

Topic: IMF Bailout: Road to stability or recipe for disaster

OUTLINE

1. Introduction

Thesis Statement:

Analyst and researchers are debating for years that either IMF bailouts is the recipe for disaster or a way forward for stability. However, the recent examples, facts and statistics sketches that IMF is more detrimental to the economic and social health of the society.

2. IMF and its bailout: An Overview

3. IMF Bailout as the recipe for disaster (Thesis)

- a) The Global power try to create their hegemony through these institutions
- b) IMF works as the tool for catering foreign influence over the country

- c) The needy country is having less leverage over the involvement in decision making
- d) IMF imposes strict conditionality which hurts the lowest segment of society
- e) IMF helps the local government in hiding their weak policy approach

Anti-Thesis

4. IMF Bailout as the road to stability ↑

- a) Global power realizes their position, so works to help lower on the ladder.
- b) IMF body have its separate economic mechanism, which is not linked to foreign influence.
- c) IMF have worldclass experts which design the best policy for the country in need.
- d) Imposes strict measures as they aim to reduce austerity measures.
- e) An inefficient government will find other way to put blame, if IMF was not there.

5. IMF is detrimental to the economic and social health of society (Synthesis)

- a) To maintain global power hegemony, the proletarian needs to be on down the ladder

b) The IMF budget mechanism helps the dominant in contribution to direct it as per their wish

c) The world class experts lack the grass root information ~~in~~ while dictating the economies

d) The strict conditionality creates the dependency vicious cycle over IMF body

e) Foreign propaganda is more acceptable to the innocent mind while hiding their inefficiency.

6. Conclusion

After the end of world war II, the world had collapsed economically. All the resources of the globe were inclined in the war, which is why the trade, production and the overall economy was exhausted. Therefore, to overcome such economic instability, the world leaders meet — and formed IMF.

And from then, IMF is playing a key role in economic hegemony. With the increasing role of international monetary fund, the analysts are divided into two sides; one claims that IMF is not beneficial for the economy, whereas the counter side claim that it is the way forward for many days. The one against IMF bailout packages believes that it is the ~~global~~ great power tool of creating hegemony and they do foreign intervention as per need. The country asking for package is not much involved in decision making, plus they even ask for strict conditionality which create difficulty. However, the other side claims that this was created by great power because it is their duty to think about the most vulnerable one. The IMF is an economic

body, which have experts to formulate and draft decisions. And even the strict conditionality are imposed to wipe out the mistakes from system. Therefore, in the light of two of the polarized side, it can be said that though IMF helps in exterminating the bad side, but the blight is more for the economy. Thus, the researchers and analyst debate over IMF bailout as the recipe for disaster or a way forward for stability is continued for years. However, with the recent examples, statistics and figure the picture is sketched that IMF is more detrimental to the economic and social health of the society.

The international monetary fund is functional for many years. It is providing bailout packages to the needy countries. with the sum of loan, it provide the country with the policy outlook which they are required to follow. After giving money and policy measures, their committee is monitoring — that either they are responsible

in the forementioned way or not. Therefore, with the increased influence and more of states asking for IMF help — the researchers are reluctant that either the bailout are boon or the bane for the economy.

One side of the party believes that IMF bailout are not beneficial.

As the chief point supporting this stance is that it is the global power tool, through which they create their hegemony. It is formed by the great power, so they have crafted in such a way that helps them.

The marxist view fits with this. Marx believes that great power wants to create inequality — and through IMF, they are aiming to mete the proletarian states under them. Therefore, IMF is a tool of great power to create hegemony — which is hurting the economy of proletarian states.

These global institutions, such as international monetary fund helps the foreign power to have influence over the need based country. Such as the example of Pakistan. The IMF halted the bailout program of Pakistan.

until they agree over their full pledge support in the talks with Afghan Taliban. Simply, the IMF is the tool used by dominant power to blackmail the one in need of bailout packages. Thus, International Monetary Fund is the institute which cedes the foreign influence over the country.

The disaster recipe ingredients don't stop here. The package which IMF design is prepared with zero to high level involvement of the needy state. The example of Korea best explains this. IMF prepared a plan, in which they insisted that all candidates should immediately endorse it, in which they had no part in drafting or negotiation. The one who would be implementing has very less say — and if they would insist more — they package won't be given. Hence, IMF habit of giving less leverage to the country in the decision making process leads toward disaster.

Other than not involvement in decision making process, IMF imposes very strict conditionality, which hurts the lower

segment of the society most. Such as the Asian crisis of 1997 explain this. The countries like Indonesia, Malaysia and Thailand were required by IMF to pursue tight fiscal & monetary policy. This led to serious recession & high level of unemployment. This hurt the poor segment the most. Thereby, the strict conditionality hurts the most vulnerable section of society — further downward pressure on living standards.

With weakness in the mechanism of organisation, the IMF also provides the way to the local government of brushing their weaknesses under the carpet of IMF. All of their corruption, inefficiency and ineffective policy are hidden under the banner of IMF bailout package. Such as the governments in Pakistan for years are claiming that such situation is due to IMF — they can't do anything. And so, this mechanism paves the way for inefficient people or parties, again coming to power. Therefore, IMF bailout work as the way out for ill-practices of the sitting government towards their weak

policy approach.

On the other hand, the analyst reject these claim, and provides the counter opinion which signifies the importance of IMF. The researcher believes that global power have realized their responsibility - so formulated these institutions to help them. They give the argument that it is not IMF who go again and again. But it is the country themselves who ask for help. Simply, they believes in functional school of thought that these bailout are for the help of developing states. Thus, the IMF bailout serve as the road to stability.

Further, the researchers say that IMF don't serve the foreign interest or is the tool for foreign influence - instead, it is a seprate economic mechanism. The IMF body has its own mission, vision and goal - which in no manner align with the foreign propoganda. Its bailout has its own process and measures, which it implement. Hence, the claim of IMF

bailout as foreign influenced tool has no truth, but it is proper economic mechanism of its own.

Moreover, the string that it don't consult with country in decision making is countered that the world class economist and policy maker draft it. They present the reason that the country have done already what its intellect say. So, the 1000 economist of 19th street in Washington designs the best policy for the country. Hence, the most knowledgeable, learned, experienced and intellectual formulates the policy for the needy country.

For strict conditionality feature, the researcher gives the arguments that they simply wants to reduce austerity measures. Such as they say to reduce BOP crisis and inflation, they ask for imposing increased tax. Through increased tax, the aggregate demand increase, which put downward pressure on inflation, and even reduces the BOP crisis. Simply, the reduction in austerity measures will put economy on right track. Thereby, the strict conditionality are for reducing the austerity measures, which helps the

economy from coming out of crisis.

And the claim that IMF helps the sitting government in hiding their weak policy approach is that inefficient government will find other blaming party to hide their weaknesses. Even if IMF bailout package won't be there, the illicit government may put blame on the past government, for example. So, such an argument does not support the gesture of the IMF bailout packages. Therefore, a weaker entity just needs a variable to put blame on — so if IMF won't be there, another will be.

Seeing the polarized opinion of the analyst from both side regarding the IMF bailout packages, the thing can be concluded in favour that IMF is more of a disaster recipe. The very first point is that global power will never want the developing states to come at par with them. As in the book, author claims that great power plays things out in such a way that their hegemony prevails in the world, and even

inequality between states don't wipe out.
(The Tragedy of Great Powers Politics, John
Mearsheimer). Thus, IMF bailout work as to
create domination and prevails inequality in
the economic hemisphere.

The second point is that
though IMF is the economic body with proper
mission, vision and goal, but the budget mechanism
align the foreign intervention. IMF mainly get
the money from countries, paying capital subscribers.
These subscription differ on the basis of
relative position in economic horizon. Such as
USA contributes the most in budget. (IMF
Report, 2016). So, this derives the simple ~~that~~
rule that the one who is contributing more
can use it for its personal use — and
the same happened. Hence, the budget of
IMF by the contributing states hurt the
effective working of an economic body.

Third reasoning is that though
IMF have world class economist and policy
maker, but with engaging with the internal
policy maker of country — the master piece
can not be drafted. The reason presented

is that the country policy maker like finance minister, economic minister and central bank policy maker know more things at grass root level, that those genius mind at 19th street in Washington don't know.

So, it is naive that handful of people dictate economic conditions of 75 developing countries with around billions of people. Thereby, the world class experts lack grass root knowledge — which means unilateral policy will cause economic hurt.

The fourth point of discussion presented was that IMF bailout packages though reduces the austerity measure by strict conditionality — but work in such a way that the country become repetitive client. The point they present was that though IMF don't come, but the country themselves comes to them for rescuing them. The reason is that these conditionality creates a vicious cycle, due to which they are bound to go to IMF packages. Such as, Pakistan has become dependent on

IMF. It has provided it bailout packages on twenty occasion. Therefore, they just aim to make a state dependent on them by vicious dependency cycle by strict conditionality in bailout.

The fifth point is that the foreign agenda is widely acceptable by innocent mind — so the illicit position finds IMF name as best to hide their inefficiency. This is why, politicians & sitting government # hide their corrupt practices under it. Such as in the book author claims that the only thing under which Pakistanis are united is anti-americanism. (Pakistan: A Hard Country, Anatol Lieven). The notions prevail in Pakistan that IMF is US based organisation — so they easily accept that IMF is the hurdle behind their debacle. Thus, the foreign name is easily sold in market, which is why sitting government use the name of IMF to hide their ill practices.

To conclude, international monetary fund — mostly known as IMF was formed

after wwII for recovering the shattered global economy. The researchers though coincide with the view that it is a benison for ailing economy, but the counter opinions were more strong. They believe that IMF is more a recipe for disaster — which is a blight for economy. Thus, IMF mechanism of bailout is not fruitful in the global horizon.

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