

## International Money Fountain

Jeffrey Sachs, an economic advisor to Kofi Annan, has said that African countries should renege on their debts:

“The time has come to end this charade. The debts are unaffordable,” said Jeffrey Sachs, director of the Earth Institute at Columbia University and special adviser to Annan on global anti-poverty targets. “If they won't cancel the debts I would suggest obstruction; you do it yourselves.”

No doubt many of them will follow this advice, for the simple reason that they never had any intention of paying their debts. Many of them are torn apart by civil war and/or ruled by vicious thug regimes that are the very reasons why they are poor in the first place. They are obviously not good loan risks. So who is lending to them?

The short answer is taxpayers. The somewhat longer answer is the **International Monetary Fund (IMF)**. For all practical purposes, the IMF is a tax funded institution for showering money on governments. But not all governments qualify. Only those who have caused economic catastrophes in their countries.

The IMF also showers these governments with advice (**often bad advice**) on how to be more financially responsible. However, whether or not the governments follow this advice, the IMF will usually keep 'lending' them money anyway.

This pretence that the IMF (directly or through its pretend-bank, the World Bank) is giving loans is indeed a silly and destructive charade. It causes companies to invest in non-viable projects in non-viable countries on the understanding that they will be wholly or partially bailed out if it all goes wrong. If Western governments really insist on giving money to charity they should insist on giving it to suffering people, not those who make them suffer. The only good reasons for a government to give money to another government are strategic or military ones, or as payment for doing something they want them to do, like fighting terrorism. The hostile and/or bad governments who form the IMF's main client base deserve nothing. And the IMF itself should be closed down.

Damned, good post. --Blix

by a reader on Mon, 07/12/2004 - 22:22 | [reply](#)

## Good Article

The IMF is clearly the guarantor  
(or partial guarantor) of bad credit of their rather unmandated  
choice and should be scrapped.

However (re 1st bit of last para)

I don't really see the effective difference between the IMF/World  
Bank in this role or if they were partially or wholly funding the loans  
themselves ...or have I missed something? Doesn't a guarantee or  
unguaranteed loan have, in this case, the same exposure?

by a reader on Tue, 07/13/2004 - 15:58 | [reply](#)