

THE INTERNATIONAL MONETARY FUND & THE GLOBAL SOUTH: A  
COMPARATIVE ANALYSIS

by

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## **DEDICATION**

To my late grandmother, Christine Elliott. You gave me a chance at an education and life that would not have been possible without your love and support.

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## **ABSTRACT**

This thesis will analyze structural adjustment programs that the International Monetary Fund entered into arrangements with through three States: Indonesia, Nigeria, and Venezuela. All three States have fairly large populations and land areas, are major oil exporters, and have experienced good economic growth in the past. Specifically, I will examine the conditions in each State that led to the structural adjustment programs, the content of each program, and the socio-economic consequences of those programs and how their political economies were re-structured post-implementation. It is hoped that from my analysis, I may make suggestions for improvement of these programs, as well as assess, analyze, and understand the neoliberal model of restructuring a State's political economy.



## **I. A BRIEF BACKGROUND: THE IMF AND ITS ORIGINS**

The International Monetary Fund (IMF) was established near the end of World War II in an attempt to stabilize global financial markets and set up a framework for economic growth through capital controls and the economic liberalization of economies to allow for a more fluid flow of goods and services. The original forty-four countries at the initial United Nations (UN) conference in Bretton Woods New Hampshire, “sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930’s” (I. M. Fund, About The IMF 2017). Through the member countries that participate and pay into the IMF’s coffers, capital is available through a quota system that a member country may pull from when they experience a financial crisis due to poor economic policies or global financial instability. The Articles of Agreement, the de-facto constitution that the IMF was founded upon, state that the main goal of the IMF and its operations world-wide are “to promote international monetary cooperation, international trade, high employment, exchange-rate stability, sustainable economic growth, and making resources available to member countries in financial difficulty” (I. M. Fund, Articles of Agreement 2016).

There are many ways in which the International Monetary Fund can interact with a States political economy as well as its financial institutions. In particular, this volume of research will assess and explore the range, scope, and depth of “structural adjustment programs” that re-configure a State’s political economy to reduce long term debt, while placing a focus on neoliberal economic practices such as the privatization of normally State run programs, as well as the opening of economic markets within a State to international competition. These economic programs are implemented with an aim to

restructure a State's economy in such a way as to enable long-term macro economic growth for the populace, while also seeking to reestablish financial stability to the market economy of the State these policies are implemented in, as well as the surrounding region which may have also suffered financial instability.

The IMF is financially supported by the tax payers of its member countries, the amount of which each State pays into the Fund's treasury depends on their standing in the world economy. For example, the United States, the world's largest economy, pays a considerable sum of money into the IMF's treasury, and therefore, has a large influence on the specific nature and language of the Structural Adjustment Programs and their guidelines; this being a direct reflection of the neoliberal language and readjustments that States must make which tends to be in line with the United States heavy focus on neoliberal economics over the past 40 years or so. Some of the largest donors include Japan, Great Britain, France, and many other States of the Global North. This is an important factor to consider given the case study of the States being analyzed are all former colonial territories, who were often exploited for their natural resources and human capital by wealthy industrialized States of the West.

Also worth noting is that the countries that pay the most into the IMF have in recent decades adopted neoliberal economic policies that tend to be the model that is imposed on countries of the Global South who must, in turn, adapt to these economic structural adjustment programs. As the world became more complex, and more independent States came into existence, the IMF adapted and created relations with each State that joined its ranks; in particular, the three states which are a part of this comparative analysis will be studied to the extent of their relations with the IMF and the

Structural Adjustment Programs (SAP) that accompanied their troubling economic situations.

## **II. INDONESIA AND THE IMF**

### The Case of Indonesia- A Brief History

On December 27<sup>th</sup> 1949, Indonesia gained independence from the Netherlands which had administrative authority of the region since the early 18<sup>th</sup> century. Just two years prior in 1947, the Dutch had launched a military offensive against Indonesian nationalists who were demanding independence from the Netherlands following the defeat of Japan in WWII. Despite these incursions against Indonesian nationalists, the United Nations and the United States expressed concerns about the Netherlands involvement in the area; Indonesia soon achieved independence with support of the international community following these events (Toussaint and Millet 2005). As the transfer of sovereignty occurred, Indonesian nationalist, Sukarno, was made president of the new republic and remained in power until the mid-1960's with a promising but eventually tarnishing record. As a skilled diplomat, Sukarno skillfully played internal political factions against one another and was able to consolidate and solidify central power well into the early 1960's (Toussaint and Millet 2005). He was even so successful as to play the great powers, the Soviet Union and the United States, against one another until in 1963 the United States, exasperated at the aid the Soviet Union was sending Indonesia, explicitly asked Sukarno to pick a side.

This is where the International Monetary Fund first established relations with Indonesia, where the IMF, along with the United States, began negotiating financial and loan agreements with Sukarno in order to gain a geo-strategic ally in the South Pacific that could act as a "Soviet deterrence" if needed (Toussaint and Millet 2005). While initial

negotiations looked promising, the relations between the West, the IMF, and Indonesia began to decline. In September of 1963 the British declared the independence of Malaysia in the immediate region; an act that Sukarno saw as a regionally destabilizing move. This caused the fourteen-year president to quickly nationalize British assets in a reactionary move, which brought the first potential economic relationship and development with the IMF and Western powers to a screeching halt. Furthermore, being unable to stop this move, the UN recognized the creation of Malaysia and in 1965, Sukarno walked out of the UN further alienating him from the rest of the world as well as the International Monetary Fund. In 1965, Sukarno further nationalized all foreign companies in a bid to retain control of the country's finances, with the exception of oil based corporations, and officially left the IMF and World Bank in 1965 to manage the nation's economic affairs on his own (Toussaint and Millet 2005). With worsening economic forecasts and an ever closer allegiance to China for military and economic support, it was not long before General Mohammad Suharto staged a military coup in April of 1965, which ousted Indonesia's first president and established his own rule.

What followed was Indonesia's swift re-institution into the IMF, and in 1967 it officially re-joined its ranks. What followed were 30 years of strict authoritarian rule by the Suharto regime, otherwise referenced as Suharto's "New Order", increasing Gross Domestic Product (GDP) substantially and becoming a part of the Association of Southeast Asian Nations (ASEAN) with a well performing economy that had sound macro-economic foundations and development. Although Suharto was able to rule with an iron fist and destroy any domestic political opposition, Indonesia's internal problems

would build and amalgamate into a series of interlinking issues that not even the world's most powerful and influential financial institutions could offer easy solutions to.

### Pre-Conditions: Indonesian Financial Crisis

Prior to Indonesia's financial crisis of 1997, the country experienced robust economic growth and sound macro-economic policies. Indonesia afforded economic growth that averaged "7 percent per annum, raising GDP per capita toward the level of middle-income countries" (Muhammad and Djiwandono 1997). There were several factors that could be accounted for Indonesia's rapid growth in the South Asian markets, all of which stemmed from the State being involved in the direction and implementation of its own economic policies that saw a hybrid combination of State involvement in the economy and the allowance of capitalist market principles. In the 1970's, the State heavily relied on its vast amount of natural resources which included, but was not limited to, oil and gas, copper, tin, gold, rubber, and palm oil (Radalet, 3, 1999).

Under Suharto, Indonesia was able to diversify its economy away from strict dependence on oil and move toward a more export oriented manufacturing model backed by sound foundations of foreign direct investment which would help the economy grow through the 1970's, 1980's, and 1990's. This diversification away from oil likely enabled the State to continue its sound economic growth through the following decades of fluctuating oil prices that so harshly affected Venezuela and Nigeria in the long run, ideas and situations looked at more closely in later chapters of this research.

Prior to Indonesia's financial crises, those at the IMF confidently proclaimed that "Indonesia had no serious macroeconomic imbalances...its account deficit was half that of

Thailand and the budget was in balance...and the same policy makers who had seen Indonesia through 30 years of rapid growth were still in charge” (Greenville 2004). Along with a balanced budget and large capital inflows from foreign direct investment, the Indonesian economy seemed incredibly promising for sustained and continued macroeconomic growth. However, the Indonesian political economy had some important issues and problems lying under the surface that would destabilize the economy with immensely resounding effects. Along with an overvalued exchange rate of the Indonesian Rupiah, President Suharto, along with his family and close associates, had forged business relationships with the intention to enrich themselves rather than the public at large. (Radalet, 4, 1999).

Although much of the financing that was entering the country was used for investment projects such as infrastructure and business growth, a “significant amount went to weaker projects, many of which were controlled by the Suharto family and their associates” (Radalet, 5, 1999). Along with many other States ruled by a strong man for decades, corruption and crony capitalism, a form of pseudo-free-market policies that benefits those close to the ones in charge of political/economic decision making, were obvious and essential features to the Indonesian economy. Interestingly enough, and not surprising in the least, when Suharto’s children came of age in the 1980’s and 1990’s, they became involved in an ever growing range of businesses, including “shipping of oil and gas, production of petrochemicals, clove marketing, hotels, toll roads, and a plethora of other activities” (Radalet, 7, 1999). At a more spread out level, Indonesia’s ever increasing growth was not matched on the political and institutional level for the nation as a whole. In short, while Suharto, his cronies, and close family associates consolidated power

through the 1970's, 1980's, and 1990's, his small circle did not tolerate any sort of opposition or political discourse outside the approved parameters of Suharto's New Order.

For example, Suharto ran unopposed in all seven of his election campaigns; presidential elections which were carefully managed and heavily scrutinized, (Radalet, 8, 1999). If one can make any sort of early indication of the elements that contributed to the eventual collapse of the Indonesian economy, it can be well postulated that it was not a lack of productivity on the part of the Indonesian people, but a well planned and effectively executed redistribution of wealth and political power into the hands of Suharto's New Order that would sow the seeds of discontent when things started to turn against the favor of the administration.

Another contributing factor to the weakening of the Indonesian economy was a large amount of foreign debt accumulated over years through a weak financial system. Of the nearly \$60 billion owed to foreign entities in mid-1997, \$35 billion of this debt was short term debt owed within one year. (Radalet, 5, 1999). Along with foreign debt, degrees of crony capitalism, a weak financial sector that lacked government oversight and supported financial deregulation, there were many factors that had lasting impacts on the coming crisis. Granted, financial de-regulation did liberalize the market to allow greater capital influx of goods and services, however, the "government did not develop the supervisory and regulatory capacity needed to keep up with the greatly expanded and more sophisticated financial system" that began to develop in the 1990's (Radalet, 5, 1999). Although many of these issues seem normal for an authoritarian State, it was the coupling of a regional financial maelstrom that truly revealed how interconnected the global economy had become and the damage it could do to Indonesia as a whole.



In 1997, a regional financial crisis that affected South Korea, Thailand, Malaysia, the Philippines, and arguably the most profoundly, Indonesia, shook the global economy and brought new speculation on the seemingly stupendous growth of the ASEAN economies. The arguments for what exactly caused the financial crisis in the ASEAN countries are varied and sometimes disputed, however one can compare these theories and draw conclusions on the various influences and operative circumstances of the situation as it unfolded. It can be argued that the crisis began in Thailand, where foreign speculation of the Thai baht in July of 1997 led the government to remove their peg to the US dollar and float the currency after a run on the baht began in 1997 (Yamazawa, 335, 2007). Asian financial markets had been seeing decades of ever increasing growth in their economies, many upward of 7 percent of growth per year.

As the 1990's saw even more capital investment in the economies by foreign investors, the countries involved in this investment had accumulated large foreign debt deficits, which were crucially maintained by fixed exchange rates to the US dollar. The economies were also a part of trade liberalization that had "comprehensive coverage including not only the reduction of tariffs and non-tariff measures..." but the "elimination of regulations on services and investment" and also had "calls for the harmonization of rules and standards and other facilitation measures" (Yamazawa, 336, 2007). With the depreciation of the Asian currencies, the removal of their peg to the US dollar, and the flight of foreign capital when speculation began on the Thai bhat, the localized Thai crisis soon spread to almost every market in the region. The baht "depreciated in the market by 14 percent within a month, and depreciated further by 33 percent by November...a similar run took place on the Indonesian rupiah, Philippine peso, Malaysian ringgit, and

Singapore dollar, and they depreciated by 27 per cent, 24 per cent, 26 per cent, and 10 percent respectively by November” (Yamazawa, 335, 2007).

This crisis surprised some analysts, given that Indonesia enjoyed “the highest economic growth in Southeast Asia, low inflation, a relatively modest current account deficit, rapid export growth and growing international currency reserves” (Iriana and Sjöholm 2002). In addition to regional financial instability in Thailand and other nations of Southeast Asia, it would seem fair to point out that political factors were at play as well. One notable point in the political realm was the “uncertainty surrounding the presidential succession” which served to exacerbate “investor’s nervousness’ toward Indonesia” (Iriana and Sjöholm 2002). The IMF was warned by some analysts that approaches they took in the past would not resonate the same way in Indonesia due to varying circumstances surrounding the financial crisis. At the time of the crash, Jeffrey D. Sachs, director of the Harvard Institute for International Development, laid out that the problems the South East Asian economies were facing, in which he argued, could not be solved by the remedies the IMF had developed in the past in Latin America and other places. In 1997 Sachs argued in an article in the *New York Times* that the issue surrounding Indonesia and many other East Asian economies was the fact that “international money market managers and investment banks went on a lending binge from 1993-1996...the short term borrowing from abroad was used, unwisely, to support long term investments in real estate and non-exporting sectors...this year the bubble burst” (Schwarz and Paris 1999). The regional economies real GDP growth collectively tanked in 1998 as the financial crisis spread across the region, affecting Indonesia particularly hard.

Due to the regional financial instability and a number of internal factors inside of Indonesia's domestic environment, it was in late 1997 that the Finance Minister and Central Bank of Indonesia entered into their first SAP with the IMF which ushered in a wave of political, economic, and social changes that severely altered the landscape of Indonesia for many years to come. This next section will assess the depth, scope, and complexity in Indonesia's first LOI; where the State outlined their focus on moving away from a State focused direction of economic policy to a more neoliberal, privatized economy that reduced the role of the State in managing economic affairs while placing high emphasis on the "market" to correct mistakes.

#### Indonesia's Letter of Intent - 1997

With a collapsing economy and foreign direct investment leaving the country at an increasing rate, it became clear for Indonesian officials that "confidence was clearly the central issue, and was addressed principally via structural conditionality...requiring Indonesia to make difficult reforms as a demonstration of the country's commitment to good governance" (Greenville 2004). In its first LOI, the legal document that any standing government sends to the IMF in order to secure a loan, Indonesia requested a "three-year stand-by arrangement from the IMF in an amount equivalent to SDR 7.3 billion or 490 percent of quota" (Muhammad and Djiwandono 1997). What should be understood here is that in any stand by arrangement, or SAP agreed upon by the IMF and the State it enters into an agreement with, is subject to review by the Executive Board of the IMF and is open to review multiple times a year and must be reviewed at least once. In a press briefing on October 31st 1997, Michael Camdessus, then managing director of the IMF, voiced his support in the Indonesian LOI, which outlined the three tiers of the program for

Indonesia's recovery. In these tiers he talks about restoring confidence to financial markets, a major restructuring of the financial sector, as well as "significant deregulation measures and trade reforms that should have an immediate and long-lasting effect in improving economic efficiency" (Camdessus 1997). What should be pointed out here is that what Camdessus means by "economic efficiency" is a reference to allowing the private market to direct economic decision making which would provide the groundwork for a new market orientation in place of the State and its institutions. In the text of the LOI, the Indonesian Finance Minister and Central Bank laid out a series of reforms that they projected would put Indonesia on a path to greater economic and financial stability.

Within the SAP, the IMF proposes that the government would move "decisively to avoid a deterioration of the fiscal position by cutting spending and introducing revenue measures, which together amount to budgetary savings of about 1 percent of GDP in 1997/98" (Muhammad and Djiwandono 1997). Structural reform of Indonesia's financial sector, an area hit incredibly hard by the 1997 crash, was adamantly pursued by those in the IMF and the government centers of administrative authority. Leading to the financial crisis of 1997, it was argued by experts in the IMF that an unregulated financial sector contributed largely to the fall of the rupiah. Laid out in the LOI under the "Financial Sector Restructuring" section of policy reform, the Finance Minister and Central Bank declare that "decisive action has been taken to deal with this problem. Insolvent banks have been closed and weak, but viable, institutions have been required to formulate and implement rehabilitation plans" (Muhammad and Djiwandono 1997). What followed the first LOI was that in late 1997, sixteen banks within Indonesia were immediately closed after the directives in the LOI were put into place.

These banks ceased all operations, and their licenses for operation were immediately revoked. The LOI also mandated that “consistent with the law, shareholders’ losses will not be compensated. Caretaker teams, to be replaced by liquidation teams within 3–4 weeks after closure—both supported by personnel with commercial banking experience—will immediately replace the management of the institutions...Bank Indonesia is preparing plans for effective asset recovery” (Muhammad and Djiwandono 1997). This stance against the banking system, following years of deregulated financial practices that had a large degree of influence on the financial crisis of 1997, shows that in the beginning of the IMF’s negotiations with the Indonesian State, decisions were aimed at reducing loose banking practices and re-instituting confidence among the Indonesian people and international investors abroad. Whether or not these practices would be adhered to or changed in the coming years was subject to review of the Indonesian Finance Ministry and the Executive Board of the IMF.

Given this assessment and Indonesia’s apparent commitment to restructuring the financial sector into a more responsible and orderly environment, it is visible in the LOI that the “second part of the strategy is to establish proper procedures and policies to deal promptly with weak but viable financial institutions, so that they can be placed quickly on the road to recovery” (Muhammad and Djiwandono 1997). In line with Indonesia’s new interest in maintaining a more secured control on the financial sector's involvement in operations in and out of the State, the government set up specific operating guidelines for the banks to adhere to should they wish to continue operating within Indonesia. Of these outlines one can see that the State is asking for banks to show “the sources of any new funds to be injected into the institution...the proposed changes in ownership structure,

management, board of directors, and future focus of activities and procedures; and...the implementation timetable” (Muhammad and Djiwandono 1997). The LOI goes on to state further in quite strong language that if the financial sector, specifically the banks under the new IMF structural adjustment measures, did not comply with the new rulings they would be subsequently dissolved. With such assessment on how the new financial sector will operate, it is beneficial to look at the specifics of the operating dynamics within the sector itself in regards to public and private ownership following the new IMF guidelines for Indonesia.

In line with the ideological framework of neoliberal market theories is the privatization of normally state-run/public enterprises, which as Michael Camdessus argued, will increase “economic efficiency” and do away with “inefficient” market practices of the State. In regards to the financial sector, the IMF insisted that “the government will introduce private sector ownership of at least 20 percent in at least one state bank within one year and will reduce its ownership of at least one state bank to less than 50 percent as soon as legislation for this purpose is enacted” (Muhammad and Djiwandono 1997). The idea behind privatizing State run assets is part of a long trend of neoliberal market ideology that purports the market is self-correcting and will be more efficient when it comes to stabilizing economies and restructuring economic growth in the long run; as opposed to the public influence and directive along with the State ability to intervene. Proponents of this idea, along with language in the LOI, would argue that these reforms are in line with said objectives laid out by the IMF, and that the “emphasis will be placed on downsizing, improving efficiency and ensuring that these banks operate according to commercial banking practices” (Muhammad and Djiwandono 1997).

The Indonesian financial sector was thus given an ultimatum to reform itself along stringent IMF and government guidelines, part privatization and part regulatory implementation of new oversight structures, or be subsequently dissolved and left behind. Along with laws and decrees that govern banking operations within the Indonesian financial system, the government's willingness to allow foreign entities and international investors to enter into the system appeared to be a part of the plan to restructure the Indonesian economy as well. In part four of the LOI's financial restructuring section, it is laid out that the "regulations concerning foreign ownership of financial institutions will be modified to facilitate entry of international banks and investors into the Indonesian banking system" (Muhammad and Djiwandono 1997).

This part of the financial restructuring program that allows international investors and foreign financial institutions to involve themselves in the Indonesian financial field raises questions of what sort of investments and practices are being implemented and who they are benefiting. While the foreign ownership and directive of banks and private assets might increase macroeconomic growth, for who is that growth benefiting and will it allow an equal recovery for all in Indonesia? This is a speculative question that unfortunately can not be expounded upon too far without going off topic. However, one can postulate that international bankers and transnational capitalists have a bottom line to keep; whether or not that bottom line is the equitable economic recovery of the Indonesian people is, again, open to speculation. Fortunately, this idea is lightly touched upon later in the research under the "Indicators of Macroeconomic Growth & Income Inequality" section of this research for a more detailed review.

An important thing to note in all of these structures is that the IMF, with its loan to the Indonesian State, is working to restructure certain policies and procedures of a State that relied on a strong man for three decades. As is noted later on in the case of Venezuela, an economy that was structured around the implementation of State dictates on economic practices which suddenly altered and switched to a more neoliberal market orientation, Indonesia's restructuring had adverse effects on the people of Indonesia as a whole such as the reduction of popular decision making by popular grassroots initiative to influence legislators in the realm of economic affairs; with the command of certain aspects of the economy by unaccountable private power, the ability for regular Indonesians to direct economic policy was thus decreased. That being said, State involvement in the economy and socio-political environment of Indonesia was certain to be affected after the neoliberal implementations of the IMF and its SAP. In section three of "Structural Adjustment Programs", Indonesian officials state that "to this end, the government intends to speed up its structural reform program through further trade and investment reform, and deregulation and privatization" (Muhammad and Djiwandono 1997). This focus on deregulation and privatization is troubling in a few regards as it puts the economic decision making apparatus in the hands of private entities and out of the influence of the public sphere as previously stated.

Part of this privatization effort on behalf of the Indonesian State and the IMF, along with the World Bank (WB), shows that in the beginning its "efforts to increase private sector efficiency and competitiveness" were to imply that "the government will undertake a public sector expenditure and investment review in order to promote more efficient use of government resources" (Muhammad and Djiwandono 1997). Other steps



to be taken were a look at public access to goods, in particular petroleum and fuel, and increasing prices in line with reducing budget deficits. Near the end of the letter, under “Performance Criteria/Benchmarks for end-March/April 1998”, it’s suggested that along with the “reduction of tariffs in line with commitments specified in paragraph 39”, there be an “increase in prices of petroleum products to eliminate subsidies...and an increase in electricity prices by 30 percent by end-March 1998” (Muhammad and Djiwandono 1997).

In summary, Indonesia’s request through their first LOI, which followed a regional financial crisis, sought to gain an economic rescue package from the IMF through a variety of different measures and structural readjustment guidelines. First, State owned banks would either be dissolved or restructured under stringent new guidelines and become pseudo-private-public owned entities that sought to establish a regulatory framework that could prevent loose banking practices. Second, the privatization, monitoring measures, and neo-liberalization of the financial market would in theory make the economy more “efficient” and eliminate “unnecessary expenditures”. Lastly, a reduction in tariffs and other State protectionist measures, along with an increase of petroleum and electricity that aimed to eliminate subsidies and curb debt would be implemented over the course of a year. What follows next is an analysis of the subsequent letters that followed the first in 1997, as well as a look into the socio-political environment that developed following Indonesia’s first LOI and its subsequent approval by the Executive Board of the IMF.

### Follow up Letters of Intent: April 1998

As the situation in Indonesia developed further, Indonesian officials published a second LOI as a follow up document to the structural adjustment guidelines they set for themselves in October 1997 and subsequently signed in January 1998. In this document, the government indicates that they intend to continue along the guidelines set out in the Memorandum of Economic and Financial Policies, while also offering “supplementary Memorandum updates” from the “earlier document to allow for recent changes in the macroeconomic situation and outlook, and also describe areas where our strategy needs to be modified, extended or strengthened” (Indonesia 1998). Coupled with a regional drought and food shortages, the macroeconomic outlook of Indonesia in the early months of 1998 did not look very promising for a quick and speedy recovery.

In the 1998 LOI, the government outlined the considerable challenges they faced with rising inflation, large external debt, and the need for medical and food aid for their population. With a litany of economic and political restructuring efforts being undertaken by the Indonesian government, it was shown that by the second LOI there had been a series of successful efforts taken to deregulate and privatize many aspects of the economic apparatuses of the country. In regards to investment and deregulation, the State afforded considerable gains in an effort to increase private investment from abroad. Some of these efforts include the removal of regulations concerning the “foreign investment on palm oil plantations”, the removal of regulations concerning “the 49 percent limit on foreign investment in listed companies”, as well as a long list of efforts to continue the financial sector restructuring necessary to achieve “macroeconomic stability” (Indonesia 1998). In short, this document of supplementary addition to the first LOI signed in January of 1998

acted as a follow up to the policies being attempted, as well as the goals achieved thus far in regards to deregulation, privatization, and foreign involvement in the Indonesian economy. After this review it was evident that in the realms of deregulation and trade reform, the State was making considerable progress towards neoliberal economic restructuring which was coupled with a forecast of underlying political instability in the coming months.

### Consequences of Implementation - 1998-2003

The IMF was initially very confident of the implementation of its policies for Indonesia. However, things did not go very well following the first LOI and its subsequent follow up memorandums. Following the submission of the first LOI and the floating of the State's currency, "the rupiah did not float on a sea of tranquility...it plunged from 2,700 rupiahs per U.S. dollar at the time of the float to lows of nearly 16,000 rupiahs per U.S. dollar in 1998; Indonesia was caught up in the maelstrom of the Asian crisis" (Hanke 2007). All the contributing factors considered, it was indeed a surprise to see the direction that the Indonesian economy took; especially considering the measures taken by the government which quickly eased many restrictions on governing foreign direct investment. With past policy implementations by the IMF in places like Latin America and other failed economies, there was a resounding confidence that the policies that worked abroad would have similar effects on Indonesia and its populace; the IMF at the time described Indonesia's "response as timely and broadly appropriate" (Radalet 1999).

When looking at all the factors at play and the complexity involved with each in relation to one another, one could argue that the crisis management of the 1997 crash was

poorly managed on several fronts. Firstly, Suharto's unwillingness to accept that he needed to make decisions that would affect and damage the monetary interests of his close family and business allies undermined international confidence in seeing that Suharto really wanted to improve Indonesia's economic situation in the name of macroeconomic stability. Like many strongman dictators that rule with an iron fist for decades, having to make decisions that would directly affect his accumulation of wealth and the wealth of those close to him would either come at a heavy personal cost or the cost of the Indonesian people. Evidence of Suharto's crony capitalism and state-subsidized initiatives was glaringly evident throughout his rule, often times directing projects that directly increased the wealth of him and his close associates. For example, before the IMF and Indonesia agreed upon the SAP, the government "postponed 150 investment projects, only to announce several days later that 15 of the biggest would be allowed to go forward...Suharto's close associates controlled all 15 of these projects" (Radalet 1999). This sort of blatant crony capitalism was deeply embedded in Indonesia's economy, and the fact that IMF officials and "experts" expected this sort of behavior to vanish in the wake of the submitted LOI was, at the least, ill conceived. In order for the Suharto regime to truly turn a new leaf, there needed to be obvious gains for Suharto and those closest to him.

In the first months of 1998 following the submitted LOI, Indonesia's economic disaster quickly turned into an incredibly complex political upheaval. In an attempt to showcase that he was committed to creating lasting policy implementations and change for the Indonesian people, as well as the international investors who's capital flight had harshly effected foreign direct investment, Suharto named B.J. Jabbibe as his running

mate for the upcoming presidential election, a move that angered many seeing as how Jabbibe had no experience in economic reform but was just another close associate to Suharto (Radalet 1999). Suharto's idea that he was creating reform by shuffling his cabinet came as a surprise to few, where Suharto wished to convince people that he could remain in power while he steered the ship of State out of dire economic straits.

As doubts began to rise about Suharto's commitment to implementing real policy change, change that was centered around the dismantling of his crony capitalist tendencies and a strict implementation of IMF policy, street protests of thousands of Indonesians became more and more commonplace. Unfortunately, much of the street violence that resulted from these protests was directed at affluent and non-affluent ethnic Chinese due to the perception of average Indonesians seeing Chinese as a corrupting influence on their poor economic situation. In a bold move to consolidate power, Suharto removed the economic advisors from his cabinet in place of close cronies and family members; all these people were involved in Suharto's seventh straight re-election. The situation reached an apex in May, where more frequent protests across the country were calling for Suharto's resignation. The shooting of Indonesian student protesters by security forces on May 13th-14th in Jakarta moved the country to become even more engaged and enraged against Suharto's New Order. In early May, "Suharto raised fuel prices very sharply, and the situation exploded...several days of rioting and chaos culminated in Suharto's resignation on May 21st" (Radalet 1999). The resignation of a thirty year strong man, who had completely crushed any political opposition or dissent during his rule, left a political power vacuum open for many of the country's opposition parties to flood the political landscape with new ideas and interests for Indonesia. In stark contrast to the tightly

controlled political opposition that was allowed to operate within the parameters of Suharto's regime on very limited terms, over "100 political parties had sprung up with the resignation of Suharto" in 1998 (Radalet 1999).

The political and social unrest that followed Suharto's resignation, along with the IMF's intervention in a country that was experiencing deep rooted problems well beyond any "experts" comprehension, made clear the connection between political and economic stability. Following thirty years of a crony capitalist business environment, lack of political opposition representing the myriad of dimensions the Indonesian economy/political environment needed for sustainable development, and the stringent privatization of State run assets that lead to an increase in prices of public commodities, the Indonesian economic forecast was waiting for the correct series of events to couple together and topple one of the world's most promising economies over the course of only a few short months. In order for the IMF procedures to be properly implemented, they needed to be backed by a dedicated government which could make sure the correct measures were taken to begin the road to recovery. With Suharto failing to continue his consolidation of power, and the specter of his legacy of crony capitalism remaining in place, things were off to a very rough start following his resignation.

In a follow up supplementary LOI in July of 1998, the government recognized that although the letter in April had language that signaled an interest in improving the economic forecast of the country, it was severely offset by political and social disturbances in the country. Despite the political and social upheaval, Indonesian finance officials made sure that the "privatization program" was "proceeding on schedule" while the country continued to undergo significant political and social unrest (Indonesia July

1998). Despite the considerably depressed state of the economy, the government was entirely “confident that the projected receipts from privatization of \$1.5 billion for the 1998/99 budget can be realized” (Indonesia July 1998). Of the points worth mentioning in the June LOI in 1998 are that the Indonesian government outlines policy recommendations and continuations in the fields of fiscal policy, monetary policy and the banking system, corporate debt and bankruptcy legislation, food security and the distribution system, structural policies, the monitoring of all mentioned titles, as well as external issues that might contribute to the increase or decrease of the economic packages success in the long run. (Indonesia July 1998).

As mentioned above, the privatization approach that was confidently continued by the appointment of “international investment bankers” that were “selected to advise on the sale of each of the twelve enterprises that were identified in April”, was a move that assured the transnational capitalist class a larger decision making process within the State affairs of Indonesia’s “economic recovery” (Indonesian July 1998). Towards the end of the June follow up LOI, authorities admit that although they were receiving considerable support from the IMF, the WB, and the Asian Development Bank, an external supplement of \$4-6 billion would be of considerable importance should the economic program succeed into the future. By May of 2000, roughly three years following Indonesia’s economic pitfall, new members of the Indonesian Finance Ministry, along with newly appointed Executive Board members at the IMF, had taken their positions.

However, the economic package agreed upon remained roughly the same as it had before. In regards to privatization efforts, the LOI in May of 2000 indicates that the “planned privatization transactions for FY 2000 are expected to yield rp 6.5 trillion”,

which accounted for inflation equates to about 500,000 USD. (Indonesia May 2000). This move to continue the privatization of normally State run assets certainly had expected to turn a considerable profit for the Indonesian authorities, moves that continued to remain institutionalized policy. By December of 2003, the eleventh and final review by the IMF Executive Board took place and distributed its final loan payment to Indonesian authorities; concluding the dissemination of nearly 5.6 billion dollars over the course of six years. Shigemitsu Sugisaki, IMF Deputy Managing Director and Acting Chairman at the time of the final review stated that the “Indonesian authorities are to be commended for bringing their Extended Arrangement with the Fund to a successful conclusion” (IMF Press release, 2003). Sugisaki further went on to state that the divestment of government owned businesses, such as banks, was proceeding well and that “satisfactory progress continues to be made with key structural reforms” (IMF Press Release, 2003). On October 5, 2006, Indonesia announced that it would “repay early its remaining obligations to the International Monetary Fund amounting to some SDR 2.2 billion (about \$3.2 billion)”, indicating that Indonesia had successfully taken out a loan, gone through structural adjustment, and paid off its debts in total to the IMF (I. M. Fund 2006).

#### Final Thoughts on Indonesia

In summary, Indonesia arrived in 1997 with an economy that lacked investor confidence, was a part of a litany of regional financial breakdowns, and was deep in its own corrupt crony capitalism that served to severely limit and hinder the structural reforms the country desperately needed in order to achieve a greater level of macro economic stability and poverty reduction. What the IMF and Indonesian officials presented was the structural adjustment of key policy points that aimed to divest



government involvement in the market, privatizing industries and certain sectors of the economy, and in some cases passing on the cost to the Indonesian people in the form of the removal of fuel and electricity subsidies. What I find very interesting and rarely talked about in the literature published by the IMF concerning the IMF's readjustment programs, is that the entire system in of itself suggests that the debtors, namely leaders of the country such as Suharto, borrow money to enrich themselves through State subsidies of public projects and the mismanagement of funds. However, it's the people of Indonesia that have to repay it in regards to commodity price increases and the introduction of transnational capitalists who direct financial policy for the State, which ultimately has a reduction of popular directive concerning economic decision making.

In the Indonesian SAP, despite the state of the economy being a result of the financial and political leaders that lead the country to a state of economic travesty, it was ultimately the people of Indonesia that had to pay for it by increases in public utilities such as electricity, gasoline, and the privatization of normally publicly run assets. The entire context of the SAP in of itself comes into question as to whether or not the SAP implemented by the IMF in Indonesia can be considered "legitimate" from the viewpoint that those who borrow carry little risk in repayment; those being the Suharto regime, his family, and those closest to him. The Indonesian people certainly didn't ask for the borrowed money due to a mismanagement of economic resources, yet it is they who must bear the brunt of the cost. Moving forward to Nigeria, a similar analysis can be made on what the IMF suggests, the implementation of the procedures, and what the outcome looks like after the structural adjustment measures are put into place.

### **III. NIGERIA AND THE IMF**

#### Nigeria: A Brief History

After achieving independence from the British in 1960, Nigeria had a very promising future due to abundance of natural resources and robust population growth. Nigeria, like many other African States in the region, was not indebted to any international financial institutions in the 1960's and 1970's, a clean slate that afforded independent decision making in relation to economic national interests. Oil had been discovered in the present day Bayelsa State in 1956, and by 1958 Nigeria was exporting the valuable natural resource and began a long trend of earning petrol dollars to fuel its economic growth. Nigeria was certainly "blessed with abundant and a viable human resource base, a favorable climate and a vast expanse of land more than twice the size of Britain" (Ikejiaku 2003).

The establishment of the First Republic of Nigeria went into effect in 1963, where it afforded a mere three years of civilian rule. In 1967, a fierce civil war brought rivaling factions against one another within the newly established federal structure of Nigeria and resulted in a bloody three-year contestation for power. Amazingly enough, the victors of the civil war were able to completely self finance their thirty-month civil war without ever relying on a foreign loan, this being the result of control over oil exports. In short, Nigeria's problem in the early years was not needing money from foreign direct investment, but what to do with the surplus of money and resources at its disposal.

With the end of the civil war in 1970, the Second Republic of Nigeria was founded; which would outlast their previous Republic by affording thirteen years of

civilian rule. During the 1970's the increased price of oil in the world market gave Nigeria an abundance of wealth. From the discovery of oil in the 1950's to the early 1970's, oil supplied Nigeria with a vast amount of wealth resources it could draw from, despite its concurrent internal political conflicts. With a vast resource base of human capital, Nigeria seemed to have not needed to rely on any sort of external help and continued its sound economic growth through the 1970's. In fact, by 1979, Nigeria was the world's sixth largest oil producer and had estimated revenues from oil totaling \$24,000,000,000 a year (Merideth 2011). By 1983, however, the country faced yet another political conflict in the form of a military coup and suffered sixteen years of increased corruption, military spending, mismanagement of resources, and internal civil conflicts surrounding electoral fraud and government transparency. This "abortive third republic" was succeeded by the fourth establishment of the Nigerian Republic in 1999, giving Nigeria a consistent history of internal political strife, a mismanagement of resources, heavy borrowing from international financiers, and an uncertain future regarding the stability of civilian rule. Throughout this time, it should be mentioned, due to internal political turmoil, Nigeria had continued to rely heavily on petrol dollars to finance its many projects and failed to diversify its economy away from oil to other modern economic sectors such as services and varied natural resources.

The political history of Nigeria from its establishment as an independent republic to modern day can be summarized as a conflicted history that included the "assassination of three heads of state, the successful staging of six coups d'etats (in addition to a number of aborted attempts), the onset of a civil war, and thirty years of military regime" (Dali 2015). The mainstay of Nigeria's economy throughout the years, as was previously

mentioned, had been its heavy reliance on the export of petrol and oil based exports, accounting for nearly 90 percent of the economy in the 1980's.

While this paper seeks to assess the SAP set in place by the IMF, it should be noted that the WB played a similar role in regards to the restructuring of Nigeria's political economy in the 1980's. The WB laid the foundation for the neoliberal policies that the IMF and WB would implement with Nigeria, which would follow through into the coming decades. The program suggested by the WB was one "which emphasized privatization, market prices, and reduced government expenditures" (Efudu 2014), ideology and market practices highly similar to those proponents of neoliberal market practices in IMF SAP. The Bank's program, like in Indonesia, emphasized privatization and reduction in social spending and was based on a few theories. For example, neoliberal market theorists will suggest that "as GDP per capita falls; people demand relatively few social goods and relatively more private goods" (Efudu 2014), thus the attraction to privatize normally public run assets and services to increase "efficiency" as Michael Camdessus suggested in the Indonesian case. Many years after the oil boom of the 1970's, Nigeria experienced a litany of issues including mismanagement of government funds, institutionalized corruption, falling global oil prices, and a recurring series of domestic political issues that created unrest and distress on the State's economy.

Despite Nigeria's vast resources and promising economic potential, it was faced with a number of problems to its economic health by the late 1990's. By 1997, per capita income accounted for "\$240...substantially below the level of independence in real terms" (Sanusi and Martins-Kyue 1999). Equally troubling to this economic reality was that Nigeria social indicators had fallen to disturbing new lows, where "half the population

lives in absolute poverty, life expectancy is only 52 years, and the infant mortality rate is as high as 84 per 1,000 live births” (Sanusi and Martins-Kyue 1999). Given the worsening conditions of Nigeria’s economic reality, it soon submitted a LOI in February of 1999 to the IMF which led to a series of SAP that attempted to put Nigeria on the track for long term macroeconomic stability. As mentioned above, during the mid 1980’s, the Nigerian government made fiscal and policy reforms under the guise of the World Bank supported SAP. However, these reforms were quickly abandoned in the midst of political upheaval and economic crises. Thus, under an IMF directive, Nigeria would try yet again to alter its political, social, and economic structures to curb its worsening economic conditions.

#### Nigeria’s First Letter of Intent: 1999

It should be noted that while both Indonesia and Venezuela petitioned the IMF for a specific loan amount to curb their worsening economic situations, Nigeria did not explicitly ask for any sort of loan amount from the IMF when it wrote its LOI in 1999. Instead, according to the documentation available in the IMF publications department, the IMF seemed to enter into an advisory relationship with the Nigerian authorities in which the Nigerian government wished to pursue and “encourage private sector-led economic growth” (Sanusi and Martins-Kyue 1999) that also afforded recommendation relationships from the IMF Executive Board. In the first LOI, the government plainly addressed and understood that the mismanagement of funds and failure to appropriate public spending to the sectors of the economy that need it most had a serious impact on the country's current state of affairs. In 1998, the world saw a sharp decline in world oil prices, affecting Nigeria particularly harshly given the vast majority of their economy failed to diversify away from fossil fuel production and exportation. In 1998 “real GDP growth slowed to an

estimated 2.3 percent, and real national income declined substantially owing to the fall in oil prices”, exacerbating Nigeria’s already troubling economic situation (Sanusi and Martins-Kyue 1999). All during this time, it should be restated, Nigeria was under the control of military rule and the Fourth Republic was not established until 1999; allowing for the continued mismanagement of public resources that did little to aid the people of Nigeria. After three failed republics, most facing their demise by the hands of former military officials, Nigeria was ready yet again to try and redirect its economy via the language outlined in the LOI of 1999 by petitioning the IMF for help determining the best path it should take to maintain economic stability. To better understand the direction Nigeria and the IMF took in the LOI, it is helpful to assess the stated goals of the “Memorandum on Economic and Financial Policies of the Federal Government of Nigeria for 1999”, the title of the first agreement set up between Nigeria and the IMF. For this specific LOI, we will look closely at each section as it was a homegrown program that did not rely on IMF funds, but still worded the language in a way that would meet IMF neoliberal ideological guidelines and standards.

#### Section A: Fiscal Policy

With any budget restructuring, the Nigerian authorities began their SAP with a look at their fiscal policy, and how the deregulation and privatization of certain sectors of its economy might help produce additional revenue to balance budgets. With a move that would directly affect domestic consumption of petroleum, the State had previously implemented a “subsidy on domestic consumption of petroleum products and introduction of a consumption tax on petroleum products, effective December 21, 1998” (Sanusi and Martins-Kyue 1999). This section of the State’s subsidy programs would come under

review and eventually lead to an increase of domestic petroleum costs for Nigerians, another example of passing the cost of economic mismanagement onto the public. The section covering fiscal policies also introduced the re-establishment of Value Added Taxes (VAT), which are taxes on the consumption of goods previously exempt from taxing by the Nigerian government; these were taxes on things such as tobacco products and spirits, as well as a cut back on previous promises in 1998 to increase wages for Nigerians (Sanusi and Martins-Kyue 1999). In short, the establishment of the 1999 Fiscal Policy Statement averaged a deficit of 290 billion Nigerian niras should the policy implementation recommended by the IMF work; a welcoming and hopefully promising improvement to the projected 371 billion niara deficit that would have been forecasted without the establishment of the SAP.

### Section B: Social Expenditure & Poverty Alleviation

In an effort to extend social spending services to local and state governments, the LOI projected that should global oil prices increase above \$9 USD, any excess revenues from this influx of petrol dollars would go to a special reserve account at the Central Bank and distributed to municipalities for the purpose of increasing social services such as health and education. Concerning Nigeria's peak of oil production in 1979, the price for a barrel of oil was around \$82 USD adjusted for inflation. In a stark contrast one can see the severity of an economy that remained undiversified and was affording roughly \$20 USD for barrel of oil after adjusting for inflation in 1999. In addition, the increased VAT revenue would, in theory, help with increasing social services for the poorer sectors of Nigeria. In order for these economic predictive factors to go into effect, it would demand that the Nigerian government stay true to its commitment of government transparency and

sound economic principles; something their military predecessors had failed to do. It is notable that Nigeria's LOI outlined a specific section in relation to "Social Expenditures and Poverty Alleviation", sections missing from other LOI such as Indonesia's first letter in 1997.

### Section C: Monetary and Exchange Rate Policy

While the State issued sound commitments on the increase of social services to the poorer sections of its population in Section B, Section C understands that in order to achieve these goals there needs to be a diversification of the economy; where the establishment of its new monetary practices must be followed. Section C begins by stating the "sustained and substantial reduction of poverty will ultimately require a rapid and broad-based development of the economy, led by a rapid expansion of agriculture, manufacturing, and solid minerals" (Sanusi and Martins-Kyue 1999). It is recognized several times in the LOI that, from the perspective of Nigerian officials, the loss of Nigerian competitiveness was due to several factors; some including the raising of the minimum wage and the depreciation of Asian currencies abroad.

An interesting parallel can be drawn here between the recognition by the Fourth Republic's financial officials upon the depreciation of Asian currencies and the financial crises that plagued their economies in 1997. The global nature of these economies and their resounding effects suggest that the policies put in place in one region of the world can affect the policy implementations of a State on an entirely separate continent; namely Nigeria in reference to its political and economic restructuring models.



An increase of interest rates to match inflation and “market forces” also resulted in language of section C amongst other monetary reforms. In order to retain these new policy implementations, the State outlines in the end of Section C that they will remain committed to “no bailouts, revoke the licenses of the remaining distressed banks that failed to meet the recapitalization requirement as at end-December 1998, and enhance banking supervision and enforcement of prudential regulations by strengthening off-site surveillance and on-site inspections” (Sanusi and Martins-Kyue 1999).

A second parallel can be seen here between the Indonesian LOI and the Nigerian LOI in regards to bank restructuring and the need to address the loose practices of financial markets and institutions. Together with the Central Bank of Nigeria (CBN), the federal government of Nigeria expressed commitments of financial regulation and oversight, as well as a continued implementation of legislation meant to ensure sound macroeconomic policies moving forward.

#### Section D: Domestic Deregulation and Privatization

The economic program for 1999 states that Nigeria will explore the dimensions of economic trade liberalization, an increase in public spending for infrastructure and health, the increase of private-sector led business growth, and the implementation of transparent government accountability measures. Nigerian soon gave itself a bold but arguably manageable goal of reaching no more than 12 percent inflation by the end of 1999. This initial commitment to economic responsibility began as a step in the right direction, outlined effectively and visibly in the goals laid in in Section D which were to be reached by December 21<sup>st</sup> of 1999. It would be important to assess the level of privatization and

deregulation associated with these new IMF guidelines, given that these measures have resounding effects in both the private and public sectors; such as the introduction of international investors into normally protected markets, something that consequently raises competitiveness against Nigerian owned firms and institutions with capital from abroad. As was introduced in Indonesia, the privatization and introduction of international financiers to compete in domestic marketplaces showed that Nigeria was making an early commitment to adopting neoliberal market principles into their economic recovery plan; something that can be seen as helpful for macroeconomic stability but not necessarily the best option for workers, their wages, and Nigerian owned firms and businesses.

In section D of the LOI, titled “Domestic Deregulation and Privatization”, the Nigerians suggest that “the impetus for economic growth will come from freeing the energy of the private sector through deregulation and privatization” (Sanusi and Martins-Kyue 1999). Legislative action was also taken to enact eleven laws that dealt with the breakup of monopolies, introduction of potential independent energy production plants with the assistance of multinational corporations, and the continuation of review legislation that might hinder competition through further legislative action. The participation of the legislature in enacting the laws that were suggested by the IMF and their Nigerian counterparts suggests that it is important to have a unified legislative body in order to implement new measures on economic practices, a measure that can be impeded by a fractured political landscape that has a history of political turmoil and infighting. In addition to legislative action, the government made “privatization and related institutional reforms a high priority” which encompassed “the privatization or

commercialization of all public enterprises engaged in activities of a commercial nature” (Sanusi and Martins-Kyue 1999).

The strategy behind this privatization effort of the Nigerian government follows similar aims by other States facing overwhelming debt; the idea is that with large public monopolies that are the result of mismanagement and institutionalized corruption, Nigerian policy makers along with their IMF counterparts opened up normally public run institutions and operations to international financiers and private capitalists within Nigeria itself to make economic practices more “efficient”. One of the largest businesses and institutions of normally public operation that moved to the private sector was the National Fertilizer Company of Nigeria (NAFCON), which provided subsidized agricultural material to Nigerian farmers and agriculturalists. Other institutions that faced privatization were Nigerian Airways, national oil refineries, national telecommunications industries, the National Electric Power Authority, as well as other industries normally run by the State (Sanusi and Martins-Kyue 1999). By the end of 1999, the IMF, WB, and Nigeria had conducted an overwhelmingly privatized overhaul of the Nigeria’s normally public institutions which would, in theory, result in a reduction of debt and public expenses according to the IMF and Finance Ministry of Nigeria. This would of course come at the cost of ending certain utility subsidies and agricultural subsidies provided by the State for Nigerian citizens, all in the name of making the economy more “efficient” and less reliant on the State.

### Section E: Trade and Exchange Liberalization

In line with the continued deregulation and privatization of public assets, the Nigerian State also took steps to liberalize the trade and exchange markets of Nigeria to bolster and increase capital flow within the country. Prohibitions on certain imports and exports were to be lifted by the year 2000, allowing a greater flow and outflow of capital and goods in the Nigerian markets. Along with the lifting of import and export barriers on certain objects, Nigeria's non-oil exports benefited from the "Trade Liberalization Scheme of the Economic Community of West African States (ECOWAS), which provides for the elimination of trade barriers, including taxes and levies, in the ECOWAS sub-region" (Sanusi and Martins-Kyue 1999). ECOWAS benefits from similar trade liberalization dimensions that the North American Free Trade Agreement (NAFTA) entails, lowering barriers to trade and increasing capital flow; a trade agreement that allows States to benefit from economic trade liberalization. The reassessment of Nigeria's tariff structure under ECOWAS, the evaluation of their import and export controls, as well as the liberalization of capital flow across the region added to Nigeria's interest and intent to free capital and reduce the role of the State in propping up the market.

### Section F: Governance and Institution Building

Along with poor government oversight, institutionalized corruption, corrupt economic practices, as well as a history of resource mismanagement, the faith building in government institutions was of paramount importance for the heads of State in Nigeria. Interestingly enough, after review of the official documentation in the Nigerian 1999 LOI, there is no section G available for review; leading me to speculate that the IMF

publications department committed a typo or that the original document never afforded one. Officials declared in the LOI that the “investigation of the alleged withdrawal under the previous administration of some US\$2.3 billion of public funds from the CBN has already led to the recovery of a substantial amount” (Sanusi and Martins-Kyue 1999). The review of existing budgetary procedures by May of 1999 suggested that the current public projects and management of public resources by government officials would undergo significant review and assessment to ascertain effectiveness and long term need in relation to debt relief. A commitment in Section F of the LOI goes on to state that independent auditing agencies will establish quarterly reviews of budgetary spending practices of all ministries related to public spending, whereas the State recognized that “greater transparency needs to be accompanied by a strengthening of institutions to foster accountability and enforce the rule of law” (Sanusi and Martins-Kyue 1999).

Along with a review of institutions and budgetary reviews, the State began the process of reviewing the effectiveness of civil servants and their future need in a re-structured economic landscape. This public sector review of “ghost workers” and the “dispensing of civil servants that have committed serious offenses”, showed that the labor review would also include the transfer “of certain tasks that we intend to transfer to private vendors during the course of 1999”. It would appear that along with sections A-E, section F sought to continue the transfer of governmental operations to the private sector in an attempt to make things more “efficient” and transparent.

## Section H: External Debt Management

Nigeria's early commitment to see through the various dimensions of the 1999 LOI looked promising. However, it still recognized that a large debt would remain in the coming years due to previous administrations poor history of payment to Paris Club creditors; those being the wealthy industrialized States of the West and other economies that traditionally participate in international financing such as transnational financial firms. In an unfortunate realization, Nigeria admitted that "debt-service payments will be well below the total current maturities and interest accruing on arrears", understanding that a considerable rescheduling of debt payment was entirely necessary. (Sanusi and Martins-Kyue 1999). To this extent, Nigeria reflected that in order to alleviate their troubling economic situation, new relations would have to be instituted with creditors, donors, and the international community in general. Through these efforts, should they be followed strictly and adherently, Nigeria had a sound opportunity and ability to alleviate their debt problem and return to a status of being able to rely on their own well performing market in place of the need for foreign assistance in the form of advisory relationships and Paris Club creditors.

In summary, Nigeria had a daunting task ahead of it. Following decades of mismanagement of resources, internal political struggle, and a shaky return to civilian rule, the efforts to sufficiently discipline its economy relied on the advisory relationship with the IMF and Paris Club Creditors, as well as a subsequent restructuring of its economic and political frameworks. Sections A-C suggest that a more disciplined fiscal policy, a diversion of oil export profits to social expenditures, and a restructuring of the monetary and exchange rate policies could, at the least, prevent current debt from getting

worse. Section D of the LOI is questionable in its long term benefit for the Nigerian people, given that the privatization and deregulation of normally public entities would fall into private hands for an attempt at “efficiency” and market discipline. While the private sector certainly could create more competitive practices and spark innovation, the opening of the markets to investors and private entities also creates the possibility for private monopolies in the place of public one; the neoliberal economic order, in this regard, certainly seems to place a heavy emphasis on macroeconomic stability. However, this macroeconomic stability seems to come at the cost and trade off of State policies that might protect workers and shield them from international competition.

Section E interestingly suggests that a greater involvement of regional trade organizations such as ECOWAS could better help the flow of goods and capital in and around the Nigerian region. Sections F-H reinstate the commitment of the State in recognizing and addressing the litany of issues that the Nigerian economy and government structure as a whole face in regards to transparency, corruption, and establishing new relationships with their international creditors. One critique of the framework of many of Nigeria’s readjustments is that they rely heavily on the hope that the oil industry performs above exceeded expectations, a blatant indication of a lack of economic diversification which, as is seen in the Indonesian case, can at least cushion the event of an economic crises. While the LOI sufficiently addresses many areas of structural and economic shortcoming, it would be beneficial to address the issue of economic diversification so that economic structural adjustments could afford a sounder base than rely on the increase or decrease of international oil prices. In short, it would be an uphill battle for the State to adhere to the structural adjustments in place for the coming years.

### Supplementary LOI, Article IV, August 2000-March 2006

A little over a year after the issuance of Nigeria's first LOI that outlined the SAP Nigeria sought to execute under the advisory authority of the IMF, Dr. J.O. Sanusi of the Central Bank of Nigeria and Senator Jubril Martins-Kuye who acted as Minister of State of Finance, submitted a supplementary LOI to outline progress made on SAP in the past year. The LOI outlined sections of reform that focused on expenditure controls, wages and salaries, liquidity management, infrastructure development, and continued measures to improve transparency in relation to oil based export projects. Through all of these supplementary sections, Nigeria seemed to continue the language of its commitment to creating sound macroeconomic policies that followed the process and review of procedure in place of the State decree of projects which harkened back to the military rule of the past. Along with the outlined policy implementations of any State's LOI, there is also the nature of Article IV consultations with the IMF which act as a key part to any negotiation between a State and the Fund.

In Article IV of the IMF's Article of Agreement, a State is obliged to conduct regular meetings with the IMF in order to both monitor and suggest improvements of economic recovery programs. By early 2005, roughly five years after Nigeria's first LOI submission, the IMF explained in a press release that under Article IV consultations with Nigerian officials, they had seen that "in 2004, policy implementation...signaled a clear break from the imprudent macroeconomic policies of the past", praising Nigerian officials and stating that their "overall macroeconomic policy implementation in 2004 was commendable" (I. M. Fund 2005). By October of 2005, Nigeria had submitted another LOI titled "Policy Statement, and Technical Memorandum of Understanding" (PSTMU),



following up on the IMF's Article IV review and their own understanding of where their economic program was headed in the future. The letter itself outlines Nigeria's National Economic Empowerment and Development Plan (NEEDS), stating that Nigeria stood "ready to work with the Fund and the Bank (World Bank) in partnership in the implementation of our home grown program" (Okonjo-Iweala and Soludo 2005).

Among a summary of its efforts to bring the economy back onto a path of macroeconomic stability, highlights from the PSTMU followed the narrative of negotiating debt relief with Paris Club members, continuing the IMF's advisory role of economic restructuring, and tackling corruption and powerful interest groups opposed to economic reform. Despite strong worded commitments to continued macroeconomic restructuring and reduction of corruption within State apparatuses, the 2005 LOI also recognizes that NEEDS and the LOI SAP have faltered in certain areas; understanding that "poverty reduction, wealth creation, employment generation...cannot be met without significant investment in infrastructure, education, and health" (Okonjo-Iweala and Soludo 2005). Near the end of the 2005 LOI, Nigeria reiterated that it does not "intend to request the use of IMF...resources in the course of implementation of its homegrown program" (Okonjo-Iweala and Soludo 2005). Although Nigeria would continue consultations with its Paris Club creditors to manage and alleviate its immense debt restructuring, they continued committed to refusing any sort of financial assistance from the IMF itself.

By March of 2006, Nigeria submitted yet another LOI to the IMF as a follow up review to its 2005 LOI outlining progress made on their home grown program. In the first paragraphs of the LOI, the Nigerians championed their own homegrown policies that indicate from 2004-2005 "real GDP growth is estimated to have grown by 6.3 percent",

where on the other hand the inflation rate inched upwards to 11.6 percent due to the “ongoing phasing out of the petroleum product subsidy” (Okonjo-Iweala and Soludo 2006). Further indications of continued negotiations with Paris Club creditors shows that Nigerian financial officials were able to reach a rather impressive sixty percent write off of its \$30.5 billion external debt in 2006, a solid foundational basis for its improved relations with the Paris Club. (Okonjo-Iweala and Soludo 2006). Further on in Section V of the 2006 LOI, Nigeria suggests in their “Medium Term Macroeconomic Policy” framework that “structural reforms will be deepened”. The LOI goes on to list ten companies listed for “privatization and concessioning in 2006 and through early 2007” (Okonjo-Iweala and Soludo 2006).

Of these companies offered were the Port Harcourt refinery, eleven oil service companies to be offered in the third quarter of 2006, six brick and lay companies, the Central Railways Corporation, as well as the concessioning of the Abuja airport. As stated throughout the LOI, the State continues into 2006 and 2007 with privatization efforts embedded into its SAP which aim to remove the State from direction of the economic planning in favor of private planning. Despite a thin veneer of macroeconomic stability coming along for Nigeria as a whole, it was still recognized that “serious challenges remain, however, particularly in transmitting the benefits of the reforms to ordinary Nigerians” (Okonjo-Iweala and Soludo 2006). The LOI subsequently designated the private sector as continuing to “play the lead role as” an “engine of growth” for Nigeria’s economic recovery that was affording a return to stability but leaving “ordinary Nigerians” behind. In summary, the 2006 LOI outlined the continued privatization of public institutions and assets, an improved relation with Paris Club creditors, as well as a

continued effort to let the private sector lead the way in allowing “ordinary Nigerians” to experience the benefits of the newly introduced SAP.

### Final Thoughts on Nigeria

Nigeria is unique in this comparative analysis in the fact that it did not necessarily petition the IMF for an economic rescue package or a specific stand by arrangement loan; rather it was the State’s officials that entered into an advisory role with the Fund and implemented their own “homegrown program” to address serious deficiencies in macroeconomic stability and the State’s ability to manage resources effectively. Article IV consultations following Nigeria’s final LOI in 2007 projected that, despite the global financial crises of 2008 and 2009, Nigeria’s “strong external position and low debt helped mitigate the impact of the global financial crisis” (I. M. Fund 2011). The most recent Article IV consultation between the IMF and Nigeria, in February of 2016, suggested that the predictably long term global reduction in oil prices will yet again create challenging situations for the Nigerian economy as it continues to work on diversifying its economy away from oil based exports. As recent as 2014, data is available through the Massachusetts Institute of Technologies Atlas Database to show that 74% of Nigeria’s exports remained crude petroleum; showing that despite language in their continued LOI throughout the years to diversify away from oil based exports, a diversification of their economy is still far off and in need of serious work (Technology 2014). GDP per capita began to increase over the course of the years following Nigeria’s homegrown program, despite a small faltering in in 2008 and 2010, however, an improvement in macroeconomic stability has been accomplished under these new guidelines.

Through a series of moves aimed at privatization, the development of transparency, and a move towards neoliberal market economic practices that allowed for the reduction of tariffs and State protectionist measures, further allowing transnational capitalists and international investors into Nigeria's economic realm, Nigeria maintains a unique place among international political economies given its commitment to restructure its political economy through a homegrown program and not one that requires a stand by arrangement from the IMF itself. However, one could raise the question of whether or not it matters that Nigeria decided not to take a loan from the IMF through its structural adjustment as the policies it put in place highly resemble those of other nations that entered into SAP with the IMF; namely the programs and structural adjustments aimed at privatization and neoliberal market practices. A look at the last country in this comparative analysis, Venezuela, offers some insight into a country that underwent similar neoliberal adjustments with an outcome unique and all its own amongst the States studied.

## IV. VENEZUELA AND THE IMF

### Venezuela: A Brief History

Venezuela affords a long history of ties to the European continent, while also affording a rich cultural history that suggests undercurrents of fierce independence and national ties to its own identity. For centuries the Spanish held colonial administration over much of Latin, Central, and North America where Venezuela was one of many holdings by the Spanish crown. By the early 1800's, seeds of independence began to sow as the Napoleonic wars of Europe and centuries of increasingly bureaucratic administrative rule weakened Spanish ability to administer its colonial subjects effectively. The Venezuelan War of Independence began in 1812, which led to the establishment of the State of Gran Colombia including the territories of present-day Colombia, Venezuela, Ecuador, Panamá, northern Peru, western Guyana and northwest Brazil. This early federation of Latin America only lasted for ten years. In 1831, the Venezuelan State was born where a series of strong men would vie for power throughout the next 70 years. A civil war waged in the country between 1859 and 1863, and it wasn't until the early 20th century that Venezuela was able to attain a certain degree of political stability backed by economic foundations. Like Nigeria and Indonesia, Venezuela found its economic stability within the region of Latin America with the discovery of oil; by 1935, Venezuela's per capita gross domestic product was the highest in Latin America. At the end of World War II, a civilian-military coup ushered in a three-year democratic rule that in 1947 ushered in Venezuela's first democratically elected president. In less than a year, a military coup overthrew Venezuela's first president and established a military junta that remained in power well into the mid 1950's. By the late 1950's democratic politics

had been reestablished and a series of guerilla movements and attempted coup d'etats aimed to regain control of the young democracy for the next two decades.

### Pre-conditions: Venezuela's "Lost Decades"

Up until the early part of the 1980's, the WB had considered Venezuela an "economic miracle" amongst its Latin American neighbors. This was due to an upper-middle income economy, as well as having attained center-left democratic institutions amongst neighbors that fell to authoritarianism, populism, unrest, and massive corruption (Corrales 1999). By 1983, then President Jaime Lusinchi had inherited an economy that was quickly devolving into crisis as he took office; the crisis had put "pressure on Venezuelan oil reserves, increasing inflation" (Lupu 2012). In a manner consistent with the State centrist economic decision making that had defined his political party for years, Lusinchi responded with "economic price controls, exchange controls with gradual devaluations, and government spending to stimulate the economy" (Lupu 2012). These moves were then supported almost completely by the public and Venezuela's Congress, adding to the foundation of public support for State involvement in the economy through the early 80's. Unfortunately, the continued decline in world oil prices forced Lusinchi's hand to make harsh austerity measures which cut the "budgets of state ministries and salaries of government workers" while "dismantling or privatizing small state-owned enterprises" (Lupu 2012).

In 1999, Javier Corrales extrapolated on the two "lost decades" that included both IMF reform in the late 1980's and the failed economic policy pre-conditions that helped Hugo Chavez ride his wave of populism into the halls of power by 1998. In 1980, roughly

85% of Venezuelan exports included oil products of one type or another which constituted an overwhelming majority of Venezuela's export economy valued at nearly 11.5 billion dollars (Technology, 1980). The mid 1980's saw a fall in world oil prices, and Venezuela soon fell into economic despair after a series of failed policy attempts by administrations through the decade. By the late 1980's, Venezuela had seen over a decade of economic decline that was fostering an anti-politics attitude amongst many citizens against a government and political system that was dismissive of popular sentiment concerning economic and political affairs. By 1988, although the percentage of the economy that focused on oil based exports had declined by roughly 20%, a large majority of the country's exports still relied on oil based products for export revenue (Technology, 1988). Venezuelan policy makers certainly attempted different methods during the 1980's, varying from "special executive powers" to curb inflation, as well as "heterodox economics" which both failed to curb an economy that had fallen hard on its face in relation to the fall in world oil prices (Corrales 1999).

While running on a populist, anti-neoliberal campaign prior to Venezuela's 1988 presidential elections, then soon to be President Carlos Andres Perez described the IMF as a "neutron bomb that killed people but left buildings standing"; adding further rhetoric to the WB as an institution whose economists were "genocide workers in pay of economic totalitarianism" (Ali 2006). Despite this campaign rhetoric against the "Washington Consensus", as many in Latin America labeled neoliberal economic reforms, Perez submitted a LOI to the IMF after his election in late February of 1989 to attempt yet another method of saving Venezuela's economically staggering financial situation. This move towards austerity measures for the Venezuelan people was preceded and followed

by the triggering of an enormous amount of protests and violent clashes between protesters and Venezuelan security forces that were a direct result of nearly a decade of economic malperformance and failed promises by policy makers. At the time of the IMF austerity measures sought by the Perez administration, Venezuela had accumulated a \$33,000,000,000 debt; something that had forced the country who had previously stayed away from IMF measures and SAP to concede to the IMF and WB for economic help (New York Times, 1989). In order to understand the anger and backlash of the populace against the neoliberal austerity measures taken by the Perez administration, a close look at the LOI in 1989 could be helpful.

The document and reforms presented as an “economic package” were a series of policies and procedures that aimed to do three things. First, regaining “short-term equilibria in the main macroeconomic indicators and repaying the external debt” that had accumulated over years of mismanagement and State controlled financing (Lander and Fierro 1996). Secondly, a structural adjustment of the economy that would shift the “state directed...economy to a market economy based on private” exports (Lander and Fierro 1996). Thirdly, a sharp and clear shift was established which would do away with the “populist political system of Latin America to a more modern system that would not interfere with the free operation of the market and would conform to the objective demands of the new international economic order” (Lander and Fierro 1996). As explored and stated above, the downturn of global oil prices in the mid 1980’s severely affected Venezuela’s economy as it relied heavily on oil for its main exports and did not have much of a diversified economy outside of oil extraction and export. Despite the attempts by Venezuelan officials to curtail the failing economic performance, high unemployment



and low output in non-petroleum sectors of the economy lead to a 13 percent unemployment rate by 1985. By late 1985, a continued fall in oil prices resulted in a loss of \$5 ½ billion in export revenue that coincided with public sector earnings (Tinoco and Iturbe 1989). The LOI submitted and signed in 1989 would aim to restructure the political and economic framework of Venezuela's failing economic situation through a series of structural adjustments in line with neoliberal economic ideology.

#### Venezuela's Letter of Intent: February 1989

In the beginning of its LOI, Venezuela's government postulated that it could counter the fall in oil prices with a series of cutbacks in "public capital outlays, successive devaluations of the bolivar...and the introduction of exchange, import and price controls" (Tinoco and Iturbe 1989). Plainly stated in the beginning of the LOI is that the "the government of Venezuela wished to request a purchase from the International Monetary Fund in the amount of SDR 342.875 million" (Tinoco and Iturbe 1989), an amount that would increase over the decade. In the "Medium-Term Adjustment Framework" section of the LOI, the State suggests that the program would entail "a number of major structural reforms in the fiscal, exchange, trade, and financial sectors" for the coming years. (Tinoco and Iturbe 1989). This framework would intend to do things such as attracting foreign capital, diversify the economy by means of "liberalization that will reduce imbalances in the economy, increase economic and social efficiency", and aim to deregulate financial sectors (Tinoco and Iturbe 1989).

Further on in the Medium-Term Adjustment Framework section of the LOI, the authorities claim that they will also help alleviate public sector deficits by "increases over

the next two years in domestic energy and fuel prices to international levels”, while also introducing “income tax reform and the introduction of a sales tax that will evolve into a value added tax (Tinoco and Iturbe 1989). In summary, the Venezuelan LOI in 1989 sought to petition the IMF for an economic rescue package that would implement policies in relation to financial sector deregulation, liberalization of financial sectors, and trade exchange reforms. Unfortunately, IMF publications records only afford one copy of the Venezuelan LOI in 1989 and does not supply documentation that suggests the Venezuelan government continued to submit follow up LOI. Reported by the New York Times in 1989, it was speculated that Venezuela had originally requested a “\$1.3 billion standby credit accord from the I.M.F.” (Times 1989). However, a series of press releases and case studies performed by IMF representatives, available in the publications and archives departments of the IMF, suggests that relations between the Fund and Venezuelan officials did continue through the 1990’s. What are available is a rich trove of Article IV consultations between the Fund and Venezuelan authorities that can be used to supplement LOI and follow the economic program restructuring the authorities followed.

Venezuela’s first Article IV consultation with IMF authorities outlines its medium term policies for the year of 1989, thus setting a foundation upon which the State wished to restructure its political economy. The Article IV consultation in 1989 gives a brief overview of the authorities plans for economic recovery in the medium term, outlining the the liberalization of domestic interest rates, which would allow banks and other loaning institutions to set interest rates independent of the State. Along with domestic interest rate liberalization, authorities set out to eliminate a majority of price controls, where natural gas was “increased by 100 percent, gasoline and other oil products were increased by 94

percent”, and the “transportation rates were simultaneously raised” (I. M. Fund 1989). Along with these methods of domestic restructuring and price increases, the 1989 Article IV consultation dedicates its final section to recognizing it wishes to “enhance its creditworthiness and regain voluntary access to capital markets” (I.M. Fund 1989). In 1992, a follow up Article IV consultation with the Fund was established following three years of attempted policy implementation. Venezuelan authorities admit that the “counter reform movement is usually well organized and equipped”, suggesting those opposed to the “reforms” have enjoyed certain “privileges” for quite a long time (I.M. Fund 1992). In a rather blunt follow up to recognizing that the proposed economic restructuring would be difficult to implement due to recent political developments in the country, authorities go on to state that in order to “build public support, the Government has to carry out a very professional marketing task...in many cases the reforms are painful”. (I.M. Fund 1992).

Following the first LOI and the first few years of Article IV consultations that followed into the early 1990’s, Venezuela did see some minor macroeconomic growth but failed to sustain it in the long term. In a press release by the IMF in 1996, Venezuelan officials acknowledged that “world oil prices fell sharply and public finances and the balance of payments weakened...in 1994, these difficulties were exacerbated by a major banking crisis; exchange and price controls were introduced in mid-year; economic activity fell by 3 percent; and 12-month inflation reached 70 percent by end-December” (I. M. Fund 1996). This quick return to economic depression fostered an environment in Venezuela that allowed for the introduction of outsider political candidates to establish their own narrative of how to direct the country and subsequently the way in which the economy would operate. As mentioned above, then political dissident Hugo Chavez had at

this point made his way into the political light as a viable candidate to lead Venezuela along a path of nationalistic approaches to the State's most daunting economic, social, and political issues along a populist platform that championed independence from the "Washington Consensus"; a term used to describe the fiscal and political policy "reforms" that became attributed to foreign domination of economic decision making within the country.

### Consequences of Implementation

In summary, the LOI and first Article IV consultation submitted by Venezuela were founded upon the condition of renegotiating the sizeable external debt the country had accumulated up until 1989, as well as restructuring the State's political economy by neoliberal market practices of privatization and passing the debt onto the population. What appears blatantly obvious and worth pointing out is that the decisions made through the IMF, Central Bank, and Finance Minister were not "submitted for consideration to the Congress of the Republic and were made public only *after* they had been signed" (Lander and Fierro 1996). By the time of the letters signing, much of the major cities within Venezuela were "shaken by a week of the most extensive and violent popular disturbances and looting in history where hundreds of people were killed" (Lander and Fierro 1996). Michael Camdessus elaborated on the situation of Venezuela and its shaken political economy at a press conference in October of 1989, covering a variety of questions and topics that addressed the developing situation. Camdessus addressed reporter's questions by stating that "Venezuela has suffered a major shock, with a sharp decline in oil export prices, which are now more or less 35 percent below their level of last year"; turning later to the reality of the political uncertainty of upcoming electoral prospects for congressional

and presidential bids (I. M. Fund 1998). Despite popular protests and severe unrest following the failing standards of living, the package that was proposed proved to be successful in the very short term. The balance of external debt payments and the trade balance of Venezuela not only improved but moved into the positive, marking a point of reference for those who would champion the IMF's policies of economic restructuring. However, this positive outcome was short lived, as in 1992 inflation had skyrocketed and fluctuated between 30 and 40 percent. By the end of 1992, total "outstanding debt had *increased* by US\$518 million over the debt outstanding in 1988" (Lander and Fierro 1996).

A closer look at why these early policy procedures may have failed can be brought to an assessment of the structural reforms and how they were implemented. Worth pointing out is that while the State of Venezuela had a strong State central command of its economy prior to the IMF directives, the new policy procedures essentially replaced the State with the "free market". According to the Eighth National Development Plan (CORDIPLAN, 1989), the aims of the economic structural reform were the "(1) reduction of state intervention and of the weight of the state in the economy; (2) reduction of dependence on oil; (3) sustained growth without inflation; (4) priority for export-oriented industrialization; (5) increase in the productivity of labor; (6) increase in social expenditures and elimination of extreme poverty; (7) improvement in the distribution of income, democratization of property and management, and transfer of property to associative forms of labor; and (8) consolidation of the democratic system" (Lander and Fierro 1996). What we can see laid out here, as mentioned above, is an economic restructuring of an economy that relies less on the state, and relies therefore on a market

based, privately robust economic ability to govern itself in the long run. Unfortunately, the measure to avoid reliance on oil did not go as planned. In 1991 Venezuelan oil's total share of exports in the State's GDP was 81.4 percent, an amount even higher than 1989 levels. Further effects were felt on the agricultural industries of Venezuela, where there was an accelerated deterioration "of the agricultural sector as the financial and service sectors grew" (Lander and Fierro 1996). Although it is unstated in the neoliberal economic structural adjustments set out by the IMF, one of the main ideas behind much of this restructuring is the consolidation and the concentration of income in the realms of private power; being based on the premise that it's a good way to attain private investment which will then bolster economic growth. While success of this theory can be argued as successful in the very short term, in the Venezuelan context it increased savings but failed to produce the types of private investment sought after by neoliberal economists.

According to neoliberal dogma, the assumption is that it is "sufficient to eliminate State restrictions and regulations in order to allow the full creative and competitive potential of the entrepreneurs, heretofore crushed by the State, to manifest itself" (Lander and Fierro 1996). During the first years of the economic restructuring in Venezuela, industries faced with higher interest rates and increased competition from abroad inevitably shifted the main cost of adjustment on to their workers. The reduction of industry labor costs was afforded by a "reduction of employees, labor flexibilization, dualization and reduction in skills of the labor force, intensification of work, and reduction of real wages" (Lander and Fierro 1996). Notice the word "labor flexibilization", meaning that workers' rights, wages, and long term ability to ascertain whether or not they'll have a job will decrease significantly. Within the CORDIPLAN, it was stated that a more just and

equitable distribution of capital concentration would be implemented. As stated above, these policies implemented from the economic package brought by the IMF lead to an increase in wealth concentration, but not a more equitable distribution of it. Between “1984 and 1988, the distribution of income in the country varied only slightly...between 1998 and 1991, however, whereas the share of the poorest decile fell from 2.3 to 1.8 percent, that of the richest decile increased from 30.3 to 43 percent” (Lander and Fierro 1996).

Along with the economic realities of implementing such a wide ranging economic deviation from the traditionally State centric distribution of services and capital, it should be noted that, at least in the Venezuelan context, “neoliberal thought constitutes not only an economic theory but a normative political one...a concept of what the relationships between State and society as well as between the economy and the market should be” (Lander and Fierro 1996). Implemented over the long term, it can be argued that a consistent enough base of neoliberal economic practices of decreasing wages, concentration of wealth, and the deregulation of financial and trade services, a distinctly political ideology can evolve that holds these practices as defensible and unquestionable in the face of economic downturn.

Following the neoliberal economic adjustments attempted by the policy makers of the late 1980's, Venezuela continued to dive even deeper into economic stagnation and despair through the 1990's. Corrales notes in his journal submission that into the late 1990's the country saw that “inflation remained indomitable and among the highest in the region, economic growth continued to be volatile and oil-dependent, growth per capita stagnated, unemployment rates surged, and public sector deficits endured despite

continuous spending cutbacks” (Corrales 1999). There was a considerable amount of economic indicators that showed the adjustments Venezuela was making were not helping; in fact, it can be viewed that the SAP brought on by the LOI with the IMF were in fact hurting the economy. Over a ten-year period from 1988-1998, Venezuela saw an increase of inflation from 29.5%-35.8%, an unemployment rate increased from 7.9%-11.2%, real wages drop from 2,900 bolivares (1984 bolivares) to 1,100 bolivares, and the population below the poverty level increase from 46%-68% (Corrales 1999). Additionally, looking at Venezuela's economy in a historical aspect, it can be seen that from 1980-1998, the “country’s per capita GDP actually declined by 14 percent...it was one of the worst economic performances in a region that, as a whole, experienced its worst long term growth failure in a century” (Weisbrot 2006).

The political consequences of an economic overhaul and restructuring of Venezuela’s economy continued until around 1999, where populist activist Hugo Chavez became the main opposition symbol against the new economic order. The once insurmountable political parties, Acción Democrática (AD) and the Independent Political Electoral Organizing Committee (COPEI), were summarily defeated in elections held from 1998-1999. These two political parties together drew “an average of 78 percent of the vote in national elections” from 1958-1993” (Lupu 2012). However, by 1998, a mere three percent of Venezuelans voted for these political parties, signaling an enormous shift away from the political establishment that had directed the country under neoliberal austerity measures. Corrales further argues that these simultaneous instances of political party defeat and economic collapse were entirely related, based upon the fact that decades



of failed social and economic promises continued to foster resentment and unwillingness amongst the population to continue along with the failed economic policies of the past.

To be fair to those in the policy positions of Venezuela's government centers, it is not an argument of not trying that failed them in establishing macroeconomic stability. Each administration from the early 1980's through the late 1990's came to power promising economic reform. Such policy objectives included "shock therapy (1989-1992), gradualism (1996-1998), reforms by executive powers (early 1980's, 1993-1994, 1998), reforms by negotiations with opposition parties (1996-1998), stabilization through price controls (1994-1996)...concessions to economic losers from trade liberalization (1994-1998), and direct subsidies to vulnerable sectors (1990-1992)", all of which failed to address the underlying currents of economic mal-performance in Venezuela, namely those of an inability to fully diversify its economy and truly deal with corrupt institutions (Corrales 1999). Corrales describes these poor performances as the "Ax-Relax-Collapse" reform cycles, where Venezuela would face economic crises due to a certain internal or international factors such as falling oil prices, which is responded with by "axing" social spending and implementing harsh cutbacks. This, in turn, evolves into yet another economic, social, and political crisis that continues the vicious cycle onward and onward despite the administration at the helm of State.

Shortly after populist leader Hugo Chavez took office in 1999, he swiftly paid off the country's debt with the IMF, and by 2007 had paid off nearly \$3 billion of debt with the WB five years ahead of schedule; announcing that the country would pull out of the IMF and the World Bank to steer Venezuela against the "Washington Consensus". This was in part due to to Venezuela's then booming oil profits, accounting for 73% of

Venezuelan exports that afforded over \$14 billion a year (Technology, 1999). The Chavez administration's relations with the IMF over the course of his years in power were troubled to say the least. Most notably in April of 2002, during a failed military coup that removed Chavez from office in the middle of the night, IMF spokesperson Thomas Dawson publicly stated that the Fund was "ready to assist the new administration [of Pedro Carmona] in whatever manner they find suitable" (Beeton 2007). This immediate statement by the Fund was, at the least, premature and came on the literal heels of the failed coup; seeing as how the statement was made only hours after the coup which was labeled as a "popular uprising" by the US State Department. (Beeton 2007).

Mark Weisbrot, Co-Director of the Center for Economic and Policy Research, suggested that "the Fund is typically cautious about determining whether a new government is eligible for its lending, even when it is an elected government" (Beeton 2007). In this case of the attempted coup, the IMF determined almost instantly that the new government would be a suitable partner for future financial negotiations, creating an enormous rift and the foundation for soured relations between the Chavez administration when he was swept back into power later that year. Throughout the following years, the IMF would continue to lowball and underestimate the economic growth predictions of Venezuela, a country that led the region of Latin America in growth despite pessimistic predictions by the IMF. In the fall of 2004, the Fund "projected 3.5 percent growth in 2005, which came in at 10.3 percent in 2005, for a 6.8 percentage point underestimate" (Beeton 2007). Similarly, in 2006, the IMF's 2005 "estimate was 4.5 percent, while growth was again 10.3 percent - an underestimate of 5.8 percentage points" (Beeton 2007).

While it is tempting to attribute these improved performances of the economy to Chavez himself, it might have more to do with an increase in world oil prices than the administration's railing against neoliberal austerity measures and the "Washington Consensus". The Venezuelan economy grew by "nearly 18 percent in 2004 and about 9 percent" in 2006 (Weistbrot 2006), further noted is that the government "more than doubled social spending and" provided "free healthcare to a huge number of the poor population...as well as subsidized food for 40 percent of the country (Weisbrot 2006). While this looks and sounds very impressive upfront, it's hard to imagine how Chavez would have been able to do this without increased oil prices of roughly \$65 per barrel in 2005 and reaching an apex of \$102 per barrel in 2008. Without adhering to neoliberal market practices and discontinuing formal meetings with the IMF after they closed their Venezuelan offices in late 2006, it will need to be seen into the future what sort of relationship the Fund and Venezuela are able to form around the ideas of neoliberal political economy reforms. Given that IMF predictions of economic growth are important indicators for international investment in any country, the continued relationship between the Chavez administration and the IMF failed to improve further past political rhetoric and economic underscoring.

Although Venezuela still remains a formal member of the IMF, it has not completed a formal Article IV meeting with IMF economic supervisors for 87 months as of 2014. As stated in the Nigerian assessment, Article IV allows for the IMF to conduct economic supervision of the economy in question, and it has yet to adapt a formal meeting with Venezuela despite the country still being a formal member of the IMF. The last available Press Briefing concerning Venezuela was released on October 27, 2016 where

reporters and IMF officials briefly discuss the current relationship between the IMF and Venezuela. Director of Communications, Gerry Rice, led the press briefing and indicated to reporters that “we have had no consultation and active engagement” with Venezuela “for quite some time”. He further goes on to state that the the IMF “would welcome the authorities’ re engagement with the Fund, including having an Article IV, but that is not the case” (Rice 2016). In summary, Venezuelan policy makers decided to go against previous administration’s neoliberal economic practices in the face of a more State centered dictation of economic policy making that was independent of any structural adjustment programs and their socio-political effects on Venezuelan decision making. To this day, despite a continuously devastating and devolving economic and humanitarian crisis, Venezuela remains outside of IMF consultation and has yet to conduct Article IV consultations.

### Final Thoughts on Venezuela

The experiment of the IMF in Venezuela was to alter, “in accordance with the neoliberal agenda, the basic relationships between the State and society and between politics and economics” (Lander 1999). This was performed by advocating for the de-politicization of economic decision making and making it exempt from the political process as was seen in the submission of the LOI without congressional approval. As stated previously, these comments are not to suggest that steps should not have been taken to address Venezuela's severe economic crisis. After decades of clientelism and paternalism that defined not only Venezuela, but Indonesia and Nigeria as well, a solution needed to address the country's economic crises was certainly needed. One must consider, however, whether or not the transition to an economically productive society is situated

“around the basic ethical and value orientations required for democracy” (Lander 1999). As institutional decision making becomes depoliticized, and as the State's involvement becomes less in the affairs of the economic marketplace, one must question and consider the degree to which neoliberal economics and political practices are eroding, or at the very least, undermining democratic political processes. As stated previously, the lack of Congressional approval, and thus popular approval, of this initial economic package with the IMF lead to a reduction in the lower percentile of the population's ability to purchase; and thus increased that of the wealthiest in the country as capital consolidation, and not investment in the populace, became the reality of the economic implementations. The economic restructuring of Venezuela's economy was not necessarily unique to Venezuela itself, rather the entire continent of Latin America from the early 1980's-1990's underwent a considerable economic transformation at the dictates and suggestions of IMF planners. Many states began to move away from state-centrist policies of economic governance, where they shifted to an “open, market-oriented model of development and moved away from the state-interventionists, import-substitution industrialization model that had characterized them for decades” (Flores-Macias 2009). The slow but sure introduction of policies championing “privatization, trade and financial liberation, elimination of subsidies, reduction of government employment and budget deficits, and control of inflation” became known as the Washington Consensus and was a recurring model in most of Latin America; Cuba of course being independent of these economic adjustments (Flores-Macias 2009).

The shift towards economic liberalization and neoliberal structural adjustment in Venezuela, as well in much of Latin America during the late 80's and 90's, faced both

opposition and skepticism following the introduction of the SAP suggested by the IMF. This adoption of structural adjustment policies, the “representative institutions associated with...state led capitalist development...were plunged into crisis and a new critical juncture emerged to realign states, markets, and social actors for a new era of globalized economic liberalism” (K. M. Roberts 2002). This new economic liberalism faced a backlash of populist opposition in Venezuela, which culminated into the rising of anti-western figures such as Chavez who blamed Venezuela’s economic malperformance on the “Washington Consensus”, and subsequently the IMF guidelines and SAP associated with his rhetoric. By the end of the 1990’s, the momentum behind neoliberal market theories began to fade, where the “Washington Consensus was placed on the political defensive by the fallout of the Asian financial crisis, the revival of social protest movements, and beginnings of a dramatic political shift to the left” (K. M. Roberts 2002).

In regards to income inequality in Venezuela, Chavez’s focus of State centric policies of redistributive income and wealth did a considerable amount in regards to stemming income inequality amongst Venezuelans; due in large part to booming oil profits through the 2000’s, along with the Chavez governments expansionary fiscal and monetary policies. These included the State focused aspects of “containing and reducing inflation, as well as realigning the domestic currency” (Weisbrot and Sandoval 2007). A WB overview of Venezuela found that “economic growth and redistribution policies led to a significant decline in poverty, from 50 percent in 1998 to approximately 30 percent in 2013, according to official figures” (World Bank, Overview, 2016). The same report also found that income inequality had reduced in the Gini Index from 0.49 in 1998 to 0.40 in 2012, indicating that Chavez’s departure from neoliberal market practices, backed of

course by booming petrol dollars, were helpful in alleviating the economic woes of many Venezuelans. This departure from the neoliberal market reforms towards a populist, State centered, focus of the economy shows that there is a serious element of blowback and disinterest in the IMF's way of restructuring the political economies of State's facing serious economic malperformance. Venezuela, along with the world's "developing countries", which tend to be the ones who suffer at the hands of international financial institution mistakes from organizations such as the IMF, tend to have little or no voice in the decision making of how these policies are laid out and approved. In 2006, Mark Weisbrot concluded that "Venezuela's move - and any other countries that follow - will show the IMF and World Bank that the option of quitting these institutions altogether is a real one" (Weisbrot 2006).

## V. A COMPARATIVE ANALYSIS

### Indicators of Macroeconomic Growth & Income Inequality

Before concluding upon the SAP suggested and implemented in each country, I would like to turn my attention to the indicators of economic health after the implementation of these SAP, in particular I would like to look at the indicators of GDP per capita as well as the GINI index of each country, and ask a rather simple question. Did the implementation of the SAP provide an increase in income inequality while achieving overall macroeconomic stability? To start, one can look to GDP per capita, which of course is an indicative reference on the macroeconomic scale, which looks at the capital produced by those that participate in the production of wealth divided by its population, thus showing what, on average, each member of the population should be afforded in relation to their slice of the economic pie. In the image below, we can see that following the SAP implementation in Indonesia in the late 1990's, there is a slow but relative climb of GDP per capita, capping out at around 3,700 USD in 2012 from a low of 463 USD at the apex of their economic crises in 1998. Similarly, in Nigeria, when the Fourth Republic was born in 1999 and began the implementation of their home grown program under the advisory role of the IMF and the WB, we can see a relative climb of GDP per capita that falters around the time of the 2008-2009 financial crisis, but recovers quickly and caps out at 3,203 USD in 2013.

Comparatively, Venezuela afforded a relative GDP per capita of 2,172 USD in 1989 when the Perez administration implemented its SAP; the economy subsequently climbed steadily. When Hugo Chavez took reins of the economy and began to dismantle



the SAP and pay off IMF debt, GDP per capita faltered slightly during the 2002 coup and 2003 national oil strikes; however, as mentioned before, booming oil profits raised the standard of living substantially for many Venezuelans, along with the Chavez's administration's policies focused on redistributive economic practices such as investing in healthcare, alleviating poverty, and nationalizing private sectors of the economy. This is in curious contrast to both Indonesia and Nigeria, who in 2006 were also exporting large amounts of oil but failed to achieve the economic performance and GDP per capita that Venezuela did during the mid-late 2000's.

Due to recent events, Venezuela's economic forecast is doing far poorer with actual negative growth and enormous inflation, a curious turn of events that unfortunately falls out of the purview of this paper. That being said, it could be beneficial for future researchers to assess whether or not Venezuela could afford macroeconomic stability by re-establishing formal Article IV visits with the IMF. Now, it should be re-stated that while GDP per capita is a good indicator of overall macroeconomic health and how each citizen is faring with their distribution of wealth created in the economy, it does not fully reflect the level of income inequality that exists in a society/country.

Calculating the Gini Coefficient by plotting the Lorenz Curve on a graph plot, one can assess the level of income inequality based on the percentage of income owned by a certain percentage of the population. For example, in a society of complete equality, the Gini Coefficient would sit at perfect equilibrium as indicated by the 45-degree line where 50 percent of the population owns 50% of the wealth, 70% of the population owns 70% of the wealth and so on. In a calculated example as indicated below, we can see a hypothetical indication of an economy, that has levels of income on the left of the graph,

plotted out on a graph which shows the Lorenz Curve. Following the curve along the plot, we can see that due to the relative distribution of income in the country, the levels of income equality are varied. In this simplified example, the poorest 60% of the population owns just under 20% of the wealth, where about 15% of the population on the farther right end of the graph own a little over 50% of the wealth. This would indicate a Gini Coefficient of 53.06 which is found by the process of taking the area A, which lies between the perfect line of equality and the Lorenz Curve, and dividing it over A+B to assess the level of inequality a society/country is faced with. In conclusion, the farther a Gini Coefficient strays from the level of perfect equality, 0, the more unequal the distribution of a country is amongst its income earners. Another indicator of income inequality that can be calculated is the so called “Robin Hood Index”, the maximum vertical distance between the Lorenz Curve and the line of perfect equality; indicating the amount of income the richer parts of the population would need to redistribute to the lower income earners to make things absolutely equal.

By assessing all countries, we have a comparative view of the level of income inequality defined by the Gini Coefficient for Indonesia, Venezuela, and Nigeria. We can see that in 1989, the year that the SAP were implemented in Venezuela by the Perez administration, the Gini Coefficient sat at 45.3, meaning that the Lorenz curve deviated from perfect equality by nearly half; estimating that the country was facing an unequal but arguably manageable level of income inequality. By 1992 the level had dropped to 42.51, but began to rise again as the 1990’s moved on. By the time the Chavez administration took office in 1998 and proposed its measures of a more Socialist return to economic administration, levels of the Gini Coefficient fluctuated high and low due to varying

political, social, and economic situations within the country. Unfortunately, the IMF has not conducted an Article IV consultation with Venezuela since 2006 making speculation of their level of income inequality since they announced they would like to sever ties with the institutions quite difficult to accurately assess. As indicated above, however, due to their recent economic and political turmoil within Venezuela it can be speculated that both the overall macroeconomic health of the country, along with income inequality, are getting worse. By contrast, Nigeria saw a reduction of their Gini Coefficient following 1999 when the SAP were introduced from a high of over 50 to around 40 under the guidance of their home grown economic program. The country then affords a slight rise in the mid-late 2000's, the most recent United Nations Development report indicating that Nigeria's Gini Coefficient stands at 48.8 as of 2015 (Programme 2013). This slow rise back to pre-SAP levels offers a speculative assessment that while Nigeria's level of macroeconomic stability has increased over the years due to its SAP, its level of income inequality has begun to rise as well and will need to be monitored for further review. Lastly, in Indonesia we can see that amongst all the States reviewed in this assessment, they had the lowest Gini Coefficient of all three States. Following the SAP implemented in 1998 and onward, however, we can see that there is an increase in the level of the Gini Coefficient towards a more unequal distribution of the economic share of resources and capital.

Out of the cases I have studied thus far, I find that the most interesting case is that of Indonesia, who prior to the implementation of SAP had a relatively low Gini Coefficient, this coefficient has in recent years "increased sharply in Indonesia, climbing from 30 in 2000 to 41 in 2013, where it remains now" (T. W. Bank 2015). Despite the Indonesian economy achieving stable macroeconomic growth and achieving a successful

effort in poverty reduction, “equity in growth has been more elusive in Indonesia...with the affluent racing ahead faster than the majority, in the long term Indonesia risks slower growth and weakened social cohesion if too many Indonesians are left behind” (T. W. Bank 2015). This is a very troubling situation for Indonesians. High inequality can not only lead to low growth, but it can lead to raised levels of conflict as well, creating an uncertain economic and political environment that harkens back to the situation in 1997 that brought Indonesia and much of the East’s economies to a screeching halt.

Vivi Alatas, a lead economist for the World Bank based in Jakarta, said in 2015 that “many fiscal policy options are available that would improve revenue and redirect spending to programs that directly benefit the poor” (T. W. Bank 2015) such as increasing infrastructure in rural poor areas, as well as increasing the access to education for poor Indonesian sectors of the population; arguing that these investments will have long term benefits for society as a whole. Matthew Wai-Poi, World Bank Senior Poverty Economist mentioned in a 2015 report on Indonesia’s growing levels of income inequality that “government policies can reduce the frequency and severity of shocks, and ensure all households have access to adequate protection when shocks occur...these are long-term but needed investments for Indonesia,” (T. W. Bank 2015). Given that Indonesia chose to take the route of neoliberal market reform that places such a high focus on the private marketplace to increase “efficiency” and allow for the international competition of firms within Indonesia, perhaps Wai-Poi’s indications that a more involved State can in fact alleviate the levels of income inequality despite a growing level of income on the macroeconomic scale.

## Comparing Programs and States: Similarities and Differences

After a review of each State involved in the SAP implementation with the IMF, one can conduct a comparative analysis of the parallels, similarities, and differences of each case presented. As stated in the abstract of this paper, each country affords a high population, are major oil exporters, and have experienced good economic growth in the past. For starters, one can use the political parallels that followed the implementation or slightly preceded the implementation of the SAP in each country. What can be reviewed from all of these programs is that they are preceded by many years of mismanagement of resources, an institutionalized corruption problem that affords a lack of confidence in the body politic of each State, reduction of world oil prices harming economic performance, and the neoliberal implementation of market practices that often disenfranchise large sectors of the population leading to inequality and slow growth.

In Kenneth Robert's assessment of neoliberal market implementation practices in regards to Latin American politics, he makes an interesting point that discusses the consequences of neoliberal market reform in reference to structural adjustment. He notes that the "deregulation...of labor markets" was able to strengthen "mechanisms of corporatist control and eroded worker's rights and benefits that had been hard fought gains of previous rounds of populist mobilization" (K. M. Roberts 2002). This relatively consistent theme within each State signifies that the neoliberal SAP adopted by each State afforded a relatively stable macro-economic readjustment program that sought to stabilize detrimentally dire economic situations. However, they also enabled reforms that "privatized state-owned industries, streamlined public administration, and opened national economies to foreign competition" which created "unemployment and dampened wages"

(K. M. Roberts 2002). When looked at from this context, we can see another thread of parallel similarities between the three States where the neoliberal adjustments came at the cost of social and labor mobility/progression against the model of international market reform. As these States sought to privatize social services, deregulate the economy, and leave distributive outcomes to the mercy of the marketplace, we see that the benefits of such programs afford macroeconomic stability but came at the cost of a more unequal distribution of income.

The first parallel that can be drawn is that in the cases of Indonesia and Venezuela, where tumultuous political environments greatly affected the standing government's ability to control their economic crises. Large opposition in the street and against the standing governments at the time of the SAP implementation coincided with faltering faith in the established political and economic order of each State. In Venezuela, just days before the signing of their first LOI, massive riots and street protests erupted which plunged the country into martial law that required immense amounts of physical force to quell and bring into order. Likewise, in Indonesia, just prior to Suharto's signing of the first LOI with the IMF, there were many protests in face of the SAP and a strong opposition to the neoliberal economic program implementation; a side element that was fostered by growing discontent with the Suharto regime and a willingness of the Indonesian people to take matters into their own hands.

In respect to Nigeria and the popular response to the program implementations, because there was no formal financial arrangement between the Nigerian State and the IMF, but rather an advisory role facilitated through a "homegrown program", I would speculate that Nigeria did not afford the same level of political and societal instability that

was seen in Indonesia and Venezuela following the passage of the their LOI and the subsequent implementation of their SAP. Additionally, Nigeria had just been returned to civilian rule in 1999, making the implementation of new economic practices suggestively in line with stabilizing a country that had seen years and years of military rule. Despite Nigeria dealing with domestic issues such as international terrorism and its own political instability, one could argue that they did not share the same relation of political instability from austerity and IMF SAP that Venezuela and Indonesia experienced.

A separate indicative factor that did follow all States, albeit less in Indonesia than Nigeria and Venezuela, was seen in a lack of diversification of exports in the oil sector which heavily contributed to both Nigeria and Venezuela's initial plunge into economic maelstroms when global oil prices dipped below stable and profitable levels. As was explored in Nigeria's multiple LOI, many projections for the macroeconomic stabilization of their economy rested up the fluctuation of oil prices that might balance out budgets. Likewise, in Venezuela, there was a recognized commitment to diversifying the economy away from oil based exports; as was shown in their LOI the level of oil production actually increased under the SAP of the 1990's; indicating that there was either a blatant disregard by the government sectors or that diversification failed to be implemented throughout the State and private sectors. Indonesia was able to diversify its economy before the fall of Suharto and thus the subsequent implementation of SAP. However, it was mostly the degree of capital flight in the surrounding region that harmed their economic growth more so than a fall in oil prices.

Another indicator of potential parallels between each State, and in my opinion the most defining and important regarding the structural adjustment of their political

economies, is that they all had an enormously heavy focus of deregulation, privatization, and the placing of economic decision making and economic reconstruction in the hands of private power; reconstruction that opened their markets to international financiers and increased competition amongst those in and out of their respective economies. In other words, each country afforded a strong State sector prior to the SAP that focused on the decree of the State or an increased role of the public sector in economic planning and decision making; these were all subsequently replaced by neoliberal ideology whose political economies relied heavily on the private sector to determine growth leading to income inequality and the reduction of popular economic decision making. As was reviewed in the “Indicators of Macroeconomic Growth and Income Inequality” section of this paper, a similar parallel can be drawn between the neo-liberalization of their respective economies and an increase in macro economic stability. Both Nigeria and Indonesia privatized many dimensions of their economies and subsequently were able to afford an increased degree of economic stability. Venezuela, of course, being able to rely on its booming oil profits, was able to rely on its own measures to stabilize its economy.

A concluding indicator of parallels is that Indonesia, completing their final review of the IMF’s SAP in December of 2003, is the only country to have taken out a loan from the IMF, and consequently completed the SAP guidelines which brought negotiations and SAP guidelines to an end. However, it can be speculated that Indonesian policy makers and financial officials will continue the trend and drift into the neoliberal market reforms unless faced with an alternative. Hugo Chavez paid off money owed to the IMF shortly after he took office in 1999, as well as paying off WB loans in 2007. However, the country failed to continue dialogue between the IMF and has yet to conduct an Article IV



review of its economic situation with the IMF since then. Following Hugo Chavez's death and the State's current economic and humanitarian situation, it would be beneficial to study the direction the next standing government takes in relation to either continuing more formal relations with the IMF or severing ties as Chavez claimed in 2007. Nigeria, having submitted its final LOI in 2007, has yet to request financial assistance from the IMF. It seems to be continuing consultation with the IMF in regards to the continuation of the privatization of economic practices. Coupled with deregulation and free trade arrangements amongst its African neighbors, and those abroad, it would appear that Nigeria will not be deviating from these standards anytime soon.

While all the cases studied in this analysis afforded more stable macroeconomic environments through the course of their IMF led initiatives and SAP, the level of growth in these regions, as well as the regions surrounding them, has significantly declined; a decline that begs a serious question. How much of this reduction in growth is actually attributable to IMF policies that place a considerable emphasis on the stabilization of economies? To take a few examples, in Latin America for instance, "GDP per capita grew by 75% from 1960-1989, whereas from 1980-1989 it has only risen 6%" (Weisbrot, 2000). In regards to the Asian financial crisis, the IMF's fiscal austerity measures, measures that saw interest rates as high as "80 percent in Indonesia...deepened the recession and threw tens of millions of people into poverty" (Wiesbrot, et al. 2000), having a disastrous effect on growth rates for the country. It could even be argued that the IMF was itself responsible for creating the Asian financial crises, as it encouraged the "opening of financial markets to large inflows of portfolio investment, which subsequently

catalyzed events even more rapidly” (Wiesbrot, et al. 2000), an argument that could be extrapolated upon in an assessment of the Indonesian financial crisis as a singular study.

## VI. CONCLUSIONS

### Conclusions Regarding Structural Adjustment Programs

Before making concluding remarks, I want to take a moment to redress the abstract proposed at the beginning of this thesis, this being that fact that I am reviewing the restructuring of each State's political economy; not necessarily arguing that an economy has benefited or not benefited from structural adjustment. As was reviewed in the "Indicators of Macroeconomic Growth and Income Inequality" section above, the political economy was restructured in a fashion that increased macroeconomic stability as well as income inequality as defined by the Gini Coefficient. From this perspective, it can be viewed that if you are within the high income bracket and benefit from the privatization efforts put forth in many of these SAP, one could make the argument that you "benefited" from the SAP. On the other hand, if you are within the low income bracket and do not partake in the privatization restructuring of the economy and are faced with increased prices in fuel and other VAT, then it can be argued that you did not "benefit" from the restructuring of the political economy. This being said, I might offer my own analysis and final thoughts of the restructuring of the political economies of Venezuela, Nigeria, and Indonesia.

Mark Weisbrot simply describes the IMF's "one size fits all" policies as dangerous and short sighted given each program studied is dripping with neoliberal ideology and fails to take into consideration the benefits of a more State-involved dimension to economic policy reform might have. I believe considering or even increasing the State involvement in each of these economic crises might have been beneficial, given

that each country afforded a history of having a strong State sector involved in the economy. Shortly after the Asian financial crises and the success of several left-leaning governments in Latin America, Weisbrot suggested that the “search for abstract principles about trade and financial openness, private ownership, the size of government, or even inflation-- and their role in increasing income is analogous to trying to find a simple relationship between food intake and health in the United States” (Wiesbrot, et al. 2000). In other words, slapping the IMF’s consistent and similar practices of economic reform on any and all countries it interacts with is dangerous and fails to consider the underlying currents of how an economy might work for all of its people by having the State have its responsibilities and leadership role more involved in economic decision making.

What strikes me as interesting is that despite the neoliberal model of free trade, open markets and privatization of normally public assets, the framework is a radical departure from traditionally capitalist ideology when considered on the macroeconomic level. For example, if I were to offer a loan to a neighbor, and they defaulted on that loan, then it would be I, the lender, who would suffer economic consequences as I was the one who took risk in accordance with capitalist tendencies of risk involvement. According to the IMF’s model, the institution offers a loan to a recipient who defaults and performs poorly, but instead of the one who took the loan bearing the brunt of the responsibility, such as the heads of State of Venezuela, Nigeria and Indonesia, it is the workers and the citizens of the State, or the neighbors friends and family from my simplified example, who must bear the brunt of the risk the governments took in giving out the loan. Further confusing and in sharp contrast with capitalist principles is that the IMF remains risk free in their loans as they are subsidized by the tax payers of the Global North; eliminating all

risk involved in giving out a loan to a country in need should the situation turn against their favor as it had in the decreasing realm of influence in Latin America. In the case of Indonesia, as visited earlier in this paper, when Indonesian policy makers signed their LOI requesting a standby arrangement of 7.3 billion, the estimated wealth of Suharto's family was somewhere between \$2 billion and \$10 billion (Borsuk, 1998).

Instead of the paying off the debts and loans that were requested by those those who had robbed the country blind through decades of wealth consolidation and practicing crony capitalism, it was the people of Indonesia who had to bear the brunt of the loans through an increase in fuel, electricity, and other commodity goods and services that were implemented as a way to service the debt owed to creditors and the IMF. Thus, despite a dictator borrowing from financial institutions and the IMF, the debt is socialized and it's the public's responsibility to pay it back through the restructuring of the political economy; a socialism for the rich and a rugged individualism for the poor. Likewise, in Venezuela, the restructuring affected wages of workers, the contraction of labor costs and jobs, all the while paying off a debt that no citizen affected by the structural adjustment was personally responsible for. In Nigeria, a similar approach was implemented by a reassessment of government employee's role in the formal economy, and a massive privatization of numerous industries which likely contributed to the rising level of income inequality the country now faces.

I believe it would be entirely possible for the countries of the Global South to effectively manage their debt loan payments not only with the IMF, but for other loan agreements such as those with the Paris Club in the case of Nigeria, along with the international financiers that are involved in loans and debt service with countries of the

Global South, if they could simply get their wealthy population under control. I understand that this is much like saying it would be entirely possible for the lost souls of the Sahara to effectively quench their thirst if they could simply squeeze cold water out of the hot sand. Organizing and struggling against measures and institutions that have a disproportionately negative outcome for poor people has never been easy; it requires struggle and determination that brings people together under a common banner. This method of organizing poor and disenfranchised classes is effectively fought against by the institutionalized privatization of the economies of the Global South, as well as the reduction of the State in its involvement in the political economy; meaning that private power is increased while public power is decreased. The entire debt and loan structure under the IMF thus seems to me an illegitimate model and one that siphons funds and debt repayment not from those who took the loan or lead the country astray, but from the workers and citizens of the country. Why should the citizens and workers of a State bear the responsibility of poor economic managerial skills at the upper echelons of government and finance? It is further worth noting that, as stated above, the IMF economic package for Venezuela in 1989 was not approved by Venezuela's Congress, yet when it comes to industry and the economy being restructured, it is those who had no say in the agreement that bear the brunt of the responsibility and loan repayment.

What the IMF has modeled itself to be, in short, is an entity that in of itself imposes neoliberal economic, political, and social restructuring to fit a model of the world economy that might not be attributed to the local, historical, and sociological foundations of a certain societal framework and their economy. This is not to say that each economy in respect of the order presented would have done better without the IMF's help, in fact I

believe it goes without saying that all were in need of a dire restructuring and directional capacity that would lead them to a less corrupt, more long term stability model that can balance external debt and afford long term growth. However, the highly ideologized practices of neoliberal economics, with its focus on privatization of normally State run assets, economic trade liberalization that removes subsidies and opens domestic markets to international competition, as well as the lack of popular approval of these proposals as was the case in Venezuela, brings into high consideration as to whether these practices and economic restructuring models are the best fit for the cases presented. I believe it also should be mentioned that the imposition of the political-economic framework of neoliberal market practices and capital control of each of the States studied is a threat to democracy in so much that it removes the State, and thus the popular decision making capacity of the people in the State, to direct funds and economic policies that they might see beneficial to the furthering of their specific national interests.

When there is a higher concentration of privatized economic decision making, the ability of the citizens of a State to direct their economic future is thus narrowed and placed in the hands and committees of those who command private power. In sum, I believe it would be a move in the right direction for the IMF to reconsider its highly ideologized practices of deregulation, privatization, the reduction of State involvement in the economy, as well as the siphoning of loan repayment through the decrease in subsidies and an increase in wage theft, and instead focus on a more State centrist and democratically organized method of individual political economy reforms that work from State to State. In order for States, and consequently their citizens, to address economic downturns in a constructive and long term manner, it would appear they have an option of

continuing neoliberal austerity measures set in place by the worlds most powerful financial institutions, or becoming more involved in their own political and economic processes to demand a more equitable and distributive outcome of their economic performance. The rules that govern the international economic order are neither immutable nor set in stone, they are a part of an institutional framework that can and should work for those effected most broadly and directly by the mismanagement and corrupt decision making of the heads of State that led them to the position they arrived at. With a far more engaged, and politically involved populace that is interested in changing the institutional framework of political economy restructuring, and not just those who run them, I believe they will see a more just, fair, and equitable economic future once they have decided to organize and establish long term foundational frameworks of people working together for a just global economic order that works for those who are most effected by the decisions and policies laid out by the International Monetary Fund.



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