NOTE

WORLD BANK, IMF, RECESSION

Bharat Jhunjhunwala writes :

The World Bank and International Monetary Fund are successfully leading the world economy into a recession. These institutions have run the world economy in a way to suck entire world's wealth and reach it to the Western countries–America in particular. They forced the developing countries to open doors to entry of multinational companies (MNCs) instead of trying to develop domestic entrepreneurship. The MNCs earned monies in the developing countries and repatriated profits to their headquarters based in New York and London. They also used cheap labour and natural resources of the developing countries such as iron and coal to produce goods for their home consumption and thus transferred these resources to the West. They have persuaded the developing countries to do this willingly as the Indian Commerce Minister is eager to provide subsidies for exports so that more of India's resources are sent for consumption by Americans. In this way the Bank and Fund have made America and Europe richer and developing countries poorer. The world economy was designed by these agencies like a huge pastureland with two jersey cows romping around and eating all the grass. But India was saved from this fate despite the best efforts of Finance Ministers such as Man Mohan Singh, P Chidambaram and Yashwant Sinha because opposition to FDI prevented opening of the Indian economy as the Bank would have liked.

There are limits to such suction of world wealth, however. The Zamindar can scarcely consume all the butter made in the village. Similarly, the developed countries are unable to digest the incomes and are sliding into recession. The problem is that repatriation of profits by MNCs does not create jobs for American workers. The benefits percolated, if at all, to the shareholders. Jobs of the American workers were eaten away by Indian and Chinese workers. The MNCs transferred advanced technologies to these countries to exploit their natural resources and cheap labour. This technology slowly percolated into the host economy. In due time, Indian and Chinese businesses were able to offer competition to the MNCs just as Tata has challenged the well-entrenched auto-majors of the world by producing *Nano*. Industries in Western countries closed down; workers were rendered jobless; and they could not repay the housing loans they had taken in expectations of future incomes. This led to the subprime financial crisis. Their workers do not have incomes to consume skirts and t-shirts imported from India and their banks do not have inclination to give loans to American businesses. The root cause of this is policies of the World Bank which tried to transfer incomes of the developing countries to America instead of developing domestic entrepreneurship and markets of the developing countries.

The Bank and IMF have followed a model that is focused on interests of Western economies. For example, they supported the inclusion of patents in the WTO because Western countries stood to benefit from this. Other approach is for the Bank to support development of entrepreneurship and technologies in the developing countries and help them use their own capital more effectively even if it means loss of power of the West over the developing countries. □□□