

The Global Rule Makers: The World Bank and International Monetary Fund

What are the World Bank and the International Monetary Fund? At a 1945 conference in Bretton Woods, New Hampshire, British and American negotiators created the World Bank and the International Monetary Fund (IMF) as specialized agencies of the United Nations. The World Bank and the IMF, often referred to as the international financial institutions (IFIs), play major roles in shaping the global economy. The IFIs, in addition to the World Trade Organization (WTO), set, implement and enforce key rules governing international trade, investment, aid and loans. These rules have mainly benefited multinational corporations at the expense of sustainable development, workers and the environment. Workers and their families who want rules that incorporate workers' rights, women's rights and environmental concerns are demanding major reforms at the IFIs.

What is the mission of the IMF and World Bank? Since the 1960s, the World Bank and the IMF have provided assistance to poor countries for development programs and the promotion of economic stability in the global economy. Since the 1980s, they have attached conditions to their loans that have dramatically changed the entire structure of developing countries' economies. These loan programs, called Structural Adjustment Programs (SAPs), often "reform" countries in the wrong direction by tearing down trade and investment barriers, privatizing public services, weakening labor laws and cutting social programs. The World Bank also has private sector projects that directly benefit big business: Halliburton reaped more than a billion dollars in World Bank subsidies since 1992, and Enron got more than \$7 billion.

Workers, women's organizations, environmentalists and trade unions are inadequately consulted in the development of World Bank and IMF programs. Without this civil society input, the IFIs cannot assess how their programs address the needs of workers and their families. The IFIs place the same kinds of anti-worker conditions on their loans regardless of the local context, and have failed to ensure that fundamental workers' rights are respected. These policies do benefit big business, however, which takes advantage of newly deregulated economies and weakened workers' rights to make big profits.

Why should workers care? For many of us, international financial institutions seem disconnected from our lives as workers. We are, however, no strangers to the types of policies that are being imposed on workers around the world. For example, in our own communities we feel the effect of the privatization of public hospitals, the decline in real wages and cuts in spending on social programs. When these policies are imposed on poor countries, and big companies rush to take advantage of their lower standards, it speeds up the race to the bottom for workers here in the U.S.

How Do IMF and World Bank Policies Affect Workers?

Roll back workers' rights.

- In Argentina, the IMF and World Bank required collective bargaining laws to be changed so workers could only bargain factory by factory, and not at a sectoral level where unions have more leverage with employers. Now the World Bank is recommending the same

type of “reform” for Mexico, and wants to get rid of severance pay and seniority-based promotions as well.

- Similar attacks on workers’ rights are also happening here at home. Right-to-work legislation weakens unions and collective bargaining by prohibiting collective bargaining from including union shop agreements. Workers in unions that have collective bargaining agreements earn 25 percent more per week than nonunion workers. Right-to-work legislation makes it harder for workers to earn these higher wages, to protect their right to organize a union and to engage in collective bargaining.

Reduce real wages.

- In Nigeria, IMF-mandated wage freezes and wage cuts have forced workers to take nonunion jobs with lower pay and no benefits; working women have been especially hurt by these policies. The reduction of wages has resulted in less income, which also makes it more difficult for people to buy local goods and textiles produced by women workers.
- Women also face sliding wages in the United States. Real wages for working women with less than a high school education working have fallen 9 percent since 1979; women with only a high school education have seen their real wages creep up by just 5 percent in 22 years. Despite equal pay legislation, women workers earn 24 percent less than men, which results in lost income of \$200 billion each year for working families.

Privatize and deregulate public services.

- In 2001, following World Bank and IMF privatization advice, fees for water service shot up 95 percent in Ghana. A family making minimum wage had to spend almost half of its daily income for just three buckets of water. As a result, many families could not afford clean drinking water, and women and children bore the burden of collecting water from polluted streams and rivers.
- Privatization is making life harder for American working families too. In the United States, for every 100 public hospitals, one is closing and two are converting to private ownership—each year. For workers and their families, the privatization of hospitals often results in lost jobs, decreased reproductive health services and discontinued services such as psychiatric or cardiac care.

Make important policy decisions in secret.

- When the parliament in Brazil tried to get a copy of the World Bank’s Country Assistance Strategy for Brazil, they were told it was a secret document. Decisions about changes to Brazilian law, privatizations, social security, and new economic policies were made behind closed doors between World Bank staff and the Brazilian finance minister. Workers and their representatives in Parliament had no right to participate in these discussions, or even to read the Bank’s strategy for their own future.
- Our own representatives in Congress are also locked out of IMF and World Bank decision-making. We do not have the right to know how our own appointed representative to the IMF and World Bank votes on loans financed by U.S. tax dollars.

Mire poor countries in unpayable debt.

- Poor countries – especially in Africa – owe more debt to the IMF and World Bank than any other single institution. This money could be better used to invest in schools and hospitals, and to stimulate broad-based economic development. Instead, to raise the dollars needed to pay off these debts, countries continue to take out more IMF and World Bank loans with anti-worker conditions and struggle to export more goods to overseas markets by slashing wages and working conditions.
- Workers in the U.S. feel the effects of this cycle of unpayable debt as well. As poor countries try to export their way out of their debts, workers in the U.S. are forced to compete with cheap wages and low standards in the exporting countries. High debt burdens can also lead to financial crises in countries like Argentina, contributing to greater instability in the global economy.

Get Involved!

This fall you can do your part to make the global economy work for working families:

- On September 26th, attend the Global Workers Forum at the AFL-CIO in Washington D.C., and afterwards join the “No More Business As Usual” rally outside the CEO Summit.
- Participate in the Jubilee USA Network’s interfaith prayer service and vigil for debt cancellation outside the U.S. Treasury Department on September 26th.
- Write your Senator demanding that Congress reform the World Bank as they approve new funding for the institutions this year.
- Learn more about the campaign to force U.S. companies to disclose their overseas practices through an International Right to Know law.