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Role of the IMF and World Bank in Economic Globalization

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Abstract:

Since the 1980s, one of the most popular terms in the world system is globalization. From the beginning in the 1990s, the United States has used the IMF and the World Bank as a tool to establish global dominance. Economic background of the IMF international monetary fund is one the most important elements of globalization. The IMF was established just after the second world war to aid the war affected countries to reform. After the Second World War in 1945 AD, most of the countries of the third world gained territorial independence, but economically they could not erase the darkness of subjugation. After the collapse of the Soviet Union, the United States of America established its economic dominance alone. Economic lending to Third World countries has crippled their existence. Countries like India, Egypt, Pakistan, Vietnam, Turkey, etc. have tried to turn around economically with huge loans from the IMF and World Bank. But they are burdened with more debt to pay the principal and interest. In this way the IMF and World Bank run for the future and play an important role in economic globalization.

Keywords: Globalization, IMF, World Bank, United States, economic.

Globalization is a widely used word or definition from the end of 1980's and at the beginning of 1990's in the field of economy and politics. If literally globalization has been considered on the basis of international communication then it is not any new subject. From time immemorial there has been relation in human civilization among the distant continents. The relation among the old civilizations of China, Egypt and India is not any new phenomena. Secondly in the field of politics the Marxist theory has been talking about globalization for hundreds of years. In Marxist ideology the proletariat from any country should unite and Marx's followers like Lenin accept that communism has an international view point. But in the late 20th century modernism has defined globalization, in its own view point and structure which is exclusively merchandised and economic. The administrators of the IMF and WORLD BANK of the USA have defined globalization as that particular thought born merchandised definition with which the international relation of old civilization has no relation.

The proponents of globalization try to idolize it and try to prove the success and reliance of human civilization. As a result, to ignore globalization is to prevent the progress of civilization. This mentality and universal thought revolves around globalization.

There is a contrastive view opposing globalization. Although at the beginning of globalization it was not accepted. But later on the dark side of it becomes prominent slowly and then a group of intellectual economists propound a contrastive social and philosophical globalization. The intellectuals like Noam Chomsky, Paul Suzy, Ezaz Ahmed, Amia Bagchi, Sahid Amin etc, talk about the effect of globalization on human civilization for the last ten years. They oppose the economic view of globalization and their theorist proponents like Francis Fukien, Samuel Huntington. As a result there has been much debate on globalization on its internal and external view based on social and poetical viewpoints. So as a universal theory it has lost some dignity. Similarly, in recent times the 'Occupy Wall Street movement' has become a tool to express people's distrust and anger towards globalization and capitalism in the western world. Sociologist Samir Amin posits a new position on the origins of the capitalist center. The Yuppification process of the 21st century has not reached the marginalized people who live outside the borders of this neo-capitalist center all over the world. Prof. Chomsky accuses the multinational corporations of spreading confusion among the public through this radical marketing process.

Economic background of the IMF - International monetary fund is one the most important elements of globalization. The IMF was established just after the Second World War to aid the war affected countries to reform. In 1944 in the world economic forum organized by the United Nations in New Hampshire the representatives of 44 countries gathered. Though eight countries from Asia and Africa took part, the emphasis was on the infrastructure of Europe. Except IMF the IBRD was formed on 25th June in 1946, according to the planning of this conference to reconstruct and develop the war affected countries, which is later known as WORLD BANK. The World Bank and the International Monetary Fund (IMF) are closely related and complement each other. One cannot become a member of the World Bank and receive loans without being a member of the IMF. Most of the third world countries, including India, are members of those two international financial organizations. According to economist Deepak Nair, 'More precisely, it (globalization) can be defined as a process associated with increasing economic openness, growing economic independence and deepening economic integration between countries of the world economy.'

IMF and IBRD aid and work in parallel. IMF is a cooperative fund where all the member countries deposit money and provide debt, if necessary to the other member countries. Till 1995, 178 countries were its members but their proportion of responsibility was not equal. USA holds the maximum subscription and share of 20% which was less than 13% than the beginning. The USA holds the maximum share. The other countries like Britain hold 9.6%, Germany holds 5.5%, France holds 5.1%, Japan holds 4.1% and India holds 3.2%.

Firstly, the IBRD or IMF which at present are the primary drive force of the world economy, actually work more for the personal economic benefit of European countries including USA. Though there is no hindrance for membership but in case of loan the rich, developed and industrialized countries get preference. The countries of Asia, Africa and Latin America are deprived cunningly. Then the gold transfer system in trade with the neighboring country's locks their gold in the same quantities in their Reserve Bank. It will depend on the base of this lock of gold storage that the bank indicates that impotency and priorities. In 1970 decades the Dollar exchange system in the USA was dependent and introduced as a level of IMF and WORLD BANK. From that time the loan system started with the range value of his gold deposit. It showed the third world country that the poor country was neglected by that system holder country. So they cannot refuse their membership from the IMF.

The loan system was Variety type in many countries. It was very easy to receive the loan for wealthy countries as it was not easy for poor countries like India, Africa and many other small Asian countries. The loan bond's time was from 15-20 years. For the needs of trade many times prefer the social progressive and adverseness of many countries. Minimum interest was counted in the social development sector. In fifty years up to 1995 the WORLD BANK distributed 250 billion Dollars loan through developing countries. Sometimes loans were distributed through many N.G.O in their government.

From 1990 to1995 many Economists were granted loans in world globalization in the base of three types:

- 1) Economical Ability of member countries,
- 2) A strong political country prefers loans.
- 3) In scope of trade it was easy to get a loan.

In the second stage of globalization after the downfall of the USSR, the world system was one polarity, in that time powerful countries used the IMF and World Bank in their favor. Some new conditions were shown for this purpose. Permission was granted for that country who abused the norms of loan in favor of their economic development. In This way IMF and World Bank run for Future and important role play in economic Globalization.

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