, freedom and social justice.

as they are more likely to be able to force the changes on deeply dissatisfied populations.

THE ECONOMISTS AND THE GROWTH ILLUSION

The World Bank and IMF believe that 'ACCELERATED GROWTH' is the key to solving all the world's problems whereby market mechanisms will get rid of inflation, unemployment, poor public services and unsustainable debt. This belief is accompanied by the idea that economic globalisation, the removal of barriers to the free flow of capital around the world, is the best way of increasing economic efficiency.

Increased capital flow through the economy does not end poverty, stabilise populations or protect the environment; it increases the absolute gap between the rich and the poor and makes no provision for peoples' basic needs.

Most World Bank staff are economists. This means that they translate complex problems into numerical terms, formulating solutions for countries they have never visited and applying neo-classical economic models indiscriminately to places with vastly different histories, culture and politics. The only things to benefit from economic growth are corporate interests. We have to see through these myths if we are to find balanced and sustainable ways to order economic relations.

WHY LOANS JUST CAN'T WORK

The loan system is designed so that borrower countries can never repay their debts. The World Bank demands that borrowers pay them back in the same hard currencies they borrowed in, usually the dollar, but to do so, borrower countries must sell more to the rich countries than they buy from them. Rich

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THE IMF AND WORLD BANK: BACKGROUND INFORMATION

The International Monetary Fund (IMF) and World Bank were born in 1944 at the Bretton Woods conference in order to manage international finance and stimulate reconstruction after World War II. They are dedicated to the integration of countries into a capitalist world economy, advocating free trade in order to accelerate growth. The World Bank exists to make loans for giant infrastructural projects such as road building, airports, power plants and dams. These always involve displacement of local people and environmental destruction. Since the debt crisis of the 80s the IMF has become the debt collector for northern financial institutions forcing developing countries to accept sweeping economic and social reforms known as SAPs (e.g. GEAR).

STRUCTURAL ADJUSTMENT PROGRAMMES (SAPS)

Irresponsible lending by commercial banks, reckless borrowing by foreign governments and the onset of the debt crisis in 1982 provided an opportunity for the US to protect its financial interests and, at the same time, reduce the South's economic threat by radically adjusting their economies. Supposedly imposed to promote growth, stabilise economies, and reduce poverty, the 566 SAPs placed on over 70 countries in the last 14 years have had the opposite effect. Forced into massive debt and unable to keep up repayments, countries have had no choice but to implement the painful measures demanded of them. These usually include slashed public spending, the sale of state-owned enterprises and opening of economies to foreign markets. Dictatorships and similar regimes are often favoured