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A crisis all of IMF's own

SOME of the things said about the International Monetary Fund (IMF) these days are very harsh indeed. When Malaysia was criticising the fund for its poor handling of the Asian financial crisis, it did it in a far more diplomatic style. Of course, that did not stop the country's detractors from accusing the Government of trying to blame others for the economy's own shortcomings. Many of these same critics appear to have changed their positions with regards to the IMF or they would have argued with the politicians and experts in the US who now seem to think that the IMF is a major flop, just as Malaysia had pointed out earlier.

Take North Carolina Republican Senator Jesse Helms, who is chairman of the Senate Foreign Relations Committee, for instance. He told Washington this week that the IMF is a "destructive" institution that "usually does more harm than good to countries it is purporting to help". There is growing sentiment that the time has come to simply abolish the Bretton Woods institution, according to Helms. There is also a suggestion that the American people are getting very disenchanted with the fund's role in helping governments that are corrupt, violate human rights, and use indiscriminate force against civilians. The vice-chair of the Joint Economic Committee of Congress, New Jersey Republican Jim Saxton, said he would introduce a bill forcing the IMF to change its lending rules. A bipartisan commission chaired by Carnegie Mellon University economics professor Allan Meltzer wrote a report for Congress recommending drastic curbs in the roles of the IMF and the other Bretton Woods institution, the World Bank. The IMF has given "too little attention" to improving financial structures in developing countries and too much to rescue operations. Meltzer discovered that the fund's system of short-term crisis management is also too costly, its advice often incorrect, and its efforts to influence policy and practice too intrusive.

If these points sound familiar, it is because they had been highlighted before. Leading economists like Paul Krugman passed their verdict against IMF early in the Asian crisis but few people would listen. Prime Minister Datuk Seri Dr Mahathir Mohamad tried to draw the world's attention to the inappropriateness of the IMF's prescription for the crisis-hit Asian countries, but he was told that he did not know his economics. The IMF, strong then because governments were begging for its aid to defend their currencies and stock markets, refused to listen to dissenting views. By the time the contagion spread to Russia and Brazil and then the US found itself on the verge of full-scale panic over the Long-Term Capital Management's collapse, Asia had been written off. It was a while later that the experts started to question whether the IMF had in fact perpetuated the crisis instead of stopping it at Thailand or Indonesia.

Washington is still not buying any of the arguments, of course. Treasury Secretary Lawrence Summers has told Helms' committee that the IMF is vital for American prosperity and global stability. The fund and the World Bank (sentiments against the World Bank are decidedly milder) "help promote a more stable world", "can help to promote vital humanitarian objectives", and they "promote changes that are central to (America's) economic and financial future", according to Summers. He might have added that the IMF is vital in helping the US achieve the objectives of its foreign policies. Many Americans, however, are not pleased at the thought that Russia, the IMF's largest borrower, is probably even now using IMF funds to help

finance its military campaign in Chechnya.

Many governments, including Malaysia, would be hoping that Helms and the US Congress succeed in its efforts to change if not abolish the IMF. The countries in the world will not be able to do that if the politicians in America do not push for reforms. But the time may come soon for these countries to rally together and pressure the US into easing its grip on the IMF and let the fund do what it was established to achieve. The IMF, after all, is owned by members, of which there are 182 and the US only one of them.

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