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"STRUCTURAL ADJUSTMENT", LIBERALISATION, AND POVERTY

I. Introduction

The power of monopolising a term sounding deceptively acceptable and sensible by cleverly chosen language is an extremely valuable asset. The term "Structural Adjustment" ("SA") coined by the Bretton Woods Institutions (BWIs) proves this point extremely convincingly. It is cleverly chosen. There is no doubt that all social and economic structures have to – and actually do – adjust over time in a dynamic world, nor that many Southern Countries (SCs) need to adjust their economic policies. Thus, no one can argue against the need for structural adjustment in general. It must, indeed, be wished that the BWIs, too, should finally adjust their own concept in the light of empirical evidence – a thought totally alien to them. Changes and adjustments of structures, however, need not mean one specific variety, such as the one of the BWIs, nor does coining the term automatically justify whatever is done by the inventors. Distinguishing the necessity of changes as such, which is likely to meet general approval, from one particular approach and its specific implications is thus absolutely necessary, though too often neglected. Therefore this paper is going to use inverted commas to differentiate BWI-type "SA" from the general meaning of the expression.

Early on the BWIs were able to define the term structural adjustment to mean their own specific ideas, or in plain English whatever they were doing. Green and Faber (1994) characterise this well by quoting the Red Queen from *Alice in Wonderland*: "Words mean what I say they mean." Wonderland queens, of course, do not have to be consistent, they may adjust their understanding of words over time, and they are definitely not subject to economic or logic evaluation. Looking at the historical record one cannot help thinking that the BWIs have enjoyed this privilege of the Red Queen so far.

The main advantage of the BWIs' advocacy for "SA" is the evident need for structural adjustment. Furthermore, their analysis of failures and mismanagement within SCs is often correct. Some SCs did have strongly overvalued exchange rates and something had to be done about that. Inefficient government sector entities did (and still do) exist. The often told story about an African country literally opening its national accounts to an IMF-mission by taking the lids off some cardboard boxes containing an assortment of loose pages does not sound totally impossible. Again, the fact that reforms are urgently needed does not logically lead to an endorsement of one particular reform, especially so if – as the BWIs have always been eager to do – external causes of problems are mostly neglected.

The statement that the IMF (BWIs) may be used as a convenient scape goat(s) by governments to pursue their own policies is not totally incorrect either. This has happened sometimes and to some extent, and it appears to reinforce the credibility of these institutions with their main shareholders. Nevertheless being blamed does not prove that one's policies are appropriate.

A very strong pillar of the BWI-monopoly of "SA" is purely institutional. Globally, there exists no institution which has the personal or financial resources to elaborate another model in detail. The brave but limited attempt by the General Directorate VIII of the European Communities to design a different type of structural adjustment was quickly and easily stopped. After a change at its top alternatives are no longer attempted. Considering that most member countries of what is now the EU are also major shareholders of the BWI, where they have supported "SA", this is not inexplicable.

Finally, the rather monolithic and simple approach grafted upon any economy is another advantage for the BWIs defending their model. As a sensible alternative would have to be very country specific and concrete plans would have to be elaborated an a case-by-case basis no general model can be presented. This is apparently the main reason, why the *African Alternative Framework* of the UN Economic Commission for Africa (ECA 1989) failed: for a workable prescription how to adjust under the specific conditions of African countries it remained by far too general. Thus, the BWI can argue with sophistry that there exists no alternative model. Naturally, whenever recommendations such as devaluation or privatising a state enterprise are made, the BWIs are able to use this as a justification for their own "SA", where such proposals do figure prominently.

One essential "SA"-feature is austerity policies to make more foreign exchange available to creditors. The lynchpin of this strategy is devaluation. Apart from being supposed to increase exports it compresses imports reliably even though the economy has to liberalise. Logically, the BWIs demand cutting of subsidies and other social outlays to shift more resources away from domestic use, making them available to creditors – a practice which might be dubbed the "lemon squeezer approach". As shown by empirical evaluations this particular part of their "SA" model has always worked quite well. Regarding their relation to creditors one must not forget that the BWIs did not raise their voices against the practice of commercial banks to force debtor governments to socialise private debts. Many governments were forced to assume retroactively losses from private lending initially done without any government involvement. This made debt management much more difficult. Nevertheless the BWIs have not protected debtor governments against this practice. Quite on the contrary, they have insisted on punctual debt service of socialised debts as well.

The second essential feature is liberalisation and privatisation. Debtor economies must open up unconditionally to what the BWIs believe to be the "free" global market. State activity has to be cut back, even in countries where there is no private sector able to substitute government activities. These two essential features are usually beautified by a range of conditions mentioning topics that happen to be fashionable at the time of lending, as well as with rhetoric aimed at appeasing critics. These beautifications are adjusted to going fads and fashions, adding conditions catering, e.g., to environmental concerns or gender issues. In 1987 the Group of 24 criticised the proliferation of IMF performance criteria in number and scope "under one pretext or another" *(IMF Survey,* Suppl., Aug. 19, 1987). During 1983 – 85 nearly 80 per cent of the arrangements contained, on average, more than eight performance criteria, sometimes as many as 14, a number dwarfed by the over 100 conditions of the IBRD's second "SA"-Loan to Thailand. While a host of conditions will make a programme unimplementable, there is one advantage to it. All fancies of superiors or the public can be easily packed into the loan, and – to paraphrase the Wapenhans Report (IBRD 1992) – one can formulate them in beautiful English, which is conducive to one's career.

This paper focusses on these two essential features. It deals with BWI-reactions to poverty resulting from austerity policies, and it exposes the double standard of adjustability between North and South at the example of the Uruguay Round. Sketching the evolution of "SA" it shows how, in the words of Green and Faber (1994), it structurally adjusted itself. Beautifications changed, either because of public pressure, or to conceal one's own grave errors and embarrassing advice in the past. "SA's" simple, essential features remained unchanged.

II. The Adjustment of "SA"

While the IMF was not created as a development organisation, it could claim balance of payments problems to be within its jurisdiction – at least as long as the Bretton Woods system of fixed parities existed. Under this system the Fund was meant to enable (initially practically only industrialised) countries with short term balance of payments problems to stay within the agreed band of parities to the dollar. In the case of severe problems the agreement foresaw changes of parities, but no other policy changes. The break down of fixed parities left the IMF virtually without agenda. Its few tasks at that time, such as the Compensatory Financing Facility, could easily have been handed over to another institution. During the 1970s, when commercial banks started to lend aggressively to SCs, until 1982 its influence was at a record low. In 1981, e.g., India even preferred the IMF to private sources, using it as a "lender of first resort", much to the discontent of the US. Although "adjustment measures" were started in the 1970s to document a new role, the IMF and its employees were desperately looking for a more convincing *raison d'être*. The debt-crisis of 1982 provided it. The fall of the Iron Curtain provided another when the debt problem had become less urgent.

Financing projects the Bank, in contrast to the IMF, did not need to justify its existence. Nevertheless the IBRD became keen to assume the new role of a policy maker at the end of the 1970s: "[T]he Bank felt that it needed a place at the top policy-making table" (Mosley et al 1991, p. 34) beyond what it could expect from mere project monitoring. Ernest Stern (1983), one of the most influential men in the Bank and the master mind behind its programme lending, corroborates this view. He praises the "comprehensiveness" of programme lending, its "coverage in terms of both macro and sector issues of policy reform; the exclusive focus on policy and institutional reform; and the detailed articulation of the precise modifications in policy necessary to adjust to a changed economic environment" (ibid., p. 91). As the availability of funds is entirely dependent on progress in implementing policy reform SAL enables "the Bank to address basic issues of economic management and of development strategy more directly and urgently" (ibid.). Briefly put, Stern (1983, p. 104) saw SAL as a "unique opportunity to achieve a comprehensive and timely approach to policy reform" and as the response to a "*feasible ... call for increased sacrifices*". (p. 91, stress mine) Of course, Stern explains, there is a need for a "firm understanding" of monitoring. Describing the mechanisms of control in some detail Stern (ibid. p. 99) concludes: "While this procedure may be called 'conditionality', it is in principle not different from the relationship involved in Bank sector or project lending". The need to claim "ownership" by the respective SC-government was not yet perceived as important.

Already in 1987, however, the Bank used much more guarded words, stressing "... the importance of the macroeconomic environment. It is increasingly recognised that it is virtually impossible to have a good project in a bad policy environment. To improve the policy environment the Bank has supported efforts to adopt appropriate policies in a variety of areas." (IBRD 1987, p. 34) No doubt, this was a reaction to criticisms that the Bank forced policies down its clients' throats. The IBRD had been proud of its strict monitoring and strong influence for decades, a pride not quite as perceptibly expressed since it has come under critique.

A strong tendency to shift accountability for or "ownership" of the project or programme – on paper – exclusively onto the borrower is discernible. The BWIs have increasingly adopted formulations such as IBRD(or IMF)-supported programmes to indicate that one talks, in fact, about a client's programme, for which the SC, not the BWI, is financially accountable.

On the other hand, even official IBRD-publications confess quite frankly that the IBRD imposes economic decisions on borrowers. The Bank has frequently complained about lack of "ownership", or lack of client-interest in "IBRD-supported" operations. The Wapenhans Report (IBRD 1992) identified insufficient "ownership" as one major and frequent problem in need of redress. This would be impossible if projects and programmes were indeed the client's own, and the IBRD's role were restricted to financial support and expert opinion where demanded.

The IBRD's OED (1989, p. 26) concluded: "Finally, borrower preferences are not always seen as important in supervision management, although the outcome often has a critical impact on the borrower." Or, to "quote one of the Bank's executive directors: The challenge for the Bank is to change the ways it interacts with borrowers, from *a pattern dominated by prescription, imposition, condition-setting, and decision making* to one characterized by explanation, demonstration, facilitation, and advice." (IBRD 1993, p. 12; emphasis mine)

Logically this finding contradicts the argument that borrowers own "their" project already. If BWIs only help a country to do what it fervently wishes anyway, there might be need for advice but certainly not for stern monitoring. Such self-contradicting illogic is, however, mercifully accepted by IFI-shareholders without questioning.

As already mentioned above structural adjustment was already practised by some countries before 1982. According to *Finance and Development*, the official BWI-quarterly, the IBRD started in 1980 (Thomas and Chhibber 1989), "adjustment measures" by the IMF in Africa already after 1973 (Kanesa-Thasan 1981). During this early phase, when the Fund was glad to find clients, conditionality was lenient. In the "third phase" starting in 1979 it became stricter and supply-side policies more important. 88 arrangements by the IMF were accorded between January 1979 and December 1981, to support "adjustment measures", particularly measures to reach a sustainable balance of payments position (Crockett 1982). All countries asking for reschedulings in 1981 (9 with official creditor clubs plus several outside these clubs) had a Fund supported "adjustment programme" in place when negotiating with their creditors (Nowzad 1982). BWI-adjustment measures – literature shows that they were essentially the same as they are today, though expressions and lingo have changed a bit – did not prevent the debt crisis. The BWIs, particularly the IMF, did not arrive on the scene after 1982 to solve the debt problem created by others, but they had been part of the process leading to it. A critic of the BWIs might even say with justification that the first unsuccessful adjustment programmes existed before the debt crisis. The Fund might counter by pointing out that it did not have sufficient leverage before 1982 to force countries into necessary reforms. Naturally, this would again be at odds with the claim that SCs "own" programmes only "supported" by BWIs. Fortunately, the BWIs – like the Red Queen – are not supposed to be consistent by their main shareholders.

Even a brief historical survey on the evolution of "SA" would remain incomplete without drawing attention to the fact that the BWIs strongly encouraged SCs to borrow in international markets. It is important to note that it took the BWIs quite long to realise the dimension of the debt problem, as can be corroborated by a host of evidence from their own publications. As late as 1982 a paper in their official quarterly allayed fears that private banks might not cover SC-deficits. These wide spread concerns of "two years ago" had become unfounded "nowadays" (Nowzad 1982, p. 14), although it could not be excluded that some groups of non-oil-exporting SCs might not be able to borrow all the funds they might need in the future. Nowzad echoes the findings of an IMF working group on international capital markets published in *Finance and Development* of March 1981 in an unsigned article and as an *Occasional Paper*.

Even after August 1982 the BWIs felt that the money market functioned well. They saw no signs of liquidity bottlenecks, nor of restrictions regarding the capital base of private banks limiting lending to SCs, which was supposed to continue on a large scale (Versluysen 1982). The Task Force on Non-Concessional Flows established by the BWIs in 1979 presented their findings in May 1982 (ibid. p. 33), i.e. before the debt crisis broke. Pointing out that the conclusions had been presented before the crisis and there was presently even less reason for optimism the author insisted that these conclusions did still hold (ibid., p. 34).

In spite of their record the BWIs are now lecturing on the necessity to be a more prudent borrower, naturally failing to mention their own advice. The *World Debt Tables 1992/93* (pp. 10ff), e.g., find that "the principal policy lesson of the debt crisis is that domestic resources and policy, not external finance per se are the key to economic development" – a statement recalling Keynes' recommendations of homespun goods and domestic credits, or *dependista* and dissociation literature. The IBRD goes on drawing conclusions such as

"heavy reliance on external finance is a risky strategy because it increases vulnerability to adverse external developments and their attendant long-term development impact ...

Prudent lending and borrowing policies should take into account the vulnerability to adverse external shocks. Current interest rates are a poor guide for external finance decisions. Seemingly cheap variable-rate loans may turn out to be expensive if interest rates increase. Negative terms of trade shocks may be permanent rather than transitory and merit adjustment rather than external finance.

In a solvency crisis, early recognition of solvency as the root cause and the need for a final settlement are important for minimizing the damage. ...protracted renegotiations and uncertainty damaged economic activity in debtor countries for several years ... It took too long to recognize that liquidity was the visible tip of the problem, but not its root." (ibid., stress i.o.)

Similarly, Ahmed and Summer (1992, p. 4) stress the costs of delaying the recognition of the now generally acknowledged solvency crisis, quantified as "one decade" in development. Naturally, no mention of BWI-defence of the wrong liquidity theory is made. The British banker D. Suratgar diagnosed the "root" – insolvency – immediately after the crisis broke. Similar deliberations can be traced back to 1982 (cf. Malagardis 1990, p. 181). UNCTAD called loudly for a solution to international insolvency in 1986. The BWIs, too, could have recognised it much earlier, thus minimising damages. This strategy, though, would have been at odds both with BWI-interests of increased influence via "SA", and with the lemon squeezer approach favoured by their main shareholders, particularly by the US Treasury until 1989.

After defending the liquidity crisis theory for quite some time the BWIs simply chose to forget their own arguments and analyses. They also fail to remember that the policies advised to (or forced on) debtor countries by them were based on these errors. In other words: their "advice" or – paraphrasing a sterner source – their "firmer understanding" of monitoring has created economic and social damages in SCs for which those countries, not the BWIs had to pay.

III. Poverty – An Illustrative Example of this Adjustment

The BWIs have repeatedly adapted wordings and presentations under public pressure, without, however, really changing the essence of "SA". Poverty is another issue where the BWIs have completely forgotten their own record. During the McNamara years the Bank advocated helping the poor with debatable results. It did, e.g., not reach the poorest 20 per cent (Lipton and Shakow 1982). As late as 1982 the conclusions of a working group on poverty calling for measures to alleviate the effects of "SA" on the poor were officially approved.

A little later the tide had totally turned. The BWIs insisted that carrying on "SA" had positive impacts and was in the very interest of the poor. Special measures to protect them would thus be superfluous if not harmful. Emphasising human needs might obstruct needed reforms (Jolly 1991, p. 1811). The IBRD (1980, p. 62) described the "major drawback" of efficient food subsidies as costly, often using up "scarce foreign exchange or aid". The going arguments are nicely summed up by the IMF's Tseng (1984): "SA" costs are unavoidable and lower than the costs of non-adjustment. Efficiency gains will more than make up for "SA" costs. Financial help by the BWIs decreases these costs further. Bringing down inflation is of particular benefit to the poor likely to hold their assets in cash. Successful economic reforms benefit everybody, including the poor. Subsidies have to be abolished, as they are a huge part of public outlays. They discriminate against the rural poor, and create incentives for low wages industries thus leading to rapid urbanisation (and slums). To be on the safe side Tseng adds that the IMF has no mandate regarding the poor anyway. Beckmann (1986) e.g. concurs, explaining the change in the IBRD's approach as triggered by changed necessities of SCs: a balance of payments equilibrium reached by growth of GDP and exports benefits the rich as well as the poor, relying on market mechanisms does not mean less attention to the poor, planned actions are better than unplanned adjustment, sacrifices are necessary for a better future. The growth crisis made advances in poverty alleviation practically impossible. In line with his employer, the Bank, he adds that many projects benefitted the poor as well, even though the political climate of the 1980s was not conducive to the poor. To prove this he mentions that most IDA and IBRD funds went to poor countries and sectors, whose projects are supposed to benefit particularly the poor – an argument that may raise objections from statisticians. However, as the Bank's policy is decided by its members and in consultation with borrowers the IBRD itself has – according to the author – limited room for manoeuvring.

Basically, this view was held until UNICEF's adjustment with a human face (Cornia et al. 1987) was published, although the BWIs were confronted with the effects of "SA" on the poor as early as 1984 (Helleiner et al. 1991). The book review in *Finance and Development* by Pfeffermann (1988) qualifies the proposed changes of stabilisation and "SA" policies as a *"cri du coeur"* rather than a serious guideline for economic policy. Seeing the study's merits in raising governments' awareness of poverty, he called for practicable proposals instead of the study's ideas. In spite of his verdict, which was in tune with the general feeling at the BWIs then, Pfeffermann himself had recommended targetting, a method advocated by the UNICEF study, in 1987. The 1988 *World Development Report* wrote about how to target effectively to avoid leakages. Meanwhile, special programmes to help those affected by "SA" are officially accepted by the BWIs. It is argued that they would make "SA" more acceptable and thus more efficient – a point denied shortly before. And, whatever the BWIs did, they always helped the poor – like words always mean what the Red Queen says they do. In practice, though, little was done by the BWIs. Stewart's (1991, p. 1847) finding that "while there was a big change in rhetoric, little action has so far followed" still holds. Arguments and titles of publications have changed, while "SA" has essentially remained unaffected, in spite of severe critique and even though it could not prove empirically that it works. Quite on the contrary, the successful "tigers" have done the opposite of what the representative debtor country is forced to implement.

IV. Double Standards of Adjustment and Liberalisation

There exist remarkable double standards of flexibility and adjustability of economies between North and South. Comparing the trade restrictions allowed to the North in order to ease their adjustment by the Final Act signed at Marrakesh with BWI-demands for SCs undergoing "SA" of their economies shows clear and unjustifiable discrimination. Naturally, the BWIs have no power to force liberalisation policies on their main shareholders. But they could have wondered whether SCs need less respite than the world's best developed economies, adjusting "SA" accordingly.

The Multi-Fibre Arrangement (MFA) and its integration into the Uruguay Round is the prime, though by no means only, example of double standards. It shows how easily the North is able and how readily willing to infringe on the idea of liberalising trade forced on SCs. Protectionism in this sector dates back to 1935, when the US negotiated the first "voluntary" export quota system on textiles with Japan, although US textile producers were protected by tariffs of 40 to 60 per cent. In 1961 the Short Term Cotton Textile Arrangement was negotiated under GATT auspices at the request of the US. It was replaced by the Long Term Arrangement Regarding International Trade in Cotton Textiles in October 1962, which ruled sectoral trade until 1974, when the MFA I replaced it. Although the MFA is a clear contradiction to the very aim and essence of GATT 1947 – liberalising trade in manufactures – the Textile Surveillance Body was established by GATT to supervise the implementation of this system of trade restrictions and to arbitrate disputes, thus siding with the North by condoning the MFA – or the violation of its own basic principle – openly.

MFA I was considered necessary because the use of synthetic fibres not covered so far had increased tremendously, and some SCs had gained progressively larger market shares. The other main reason was that substantially increased productivity in the textile industry had led to a decrease of sectoral employment in the North (IBRD 1987, p. 136) as many studies corroborate. Labour saving effects of technical progress within Industrialised Countries (ICs) were simply shifted onto SCs. Schatz and Wolter (1982), e.g., found that job losses due to productivity changes in the case of textiles and clothing were between two and three times higher than jobs lost because of imports for the FRG. If one compares net import effects of textiles (job losses due to imports minus job creation by exports) productivity accounted for 44 times higher losses than foreign trade. For the whole economy job losses due to higher imports were more than outweighed by increased exports during the period 1970 – 78, while productivity increases cost four times as many jobs as all imports (for other studies cf. Raffer 1987, pp. 225 ff). Nevertheless IC-economies need decades of protection to adjust to SC-exports.

At the beginning of the Uruguay Round the thought surfaced to legalise rather than phase out the MFA in the new framework. As late as 1988 the US refused to discuss the MFA in the Uruguay Round. In January 1989, e.g., both the EEC and the US stonewalled in Geneva against the idea of phasing out restrictions under the Uruguay Round, seeing this as only one (but not the only) option for integrating this trade into GATT. In comparison one may thus call the agreed phasing out after 10 more years a "success" of the South, although it remains to be seen whether the MFA will actually be discontinued after the next decade. There is no convincing evidence that it will stop this time, although Article 9 of the Agreement on Textiles and Clothing unequivocally forbids extension. But all MFAs were introduced as "temporary" measures to ease Northern adjustment problems. Even if it ended, this would mean that ICs will have enjoyed "necessary" protection in one small part of their economies for up to about seven decades – while they and the BWIs they control claim that SCs must open their whole, crippled economies immediately to global (not free) trade.

Naturally, the continued MFA, now officially anointed with GATT-conformity, shifts 49 per cent of liberalisation into the distant future, 10 years after the WTO Agreement's entry into force. Besides, safeguard clauses had to be agreed on to shield IC-economies from increased imports causing "serious damage, or actual threat thereof" (Art. 6.2) to domestic industries. On the other hand, re-imports of products exported by domestic enterprises to be further processed in cheap wage countries are explicitly allowed more favourable treatment (= re-entry) when "transitional safeguards" are applied. Apparently, investment and employment are only endangered by competition, not by relocation of labour intensive processes.

These are, of course, not the only safeguards available to ICs. Many more can be found, e.g., in the Understanding on Balance-of-Payments Provisions, for agriculture, briefly put, wherever this is in the interest of the BWIs' big shareholders. Naturally, the texts speaks of "members" thus formally allowing the same measures to any country. But allowed subsidies are costly and nearly all SCs are under BWI-rule – equal opportunities remain thus purely academic.

In stark contrast to the perceived needs of ICs, SCs are forced to liberalise immediately. The IBRD (1987, p. 150) urged SCs to open up even if the North should become more restrictive than it already was. In this case SCs should become more flexible: "The best response is flexibility – that is, the ability to shift resources rapidly from an export where sales are proving difficult to an export or import substitute where profit opportunities are now superior." Suffice this illustration. In a world of sticky investments, such as ours, where capital can hardly be shifted rapidly from cocoa production to computer designing, this is clearly bad advice. It may be safely assumed that importers can impose new barriers more rapidly than exporting SCs will be able to switch to new products. Finally, mentioning of import substitution appears to be pure lip-service meant to sound more convincing. In practice the BWIs have always objected to it, preferring so-called "outward orientation".

The IBRD (1987, p. 8) defined the essence of "outward orientation" as "neither discrimination in favor of exports nor bias against import substitution". However, "Because international trade is not positively discouraged, this approach is often, although somewhat misleadingly, referred to as export promotion." (ibid.) Later on it defines Hong Kong, Korea and Singapore as "strongly outward oriented", or countries where "trade controls are either non-existent or very low ... There is little or no use of direct controls and licensing arrangements" (ibid., p. 82). In the meantime the IBRD has itself described far more controls and interventions in Korea than purportedly existed (IBRD 1993a). This contradiction allows only two logical explanations: either the IBRD was totally ignorant about Korean economic policies a few years ago, although brandishing this country as a model, or it did not report absolutely honestly on purpose.

Recently, IBRD-employees found an "alarming trend" (Low and Nash 1994, p. 59) of countries such as Brazil, Chile, Korea, Mexico or India to apply the same kind of anti-dumping and variable-levies-mechanisms used by OECD countries. Practices applied by the North for decades without alarming the public, cause alarm if used by SCs even though anti-dumping measures remain legal under the Final Act of the Uruguay Round.

While the US has not been able to adjust one relatively small sector of its economy since 1935, SC-adjustment programmes were initially planned for only twelve months, because one year fits in very well with authorities (Crockett 1982, p. 15). The question whether this well introduced time span is necessarily adequate for dealing with the adjustment of whole economies was apparently not posed at first. Doubtlessly it reflected the IMF's history, its original, but at that time already obsolete task of lending in a short term balance of payments crisis while keeping out of long term economic policy. Eventually, longer periods, such as two or three years have become increasingly common. Or, in the words of IBRD-employees: "SA"-programmes last longer and have turned out to be more difficult than initially assumed (Thomas and Chhibber 1989, p. 30).

Obviously trade restrictions absolutely necessary to protect IC-economies from undue shocks cannot be harmful for SCs. Quite on the contrary, as economically more advanced countries have better and more flexible structures, the logical conclusion would be that countries with weaker economies need even more protection. This, however, would limit the export possibilities of big BWI-shareholders.

V. Conclusion

This paper has shown that "SA" existed well before the debt crisis without preventing it, and how adjustments of "SA" itself remained superficial. It drew attention to clear double standards of how much liberalisation economies can cope with, as well as to errors of judgement and bad advice by the BWI in the past that influenced their policy substantially. Apparently there is no need for the BWIs to implement efficient policies. They are not only the last institutions enjoying the privileges of central planners – taking economic decisions at their clients' financial risk – but they even gain financially from their own errors at their clients' expense (cf. Raffer 1993). In the interest of sensible economic policy as well as the poor this perverted incentive structure must be adjusted immediately and radically.

Abstract

Focussing on two essential features of "SA", poverty resulting from austerity policies and liberalisation, this paper draws attention to clear double standards of how much liberalisation economies can cope with, as well as to errors of judgement and embarrassing BWI-advice in the past. It recalls that "SA" existed well before the debt crisis but was unable to prevent it, and that adjustments of "SA" itself remained superficial, largely restricted to nice formulations. But, whether now favouring measures to alleviate "SA"-induced poverty on efficiency grounds or rejecting such measures on principle as superfluous and harmful as before, the BWIs claim to have always acted in the very interest of the poor.

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