

The IMF Curse

News:

The Pakistan government is currently negotiating a deal with the International Monetary Fund (IMF) to secure a bailout which it argues is needed to keep its economy afloat. Officials are in talks with the financial institution to unlock the remaining \$3 billion from a \$6 billion loan programme which the Imran Khan led government agreed with the IMF in 2019. The country is currently grappling with a huge economic crisis involving crippling national debt, an inflation rate of 14% and a plummeting rupee which dropped 8% in value against the US dollar in May alone. In addition, the foreign currency reserves with the central bank is fast shrinking, currently standing around \$10 billion - enough to only cover the cost of 2 months of imports. According to the Finance Minister Miftah Ismail, the country needs \$36-\$37 billion in financing for the fiscal year starting in June. The country faces \$3.2 billion in dollar debt this year and a mounting debt repayment burden of \$6.4 billion over the next 3 years. This month, the government raised fuel prices by more than a third to meet a key condition of the IMF to remove fuel subsidies to revive its bailout program. Electricity prices have also been increased in recent days by a massive 47% as the financial body requested the government to raise domestic electricity tariffs to meet higher costs of power generation. Consequently, people are facing soaring food and fuel prices and other huge economic hardships, with many going hungry.

Comment:

The current Pakistan regime, as with successive regimes in the country and in other Muslim lands, is bereft of any independent economic vision to develop its economy and ensure financial stability and prosperity for its people. For decades, Pakistan and other states in the Muslim world have been ruled by intellectually bankrupt regimes who are addicted to foreign money to finance their economies and who fuel their economy on debt. Finance Minister, Miftah Ismail, commented: *"All roads lead to the IMF"*, while the acting Central Bank governor, Murtaza Syed, stated that Pakistan's financing needs will be comfortable if the nation secures the IMF program. However, Pakistan has sought loans from the IMF a staggering 22 times since 1958 and yet this has had zero effect on development of its economy in a sound and sustainable manner. Rather, it has burdened the country with huge debt and interest payments, impoverished the people, and increased inequality in wealth. Pakistan was ranked 154th among 189 countries on the UN's 2020 Human Development Index, and between 1990 and 2011, Pakistan's interest payments averaged 17% of government revenue – more than public spending on healthcare.

The notion that the IMF and World Bank are altruistic institutions, seeking to help poorer nations develop their economies and reduce poverty is absurd! They are simply tools employed by rich western states as part of debt politics to maintain and further their influence on poorer states to preserve their global power and to continue to enrich themselves. The conditions associated with IMF loans manipulate the economies of poorer nations to force them to import more foreign goods, destroying local industries, and enable the doors to be opened to foreign powers to plunder the natural resources of countries. Its neoliberal economic policies, including the privatisation of state institutions and dismantling state regulation over various aspects of the economy, direct wealth in a one-way direction towards the West and its rich corporations, making the poorer even poorer. The institution therefore exists, as one analyst writes, *"to serve predatory capitalism"*.

Alongside this, the conditions and structural adjustment programs of the IMF associated with its loans, such as its austerity programmes that cut government spending on healthcare, education and other public services, remove government subsidies on fuel and other basic needs, and raise taxes have proven time and again to serve as nothing but poison to the economies of nations. They have increased poverty, hindered economic progress, widened wealth inequalities, and increased the debt burden upon states. Furthermore, the revenue raised from such measures are usually used for debt repayment rather than spent upon the needs of the people.

IMF bailout programs are therefore nothing but a poverty and debt trap that have served as weapons of mass economic destruction – as evident by the disastrous impact of its neoliberal policies on the African, Asian and South America continents. Even senior officials from the IMF's own research department stated: *"instead of delivering growth, some neoliberal policies have increased inequality, in turn jeopardizing durable expansion."* (Ostry et al., 2016). IMF lending to Greece for example, in the early 2010's was linked to austerity measures which cut government spending and the number and wages of public sector personnel, which increased unemployment and plunged the economy into a deeper recession. In the Asian crisis of 1997, IMF monetary and tight fiscal policies imposed on countries such as Indonesia, Malaysia and Thailand, including higher interest rates was described by analysts as causing a serious recession with very high levels of unemployment, while in Argentina in 2001, similar IMF fiscal policies led to a decline in investment in public services, damaging the economy. And in Ghana, the IMF destroyed the rice producing communities in the north of the country by conditioning its loan on the basis that the government cut subsidies to the rice farmers and by forcing the state to import rice from western countries such as the US, making the country dependent on foreign rice imports, even though the rice producing communities in Ghana could have farmed enough rice to feed the nation.

All of this should be a stark lesson to us as Muslims that success, progress, and prosperity can never be achieved by reliance on the IMF or any capitalist or man-made system or state, as Allah (swt) reminds us in the Qur'an: **﴿مَثَلُ الَّذِينَ اتَّخَذُوا مِنْ دُونِ اللَّهِ أَوْلِيَاءَ كَمَثَلِ الْعَنْكَبُوتِ اتَّخَذَتْ بَيْتًا وَإِنَّ أَوْهَنَ الْبُيُوتِ لَبَيْتُ الْعَنْكَبُوتِ لَوْ كَانُوا يَعْلَمُونَ﴾** ***"Those who take helpers other than God can be compared to the spider which builds itself a cobweb. But the frailest of all structures is the house of the spider, if but they knew it."*** [Al-Ankabut: 41]. Only embracing an independent Islamic economic vision can lead this Ummah out of the financial malaise and disaster it faces across the Muslim lands. And such an Islam economic vision cannot be implemented without the establishment of the Islamic political system, the Khilafah (Caliphate) based upon the method of the Prophethood which has a historical legacy of creating prosperity and ensuring the needs of all its citizens were met.

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