The resistance to IMF reforms

DMAIDr Manzoor Ali Isran

The agreement signed between the PTI led-government and the IMF for structural reforms in the economy is evoking resistance from people of all walks of life. Businesses, from small to big, employees, trade unions, daily wage earners, teachers, agriculturalists, industrialists, industrial workers – everyone seems to be agitating against the IMF's prescriptions of high taxes and increases in oil, gas and electrify prices, giving rise to unprecedented inflation in the country.

Recently, the protest of the trading community led to a call for a ‘shutter-down’ strike across the country; according to reports, 80 percent businesses in different big cities were closed. Further, the All Traders Association of Pakistan has said that it will cotinue with an indefinite shutter down and that traders won’t be filling their 2019 tax returns if no agreement is reached between the traders and the FBR.

As a matter of fact, protest is not only confined to the business community; the opposition parties are also agitating against the repressive taxation and inflationary measures taken by the government in the 2019-2020 budget under IMF pressure. Bilawal Bhutto Zardari, chairman of the PPP, is the most vocal critic of the government’s budgetary steps and has called the 2019 budget the “PTIMF” budget; according to Bilawal Bhutto, this budget is economically killing common people, workers and businesses.

Mariyam Nawaz Sharif, vice president of the PML-N, has recently announced that she will launch a protest movement across the country by leading rallies in major cities. Moreover, opposition parties have forged an alliance in this regard, with the view to mobilize the people against the current government for imposing repressive economic policies of high taxation, causing a massive price hike of everything – from food to medicines and gas to oil.

This is not a good omen for the country which is already bleeding from terrorism and its wounds are yet to be healed. Such a confrontation between business, opposition and government will further aggravate the economic situation. The immediate outcome will be low investment, low growth, less jobs, more poverty, more social tensions and growing political uncertainty. No government can afford to see such an economic situation developing. The government should immediately take confidence-building measures to restore the confidence of the business and consumer communities.

In this regard, the recent interview of Unilever CEO Ms Shazia Syed is very seminal. She has a message for Prime Minister Imran Khan: "the government should work on confidence-building. The economy needs stimulation. We need some certainty on growth”. Because of the tough economic conditions, she says “[the] consumer is feeling the stress. They’re not in an adventurous mood. Food inflation is in double digits. Utility bills have gone up substantially,” Ms Shazia Syed's interview entails that at the moment market is facing a “low animal spirit”, a term used by prominent British economist John Maynard Keynes to explain a situation when investors and consumers are unwilling to invest and spend respectively in the market due to uncertainty. This ‘low animal spirit’ situation ultimately leads to stagflation – high inflation and high unemployment and stagnant demand. To avoid this situation, Keynes supported deficit financing and suggested that the government should borrow and pump in more money in the market to restore the confidence of both investors and consumers to put the economy back on the rails.

Ironically, instead of adopting this approach to address the low animal spirit of the market, the Pakistan government has adopted neoliberal solutions to our economy, consisting of contractionary measures such as increasing interest rate (13.25 percent), increasing taxes and reducing government spending. This is bound to suffocate the already ailing economy and reduce investment, increase unemployment and create more social and political unrest in the country which is already replete with many challenges on internal and external front. The cuts in public-sector spending means less money for health and education; this is described by political economists like Susan Strange in her book ‘A fate worse than debt’ as bad economics, which is being promoted by the IMF in developing countries.

No doubt, the state has to play an important role in such conditions to overcome the market deficits and boost businesses through economic stimulus packages to address the ‘low animal spirit’, prevailing in the market. Even global management consulting firms like McKinsey are critical of the neoliberal approach to solve the economic problems of developing countries through ‘quarterly capitalism’, a reference to the quarterly evaluation of IMF conditionalities, offering short-term solutions rather than building long-term-capitalism with a human face to boost businesses, protect workers and vulnerable sections of society.

So, instead of squeezing business, the government should work on addressing the inefficiencies of the state which are creating economic problems. Whether one likes it or not, businesses are the emerging potential force in the economy these days – keeping in view the declining capacity of the state to manage resources efficiently.

In any economy, the state has to perform three key functions. First, it has to generate revenues. Second, it has to make those revenues available to those who can potentially and productively utilize them (businesses and entrepreneurs). Third, it has to build institutions to address issues such as inequalities, poverty, unemployment and economic conflicts between haves and have-nots associated with growth and wealth generation. But our state has miserably failed in all three core functions. As a result, we see our state lurching from crises to crises and losing the trust of both people and businesses, while enslaving the economy to global institutions of which the main job is accumulation of money from developing countries in the cloak of so-called stabilization.

Needless to say, the infinite greed and accumulation of wealth through debt payments has evoked unprecedented resistance to the holy trinity of capitalism – the IMF, the World Bank and the WTO – that is devoted to serve the interests of G-7 countries rather than developing countries. The resistance is not confined to Pakistan; it is global and emanates from the IMF’s approach of ‘one size fits all’, while ignoring the ‘social and political context’ of the country requesting IMF assistance. If we look at the literature available on the subject, we will find IMF programmes have evoked resistance in other countries too such as Indonesia, Mexico, Argentinian, Brazil, Bolivia, Columbia, Costa Rica, Honduras, Kenya and etc.

In Indonesia, in 1998 riots erupted against rising inflation, unemployment and poverty as a result of the IMF programme signed between the IMF and a dying dictator. According to figures, the IMF and the World Bank together disbursed around $45 billion to the Suharto regime during his 32 year brutal rule, yet 50 percent population lived below the poverty line.

There is more or less the same story in Latin American Countries, known as the 'red continent' for left-oriented revolutions, where IMF programmes met with tough resistance in the form of strikes, shutter downs, demonstrations demanding an end to the IMF prescription of liberalization, privatization, price hikes and decline in public services.

In the end, I would suggest that the government should adopt prudent economic policies to boost business, and protect workers and common people from the shocks of IMF-driven economic policies. Further, it should work out a strategy to develop consensus on economic policies by taking all the stakeholders on board; a solo flight will land the government nowhere but in hot waters.

The writer works as professor in thedepartment of management sciences atSZABIST, Karachi.

Email: isran@szabist.edu.pk