19

How the International Monetary Fund has Contributed to Global Poverty

Ross P Buckley[*]

Introduction

No examination of the phenomenon of poverty over the past four decades can ignore the increasing role played by supranational institutions. One of the most important of such institutions is the International Monetary Fund (IMF). This chapter will argue that the policies and perspectives of the IMF have had the overall effect of exacerbating global poverty for much of the past 40 years in two main ways. First, the analytical framework and perspective the IMF has brought to its role in developing countries has served to promote and entrench poverty. Secondly, the socialisation of private sector debt which the IMF has orchestrated or been complicit in has directly contributed to poverty in many countries.

Contribution of the Analytical Framework of the IMF to Global Poverty

To understand how the IMF has contributed to global poverty, one needs to understand (i) how the IMF came to have, as one of its major roles, the directing of economic policy of countries in crisis; and (ii) the beliefs that guide the IMF's staff in this role.

The IMF was established to assist nations with technical advice and short-term loans to manage the fixed exchange rate regime that was a core component of the post-war international financial and banking architecture. With the floating of most major currencies in the 1970s this initial role largely disappeared.[1] By the late 1970s the Fund was an organisation in search of a substantial role. It found it with the debt crisis that engulfed Africa and Latin America in late 1982.

* Parts of this analysis have appeared before in Ross P Buckley, 'The Direct Contribution of the International Financial System to Global Poverty' in KN Schefer (ed), *Poverty and the International Economic Legal System: Duties to the World's Poor* (Cambridge University Press, 2013). Sincere thanks to Sophie Burbidge for her research assistance.

1 Douglas Arner and Ross P Buckley, 'Redesigning the Architecture of the Global Financial System' (2010) 11(2) *Melbourne Journal of International Law* 185.