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Commentary Open Access

International Monetary Fund: Hamlet Disappeared on a Mission

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Commentary

The IMF's action or inaction-depending on how one looks at it-epitomizes the most obvious and striking imbalance between the means and the ends of a socio-cultural model that has reached the end of the line, culminated in first social and then economic failure. The IMF was created in a period of history intended to put back together the pieces of war-torn societies but ended up forgetting the purpose for which it was created [1]. The perhaps desired lack of a redefinition of its role in a dramatically changed monetary context has ended up being the problem and not the solution to the problems for which it was intended, paradoxically complicating them instead. The positions taken recently, for example in relation to Greece or "the whispers and shouts" on Ukraine, demonstrate its inability to propose solutions to social and monetary problems, a prisoner of a rigid cultural model that has failed in practice, which favours money ahead of society. Paradoxically, and in evidence of this, the Wall Street banks were saved from default (the 11 trillion/$US sovereign debt led to surging and blocking actions on welfare to reduce the by-now explosive social conflicts), then condemned by the US State Department for fraudulent behaviour (too big to fail), yet ignoring the fact that a people, the Greek, with a GDP equal to that of Paris should be put on the streets for a debt of 32 billion/€ (too small to not fail?). Understanding its DNA is no longer possible: what is the hamletic IMF? Let us try to reconstruct the history and the facts to give a possible interpretation of its current inadequacies.

The IMF was established at Bretton Woods just before the end of the war and formally established on 27 December 1945 when the first and important 29 member states-now 188 subordinated to the dominant oligarchy-signed the founding agreement. Considering its institutional goals, one can begin to understand how distant its actions are from those guidelines [2]. If we look at history, not a great deal of time has passed since then, yet it seems like an eternity ago. In the last 50 years, the world has changed in the spirit that guided the great post-war dreamers, progressively consolidating a rational culture that turned finance and neoliberalism into a purpose clad falsely as absolute sacredness. Finance has broken free from the real economy and has become a means of exercising power that stands above others, with an inner end that certainly does not coincide with the common good.

A determinant role in recent years has been played by the IMF that has broken away from the founding guidelines constituted by its statute and even taking a type of neoliberal instead of the Keynesian line for which it was designed. Recalling here the "absolute" purposes listed in the IMF Articles of Agreement [2]:

(i) To promote international monetary cooperation… consultation and collaboration…

(ii) To facilitate the expansion and balanced growth of international trade… contribute to the maintenance of high levels of employment and real income and to the development of the productive resources of all members…

(iii) To promote exchange stability… and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments… and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(v) To give confidence to members by making the general resources… without resorting to measures destructive of national or international prosperity.

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium…

The Fund shall be guided in all its policies and decisionals by the purposes set forth in this Article.

The current situation is in stark contradiction with the IMF's statute and operations. The definition of these guidelines was agreed in the long negotiations at Bretton Woods that Keynes took part in-who before being an economist was a great social scientist-and unlike modern economists [3], never erred. The basic problem was the clash between the European and the American culture. The former was the result of centuries of creating utopias but also perpetrating tragedies and awareness of having to combine the social sense with the idea of sustainable development but not guaranteed if not based on the principle of political, social, economic and financial equilibrium. The profound sense of this culture was the definition of a table with legs that had to be more or less the same height otherwise sooner or later the table topples over with everything on it.

This cultural model was founded on the idea that the IMF should be a cooperation fund that individual States could access to keep the economy and society alive. In a certain sense, this idea came to life with the Marshall Plan and relinquishing the war debts of victorious countries to Germany, with the exception of Russia; memories tend to be short and self-interested. Keynes' principle was based on his prior experience of the Treaty of Versailles at the end of World War I [4] that had led to the Weimar Republic's hyperinflation and indeed to the Second World War to erase the wrongs. Keynes followed the work of the great social economist Shacht Hjalmart with a policy based on the real economy and on a sophisticated barter formulation detached from the monetarism that was suffocating the country. Keynes exercised the same care with the great depression in the United States of Roosevelt, saving it from finance that had become oppressive; history had taught him well [3].

The history of the US instead contributed to entrusting the future to technical development considered in itself an absolute success, and the

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American negotiator, Harry Dexter White [5], considered the IMF as a bank that would finance States according to their needs. The difference reflects the different histories of the two countries, the US and UK, the former enjoying considerable credit and gold reserves while the latter had experienced the social risks arising from unemployment. History, when forgotten, always presents the bill and thus the social and financial collapse of the United States is a kind of Nemesis of arrogance and lack of memory; foresight distinguishes us from animals and its absence is always the result of fatal calamities.

The economic "boom" of the post-war period had a considerable effect on the real economy, redesigning a world that had seemed hopeless. These were years of creativity, imagination and hope, but the historical cycles today are much faster and the time of illusion ended in the early seventies when the US unilaterally declared the end of Bretton Woods and the "gold exchange standard" system. We thus entered the "time of finance" that is strangling us today. The financialization of the real economy and its uncritical deification began in the years when Nixon declared the decoupling of the dollar from the gold standard-28 printable dollars for every gram of gold-because US lenders who did not trust the dollar money supply wanted to be paid in gold, stripping the country's gold reserves to the bone, as is happening today. Indeed, by refusing to redeem dollars in gold held by other central banks the Fed destroyed the monetary order established at Bretton Woods. The world suddenly found itself hostage to a floating exchange rate regime that radically changed the monetary system based on the dollar into a giant sacred temple of speculation whose priests were clothed in infallible sacredness. The "petrodollar" operation in this way inaugurated the gradual subjection, of even the IMF, to knowledge based not on correct scientific hypotheses-an unscientific approach as Hayek [6] called it in his acceptance speech for the Nobel Prize in 1974-yet uncritically endured. The abandonment of the gold standard, as the Pope reported in his encyclical "Laudato sì", shifted the point of balance of the economic, social and political bases to central banks and to a monetary logic in the hands of supranational oligarchs of finance with the balance of power completely destroyed.

Since then, the economic, financial and social situation has totally changed, while the real economy did not suffer particular deviations up to the delocalization surge, in the early years of the century, finance and money assumed an increasingly important role at all levels. The cycles of financial crises since then, like a financial tsunami, have started to become increasingly deeper and long: we have had the oil shocks, Black Monday, the Internet bubble, Chile, Mexico (the tequila bonds), Argentina (the tango bonds), the "Asian Tigers" (Japan, Thailand, Malaysia, South Korea, Hong Kong…), the attack on the rouble, the LTCM default (the Long-Term Capital Management of Merton and Scholes awarded the Nobel prize in 1997 for the "rationality of derivatives"), ending with the sub-primes, derivatives, credit default swaps and the magical warehouse of puppeteers who trade nothingness with gold and finance as the "Philosopher's stone". All the drama of sacral finance to no avail, in front of the immense disaster we have the prophets of "omnipotence". The "venerable" Lucas-Nobel in 1995 [7] for rational markets-in 2003 declared to the American Economic Association that the "central problem of depression-prevention has been solved, for all practical purposes". A year later Ben Bernanke who served on the board of the Federal Reserve argued, much as Lucas had, that modern macroeconomic policy had solved the problem of the business cycle-or, more precisely, reduced the problem to the point that it was more of a nuisance than a front-rank issue. Not content, in 2007 Bernanke stated to Congress, "At this juncture, however, the impact on the broader economy and financial markets of the problems in the subprime market seems likely to be contained" in the same way as Paulson who guaranteed that the sub-prime market would not be a danger to the economy as a whole. Greenspan [8] totally deregulated derivatives and elevated financial speculation by repealing the "Glass Steagall Act" that Roosevelt instigated in 1932 to tie the hands of finance. The current crisis was not caused by natural or unpredictable events but by men like these who with the authority of their positions legitimized a global deception. What responsibilities do these men have in the social and moral degradation that we face? These men dictated the culture and the rules that the IMF has always endured in an unjustifiable subjection to its role as guarantor of the founding principles for human respect.

This flooding of finance and liquidity for its own sake has ended up definitively detaching the IMF from reality and making it surf in an aseptic world dominated by currency and becoming its hostage. When the neoliberal model that is completely asymmetric to Keynesian [3] collaborative ideas was affirmed as incontrovertible truth, the IMF detached from that initial idea and began to dictate the rules of a model without remotely bothering to questioning it and the unregulated market became a dogma and the best solution for the economic development of the poorest countries. The same formula was promoted for everyone even in countries with very different histories and cultures, creating a cultural wasteland where the key to the problem can no longer be found. The IMF has simultaneously become a victim and executioner, unable to understand its purpose. Strauss Kahn had made an attempt on 19 April 2011 and told the Brookings Institution in Washington but they did not allow even a month as on May 11 he was taken off a plane to Paris and conducted to jail for a crime that on August 21 of that year was declared as non-existent. Today, the IMF seems to be an institution more geared to its own survival than those of the poorest member States and so the principle of collaboration made room for the principle of utility, often only personal but also in a position of subordination to the financial oligarchy; its actions are often linked to those of the Fed.

The indicated but forgotten guidelines were written for an economic system that was rooted in the real economy, but since the fall of the Berlin Wall the interests of finance, politics and even the Academy have forced a change of reality and of the genesis of the economy that has been turned into a mathematical game bent to finance and to monetarism without technical or moral limits. Neoliberalism pushed to excess has become dominant and pure power. The new century presented itself with a disaster of enormous proportions and we do not yet know whether and how it will end. The toxic products created by mathematicians, nuclear physicists, statisticians have distanced their world of formulas from the real world and helped to justify the means that have become oppressive. The IMF did not resist the disruptive invasion of this cultural model and has moved away from the roots of safeguarding the real economy for which it was established, endorsing acts that result in forms of social and political dislocation. Greece is the first victim of this exercise of power-punishing one to educate all-and we now ask ourselves how it will end. Sooner or later, the problems and designs behind this "Armageddon" will be brought to the centre of the global and social debate.

It seems that the IMF as in Ovid's Metamorphoses will end up like Narcissus who fell in love with his own reflection, punished in this sense by the Nemesis for ignoring the love of the nymph Echo (social justice, we would call it today-author's note). Sentenced to falling in love with his own image, but never being able to hold and touch it, he lets himself die, and the Naiads and Dryads found in his place a flower and gave it his name. I wonder if after these misfortunes the IMF can undergo a metamorphosis turning into a flower of peace and cooperation rather than war and try to find in the principle of collaboration a new life and rediscover the real mission for which it was intended in that distant 1944 when the disasters of war seemed to convey man towards wisdom, but even this seems to be just a myth.

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