

Enforcing US Exploitation: The IMF and the World Bank

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Global Research, July 21, 2021

Region: [USA](#)

Theme: [Global Economy](#), [History](#)

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“The purpose of a military conquest is to take control of foreign economies, to take control of their land and impose tribute. The genius of the World Bank was to recognize that it’s not necessary to occupy a country in order to impose tribute, or to take over its industry, agriculture and land. Instead of bullets, it uses financial maneuvering. As long as other countries play an artificial economic game that U.S. diplomacy can control, finance is able to achieve today what used to require bombing and loss of life by soldiers” (Michael Hudson(1))

The IMF and The World Bank

The International Monetary Fund (IMF) and the World Bank were created at the end of World War 2. Both are involved with lending money to poor countries. Originally their purposes were separate but over time they have expanded their roles so there is now considerable overlap. Their founders wrote that they should protect and improve jobs, incomes and standards of living in all countries; help countries grow and trade in sensible ways; and develop the productive resources of all member countries.(2) If they had focused on these ideas, the world might now be a much fairer place for billions of people. Unfortunately, they have not. Due to their complex voting structures they are dominated by rich countries, particularly the US. They impose US financial and economic systems on other countries. One of the leading experts on US Imperialism, Michael Hudson, has explained that their purpose was to make other countries economically dependent on US exports, particularly grain and food, and US finance. As long ago as 1959, both the IMF and the World Bank were described as:

US puppets used to control other countries.(3)

Early participants complained that the US was:

manipulating the voting, by getting subservient followers to push through decisions against serious opposition.(4)

Even the US Treasury Department has admitted that the World Bank:

“is an institution solidly dominated by the United States, faithfully promoting not only strategic US economic goals, but short-term political objectives as well.”(5)

None of the people who run these institutions are democratically elected. Many are government insiders. The first full-time President of the World Bank was John McCloy. He had been US Assistant Secretary of War from 1941-45.(6) A later head of the World Bank, Paul Wolfowitz, was one of the most extreme voices for the use of America’s military might abroad, and supported some of the world’s most brutal dictators. He supported the Indonesian President, Suharto, who was slaughtering hundreds of thousands of people.(7) A former chief economist for the World Bank, Lawrence Summers, actually wrote a memo where he suggested that dirty industries should move to less developed countries because ill people in poor countries are worth less than ill people in rich countries.(8)

Using Conditions to Destroy Economies, Creating Civil Unrest and Even War

When these organisations lend money to poor countries, they insist that the borrowers change their policies as explained in earlier posts. This is known as conditionality, which means privatization, austerity (less spending on government services) and free trade (inadequate regulation). A key policy of the IMF has been to ensure that governments are unable to control movements of money in and out of their country, despite the evidence that this has repeatedly caused financial crises around the world.(9) World Bank loans are used specifically to increase the exports of poor countries, particularly crops, when those countries should instead be focussing on food security. These conditions have now been applied to over 100 countries. We have seen that these policies often create large price rises, so ordinary people cannot afford basic necessities. They have resulted in so many job losses that people in South Korea nicknamed the IMF I'M Fired.(10)

Internal documents from the World Bank state clearly that the Bank expects the conditions attached to loans to cause civil unrest.(11) The policies are misleadingly called ‘poverty reduction strategies’,(12) yet they have created or maintained extreme poverty in many regions around the world. The United Nations ‘Human Development Report, 2000’ showed that at the end of the 1990s, over 50 countries had lower per person incomes than at the end of the 1980s.(13) Poverty has increased significantly in countries that have followed these policies.(14) The most successful developing countries, such as China and Malaysia, have made good progress by ignoring IMF demands. In particular, they retained strict controls on the movement of money in and out of the country.(15)

These policies can have devastating consequences that go beyond economic. Both Rwanda and Yugoslavia had large-scale wars in the 1990s. The mainstream media usually provides simplistic explanations about underlying ethnic tension. They rarely mention that living conditions in both countries were made much worse by IMF conditions, and this contributed greatly to civil unrest.(16) Rich countries, led by the US, took advantage of these problems to make the situations even worse. In the case of Yugoslavia, the US used the civil unrest as an excuse to go to war, claiming that it was for humanitarian purposes. Yugoslavia was divided and conquered by the US and their allies.

Insiders Know That Their Policies Cause Chaos

Both the IMF and the World Bank are regularly criticised by campaign organisations. They are also criticised by their staff. Internal assessments within both the IMF and the World Bank show that the policies do not work, and that IMF staff have disagreed with their bosses

on many occasions.(17) Former top-ranking insiders have admitted that the policies do not work, and that these institutions are blinded by free-market ideology.(18) Insiders have even come forward to explain that the IMF “cooked the books.” They lied about the economies of poor countries to convince governments that they had to change their policies.(19) One insider summarised the situation by saying:

“Everything we did from 1983 onwards was based on our new sense of mission to have the South privatized or die. Towards this end we created economic bedlam in Latin America and Africa in 1983-88.”

In the year 2000, the former chief economist of the World Bank, Joseph Stiglitz, wrote a landmark book entitled ‘Globalization and its Discontents’, where he explained in detail how the policies create poverty. This forced the issue into the mainstream media. The IMF and World Bank frequently claim that they are changing, but the most recent analyses show that they are still enforcing similar policies.(20) At an important meeting in 2002, following the terrorist attacks of 2001, US negotiators told World Bank staff “you’re either with us or against us” and made it clear that the future role of the Bank was as a US tool to enforce privatisation in other countries.(21)

Immense Power Distorts Politics

It has been difficult for poor countries to avoid coming into contact with these organisations, as many of them have needed to borrow money at some point. The reason these organisations are so powerful is that very few banks will lend to a country if the IMF does not give its seal of approval to that country’s financial affairs. This power is extraordinary. Before presidential elections in South Korea, all four candidates had to sign agreements stating that if they were elected they would follow IMF policies. If they refused to sign, the IMF would not lend the country any money. In Brazil, President Lula also signed a similar agreement before he was elected.(22) This type of interference in politics is clearly undemocratic.

Countries Trying to Escape

A few countries have been trying to escape from this interference. Seven South American countries, led by Venezuela, have tried to form their own Bank of The South, so that they can borrow money in future without having to go to the World Bank or the IMF. So far this has not been successful.(23)

In 2003 Thailand managed to pay off its outstanding IMF debt. It then listed the laws that it had introduced because of the IMF and revoked them all, having recognised that these laws were intended to benefit foreign corporations.(24) Similarly, in 2020 the people of Costa Rica protested against IMF austerity and the government was forced to change policy.(25)

Argentinian President Nestor Kirchner said in 2006:

“no way in hell are we going to make an agreement again with the IMF.”(26)

Unfortunately, in 2016 Argentina had a different President, Macri, who was described as a US puppet(27) and he again made new arrangements with the IMF. People have been protesting against the IMF and World Bank for decades, but these organisations are proving to be very effective tools to enforce exploitative economic policies.

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This article was first posted on medium.com/elephantsintheroom.

Rod Driver is a part-time academic who is particularly interested in de-bunking modern-day US and British propaganda, and explaining war, terrorism, economics and poverty, without the nonsense in the mainstream media.

He is a frequent contributor to Global Research.

Notes

1) Michael Hudson, 'The IMF and World Bank: Partners in Backwardness', 5 July 2019, at <https://www.counterpunch.org/2019/07/05/the-imf-and-world-bank-partners-in-backwardness/>

2) Ngaire Woods, *The Globalisers*

The exact purposes are stated as "facilitate balanced growth of international trade, stimulate employment and real income"

3) Ngaire Woods, *The Globalisers*

The exact phrase is "US serving control instruments over the economic and financial policies of other countries, particularly under-developed ones"

4) Ngaire Woods, *The Globalisers*

The exact phrase is "organising cohesive blocks of subservient followers"

5) Bello et al, *Development Debacle*, p.198, cited in Ellen Augustine, 'The Phillipines, the World Bank, and The Race to the Bottom', in Steven Hyatt, *A Game As Old As Empire*, p.192

6) Yves Smith, 'Michael Hudson discusses the IMF and World Bank: Partners in Backwardness', Naked Capitalism, 4 July 2019, at <https://www.nakedcapitalism.com/2019/07/michael-hudson-discusses-the-imf-and-world-bank-partners-in-backwardness.html>

7) Noam Chomsky, 'Selective Memory and a Dishonest Doctrine', 22 Dec 2003, at <https://chomsky.info/20031222/>

8) Lawrence Summers memo, 12 December 1991, at <http://www.whirledbank.org/ourwords/summers.html>

9) 'Michael Hudson discusses the IMF and World Bank: Partners in economic backwardness', interview by Bonnie Faulkner, 4 July 2019, at <https://www.nakedcapitalism.com/2019/07/michael-hudson-discusses-the-imf-and-world-bank-partners-in-backwardness.html>

10) Ha-Joon Chang, *Bad Samaritans*, p.156

11) Greg Palast, 'Coruscating Criticism of the Free Market Ideology of the IMF', 27 April 2001, at <http://news.bbc.co.uk/2/hi/events/newsnight/1312942.stm>

12) Ngaire Woods, *The Globalisers*, p.48

Mark Curtis, *Trade for Life*

These policies were originally called Structural Adjustment Policies (SAPs)

13) UN, 'Human Development: Is The Glass Half Full Or Half Empty', World Chronicle, Program No.906, 25 August 2003, at <https://www.un.org/webcast/worldchron/trans906.pdf>

14) Lori Wallach and Patrick Woodall, *Whose Trade Organization*, p.161

15) George Monbiot, *The Age of Consent*, p.148

16) Michael Chossudovsky, *The Globalization of Poverty*, pp.103-124 for Rwanda, pp.257-278 for Yugoslavia

17) Michael Hudson, 'The IMF and World Bank: Partners in Backwardness', 5 July 2019, at <https://www.counterpunch.org/2019/07/05/the-imf-and-world-bank-partners-in-backwardness/>

18) Naomi Klein, *The Shock Doctrine*, p.273

19) Davison Budhoo, cited in Naomi Klein, *The Shock Doctrine*, pp.164-165 and p.260

20)

<https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

21) This was part of the PSD (private sector development) initiative for radical privatization, particularly services, especially health, education and water. See Nancy Alexander, "The US on the World Stage: Reshaping Development, Finance and Trade Initiatives," Citizens Network on Essential Services, 2002, cited in Walden Bello, 'The Capitalist Conjuncture: Overaccumulation, Financial Crises and the Retreat from Globalization', in Achin Vanaik, *Selling US Wars*, p.48

22) For Korea see, Jeffrey Sachs, cited in Naomi Klein, *The Shock Doctrine*, p.270

For Brazil see, James Petras, *Rulers and Ruled in the US Empire*, p.193

23) http://en.wikipedia.org/wiki/Bank_of_the_South

24) 'Disengaging From The Fund: Possible and Worthwhile?', 5 April 2004, at www.brettonwoodsproject.org/art.shtml?x=42237

25) 'Costa Rica resoundingly rejects IMF's 'austericidal' recipe', 10 Dec 2020, at <https://www.brettonwoodsproject.org/2020/12/costa-rica-resoundingly-rejects-imfs-austericidal-recipe/>

26) Naomi Klein, *The Shock Doctrine*, p.457

27) Lucho Granados Ceja, 'The 5 biggest puppets of the United States in Latin America', Telesur, 26 May 2016,

at <https://www.telesurenglish.net/analysis/The-5-Biggest-Puppets-of-the-United-States-in-Latin-America-20160523-0037.html>

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