

Critical Debate on WB & IMF

The world came upon a big economic crisis in the last few months of 2008. Initially, many experts thought this was going to be a regional crisis that would impact only the financial markets. Similarly, the Turkish public was told in the very words of no less than the Prime Minister R. Tayyip Erdoğan that the crisis would pass them by. It soon became clear, however, that the crisis was neither regional nor was it going to be limited to the financial markets.

The US rolled out a \$700-billion bail-out plan to thwart the crisis and soften its impact. In the process, the US Investment Bank Lehman Brothers Inc. declared the greatest bankruptcy in history with a debt amounting to \$613 billion. Also on the verge of bankruptcy, companies like the General Motors Corporation and Chrysler were either taken over by the government or forced to find new partners as was the largest insurance company AIG. The US has hitherto spent \$8.5 trillion to contain the crisis.

The crisis quickly assumed global proportions with regions like Europe and the Far East becoming seriously impacted. In Turkey, the number of unemployed people climbed by 279,000 over a one-month span in December 2008 according to the data supplied by the Turkish Statistical Institute. Labor Unions claim that 1 million workers were laid off because of the crisis. The rate of unemployment in the non-agricultural domain is around 17 percent. 20 million people including family members are estimated to be influenced by unemployment in Turkey.

Many economists are drawing comparisons between this crisis and those in 1873-1893 and 1929-1941. Some say the current crisis is experienced more deeply than the Great Depression and could therefore leave behind more persistent traces. So, a greater devastation might be in store for us today.

In Turkey, the crisis has not yet caused as extensive a financial damage as the catastrophic effects of the 2001 crisis. The treasury did not have to spend a sum in the order of \$100 billion to bail out the banks that were going under. However, what happened to the General Motors in the US could very well happen to the companies in Turkey in the days ahead. The large holding companies that are the driving force of the economy may have to shut down. Already, the number of companies that cannot hold out against the crisis and have to suspend their operations is rapidly increasing.

While the majority of people believe that the current crisis was caused by inadequate regulations on the financial markets, some explain it by highlighting the innate contradictions of capitalism and the more structural and more long-term tendencies such as a downward trend in profit ratios.

As for the proposed solutions to the crisis, they are generally not much different than those offered for the crisis in 1929-1941. The state's directly generating employment, investing in production, and increasing consumption are put forward as the basic steps leading to a recovery. The world, however, is also at the threshold of an ecological crisis. The global climate change, worsening draughts, the food crunch, and natural disasters furnish us with scientific evidence that the earth cannot sustain another development effort like the one in the post-1929 era.

The International Money Fund (IMF) and the World Bank, the so-called Bretton Woods Organizations, were established in 1944 in the aftermath of the 1929-1941 crisis in order to regulate world markets, ensure development, and avoid new crises. Both of these international organizations were initially driven by the ideas Keynes had developed on the management of world economy.

Within the framework of the Bretton Woods Agreement, the IMF's objective in those times was mainly to regulate the flow of goods and money between countries by ensuring

stability by means of short-term loans when an imbalance arose.

The IMF's funds came from the member countries and any country that had to borrow from the IMF had to bring its monetary and financial policies in line with what the IMF dictated. Making a deal with the IMF was of vital importance for many countries because creditability with the IMF meant that private banks would also be willing to extend loans to them.

When founded at the Bretton Woods Conference, The World Bank, for its part, assumed the task of providing loans for development to the countries of the South. As different from the IMF, the World Bank extended loans at far longer terms at the time of its establishment.

The role and the means of finance of both the IMF and the World Bank changed in the course of time. While the policies imposed on the countries receiving loans varied partially from time to time, Southern countries such as Turkey frequently suffered major economic crises due to these policies.

These two organizations that had been established in order to prevent global crises have again assumed considerable importance under the circumstances of the present global crisis for at least three reasons. The first reason is that a crisis environment offers the chance for a reconsideration of the global roles of these organizations. The second is that many countries had to make a deal with the IMF as happened during the last few months. Finally, the policies the World Bank is going to implement in the times ahead will be of crucial importance since they will influence the course of the ecological and the economic crises in particular.

Both of these organizations have to face a number of key questions that are on everyone's agenda due to the current crisis:

- The relationship between the causes of the economic crisis and the neoliberal policies; state-market and state-development relationships;
- The alternatives to the roles the World Bank and the IMF have been playing so far; the adequacy of the means employed; the need for a renewal of the corporate operating procedures;
- The requirement for a more holistic approach to the relationship between the ecological crisis and the economic/social crises; whether the IMF and the World Bank can satisfy this requirement given the traits of their corporate character.

The fact that the Annual Meeting of the World Bank and the IMF is going to take place in Istanbul under such circumstances offers a significant opportunity to join in the ongoing global debate and the quest for alternatives. Also adding to the importance of the meeting is the choice of Istanbul as the venue where the World Bank is going to announce its 2010 Development Report entitled "Development and Climate Change."

The Istanbul Bilgi University's Graduate Program on International Political Economy and the Heinrich Böll Stiftung Turkey Representation will attempt to contribute to the search for alternatives by addressing such issues as the causes of the economic crisis, the ecological crisis, unemployment, poverty, and the roles of the international organizations at a conference they will hold jointly.

We call upon all academicians, researchers, labor unions, non-governmental organizations, activists, students, environmentalists, ecologists, and greens interested in these issues – in short, everyone that's worried about the future of the world and of mankind and thinks that something should be done and fights for it – to attend this conference.

3rd of October, 2009

Istanbul Bilgi University, Dolapdere Campus

9:00 – 9:30 Registration

9:30 – 10:00 Opening Speeches

Speakers: Barbara Unmüssig, *President of Heinrich Böll Stiftung*
Ahmet Tonak, *Prof., Istanbul Bilgi University, Director of International Political Economy MA Programme*

10:00 – 12:30 Panel: The relationship between the causes of the economic crisis and the neoliberal policies

Speakers: Susan George, *Writer, President of the Board of Transnational Institute (TNI)*
Anwar Shaikh, *Prof., The New School for Social Research*
Hillel Ticktin, *Prof., University of Glasgow*
Sema Ozar, *Assoc. Prof., Bogazici University*

12:30 – 13:30 Break

13:30 – 16:00 Panel: The alternatives to the roles of the World Bank and the IMF

Speakers: Oktar Turel, *Prof., METU, Middle East Technical University, Faculty of Economics*
Ahmet Atıl Asıcı, *Asst. Prof., ITU, Istanbul Technical University, Faculty of Management*
Gerhard Schick, *Dr., MP, Alliance 90/ The Greens (tbc)*
Aijaz Ahmad, *Prof., Centre of Contemporary Studies*

16:00 – 16:15 Break

16:15 – 18:45 Panel: The requirement for a more holistic approach to the relationship between the ecological crisis and the economic/social crises

Speakers: Christa Wichterich, *Researcher, Writer*
İpek İlkkaracan, *Assoc. Prof., ITU, Istanbul Technical University, Faculty of Management*