



# THE IMF: PUTTING THE 'EVIL' BACK IN 'NECESSARY EVIL'

Taha Masud

Pakistan today has found itself at the doors of the International Monetary Fund for the umpteenth time. In the midst of a world-shattering economic crisis caused by a mixture of profligate mismanagement, political instability, and the damage wrought by the past year's cataclysmic floods, the country has had no choice but to make its way to the global lender of last resort.

Many have rightly criticised the Pakistani government and armed forces for their role in bringing the economy to what appears to have been a point of almost no return. It is clear that there are no alternatives but to conform to the conditions laid out by the IMF so that we can buttress our foreign reserves with some much needed capital and stop our balance of payments crisis from bleeding us dry. However - in doing so, there has also been a degree of uncritical acceptance by the economically-savvy class of Pakistan that the IMF and its conditions are natural, fair, and objective.

It is difficult to make a greater error. For all that the IMF is necessary, it is absolutely not a neutral or just institution. To treat it as nothing more than an institution which manages issues in a technical and objective fashion is to dehistoricise it and to obscure the power relations which govern its decision making. The IMF, like any institution, does not exist in vacuum, and can only be understood through the structures which give it its incentives.

To begin with, it is important to remember that the IMF is an international institution comprised of some 190 member countries. The international economy is a space of power and contestation, and these dynamics are mirrored within this organisation. Larger economies, such as the United States and its major Western allies, are consequently overrepresented in the IMF's voting and decision making. These countries, by virtue of being "core" nations in classical world systems theory, have an incentive to promote capital flows from the developing world into themselves. Their decisions,

therefore, will always have this underlying motivation governing them - even when providing loans to countries like Pakistan, they do not have a structural interest in solving a balance of payments crisis which permanently warps trade relations between Pakistan and the developed world (though they may pay lip service to the notion of doing so).

Therefore, the favoured tools of the IMF in the face of economic crises are austerity measures. Its loans are regularly contingent upon an intensified tax regime and slashing government spending. Although both of these are independently important goals for Pakistan - on account of our tax net being meagre and ineffectual and our government spending being heavily used to subsidise industries instead of people - the motivation of the IMF in using these tools is not out of concern for the nation or its people. Rather, these austerity regimes, typically called 'Structural Adjustment Programs', have historically been devastating for the poor of the countries where they have been implemented, by placing upon them the double burden of higher taxes and reduced welfare.

These policy interventions also often interact with pre-existing domestic power structures in negative ways that further entrench existing divides in the nation. For instance - the IMF's insistence on increased taxation (requiring Pakistan to raise more than PKR 385 billion) has led not to the government expanding its tax net and taxing its elites more heavily, but to doubling down and intensifying its extraction from its existing tax net - heavily punishing its salaried class, and everyone who has the misfortune to owe money for basic utilities such as electricity, gas, or water. Because the structure of the IMF's decision making leads to it being more concerned with its loans being repaid, rather than the manner in which the money to repay them is raised, its interventions will always increase the burdens on the poor in nations where they are structurally disempowered to fend for themselves in the political arena - which is almost all of them.

Another consequence of these measures which often goes ignored is that they are anti-democratic and violate the sovereignty of the nations that they are imposed on. The IMF is only able to exact these terms because of the desperation of the debtor nations who come to them. While many feel that this may lead to more 'rational' decision making, it should be noted that this directly undermines the votes of the hundreds of millions who elect their governments expecting them to implement infrastructure projects or spend on their welfare.

The reason that these harms are so easily and frequently ignored goes back to the initial point highlighted in this piece - the IMF, by pretending to be a neutral and technical arbiter of finance, is able to conceal the power relations that govern both its decisions and their affectees. This "technical" approach to policy doubles as sleight of hand - the incredible damage that this top-down austerity causes to the poor is waved away as necessary collateral damage for the most optimal path to economic recovery; the loss of sovereignty dismissed as the petulant whining of a nation of incompetents. The IMF alone stands capable of good, rational decision making - and if it must force these decisions down the throats of unruly countries in the Global South, it is capable and willing to do so.

With all this said, however, Pakistan is unfortunately in a position where it does not have a choice to reject the IMF. Without the IMF's loans, our economic crisis will grow worse and spiral even further. It's a choice between the saucepan and the fire. But this does not mean that both of them do not burn - and it does not mean that we ought to abandon the critical lens which allows us to see the IMF for what it really is - an institution which primarily represents the economic interests of the Global North, and couldn't give less of a damn about the people of the countries which take loans from it - rather than the technically competent and benign money-lender that so many have cast it as today.

*The author completed his undergraduate degree in History from the Lahore University of Management Sciences in 2019. He enjoys keeping up with current events and reading political theory.*

