

IMF runs into deepening debt crisis and contradictions of global capitalism

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The head of the International Monetary Fund (IMF), Kristalina Georgieva, has given a downbeat assessment of the global economy in her curtain raiser speech for its meetings, held together with the World Bank, this week.

She began by saying that “we should cherish the good news”—that inflation levels were coming down, at least on official figures—because “we haven’t had much of it lately.”

Even this was tempered by the observation that while inflation rates may be falling, the higher prices people feel in their wallets are here to stay and “families are angry, people are hurting.”

In what has become a central preoccupation of the IMF in the recent period, flowing from the rise in global interest rates since 2022, Georgieva directed attention to the rising levels of government debt and the need for action to bring them down.

As always, this was couched in terms of needing to maintain a gradual approach to promote fiscal consolidation and seeking to maintain social safety nets, but words cannot disguise their essential content which is to undertake major attacks on the working class and some of the poorest people in the world.

Georgieva said IMF forecasts pointed to “an unforgiving combination of low growth and high debt—a difficult future.”

The rising levels of borrowing meant that a growing share of government revenue was being used to cover interest payments under conditions of lower growth. The IMF’s *Fiscal Monitor Report*, a summary of which was released last week, said global government debt was expected to reach \$100 trillion by the end of this year. Some \$36 trillion of this debt is in the US where one in seven dollars of spending is used just to pay interest bills.

The problem extends across the world as “fiscal space keeps shrinking,” Georgieva said. “Just look at the frightening evolution of interest-to-revenue over time. We can immediately see how the tough spending choices have become tougher with higher debt payments.”

And, she continued, “we live in deeply troubled times” in which military spending may well keep rising “while aid budgets fall further behind the growing needs of developing countries.”

In its report for the meeting, the World Bank warned that global poverty reduction had “slowed to a near standstill” amid economies damaged by the pandemic and war. It noted that poverty levels in low-income countries were “higher than before the pandemic.”

On top of the slowing down of aid, Georgieva noted that major economies, driven by “national security concerns” were “increasingly resorting to industrial policy and protectionism, creating one trade restriction after another.” Trade was not going to be the engine of growth it was before, and the situation was worsening.

In 2019, the number of what the IMF called “harmful new interventions” on trade was below 1000. It has calculated this will rise to more than 3000 in 2024.

Georgieva insisted that budgets had to be consolidated involving “difficult choices” over how to raise revenues and make spending “more efficient”—always a euphemism for cuts—while making sure “policy actions are well explained to earn the trust of the people.”

Under conditions where their living standards have been hard hit by inflation and cuts in governments services and subsidies that have already taken place, that is not going to happen. This is why there is discussion in ruling circles around the world, including in the US and other major economies, about the need

for the use of state forces to impose the financial dictates.

So far as “solutions” are concerned, within the framework of the global capitalist economy, the IMF chief pointed to the advances in technology, saying there was much countries could do as members of an integrated economic community. The forces of trade and technology had delivered a “hugely valuable degree of interconnectedness.”

Then, without recognising it, she ran straight into the central contradiction of the present epoch, intensified to an enormous degree over the past four decades by the globalisation of production, between the integrated world economy and the nation-state system of capitalism.

While integration had taken place, she said: “Yet still, we live in a mistrustful world where national security has risen to the top of the list of concerns for many countries. This has happened before—**but never in a time of such high economic co-dependence.**” [emphasis in original]

The key issue here is not that this “mistrustful world”—more accurately characterised as a world at war and advancing to World War 3—has arisen despite economic co-dependence. Rather, it is a consequence of that very integration under capitalism.

It is the result of the intensification of the contradiction between this historically progressive process with the outmoded nation-state system, which each of the imperialist powers, with the US in the lead, seeks to resolve by means of war.

It cannot be resolved under capitalism unless world war is considered be a “solution,” but only by the advance to a new and higher form of society, international socialism.

Of course, such a perspective, the only rational solution, cannot be advanced by the head of the IMF, one of the chief defenders of the capitalist order and so Georgieva advanced a totally unattainable perspective.

She said the reality of “fragmentation” should not become “an excuse to do nothing to prevent a further fracturing of the global economy” and that her appeal at the meeting would be “to work together, in an enlightened way to lift our collective prospects.”

A similar, equally bankrupt, perspective marked an editorial by the *Financial Times* (FT) on the IMF-World Bank meeting. Noting the 80th anniversary of

the establishment of the two bodies at the Bretton Woods conference of 1944 towards the end of World War 2, it said they had “filled a void where coordination was lacking.”

As the IMF and the World Bank gathered for the annual meeting, they confronted a new set of challenges that risked undoing what has been accomplished.

The conditions of intensifying trade war, a worsening situation in developing countries, problems of climate change, shocks from the wars in Ukraine and the Middle East, and mounting debt problems, the FT said, underscored why global cooperation is such a “precious commodity” and that international problems “require international solutions.”

The world facing the IMF and the World Bank looked very different from today, it concluded, but the “spirit in which they were forged at Bretton Woods remains as important as ever.”

The deepening crisis of global capitalism is not “spiritual.” It is material, rooted in objective structural contradictions deriving from the private ownership of the means of production and the outmoded and reactionary nation-state system. They can only be resolved by the advance to a new and higher form of global society, that is, international socialism.



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