

The imf and the world bank

[History](#)



International Monetary Fund The national governments still disagree over the response to the aftermath of the financial crisis facing the world. These governments have come to a consensus to have IMF's capacity increased and policies designed to limit the use IMF resources removed. The IMF's members want to use both financial and non-financial resources of IMF to have their economies grow and stable (Breen p. 4). The IMF and World Bank are financial institutions that were initiated together by 29 countries in 1944 at the conference of Bretton woods, Washington. The IMF came to birth in 1945. Its main goal was to help in reconstructing the international payment system of the world after World War II to address problems of the Great depression. As global economic institution, members of IMF could draw fund to improve or maintain economic activity in crises periods. IMF was to make sure that the borrowing countries could repay the debts on time.

The financial operation of IMF started in 1947 and May the same year France borrowed fund as the first country (Felix. 2010). Over the years, many countries have joined IMF especially after attaining political independence to improve international trade and economic stability. These countries have greatly benefited from IMF especially on economic matters. The system of Bretton woods prevailed until when the government of US suspended the convertibility of the dollar and its reserve in other states into gold in 1971. In 2010 and 2011, IMF participated in the Greek bailout amounting to €110 billion and €100 billion respectively.

The purposes of IMF and World Bank are closely related. The IMF focuses to foster the growth and stability of its members' economy by lending fund. It offers policy advice and finances the economic difficulties of its members. It also works together with developing nations to assist them accomplish

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macroeconomic stability as well as reduce poverty. Further, the IMF helps the member states to achieve the external balance of payments. It also oversees the fixed exchange rates of its members and advises them accordingly to prioritise economic growth. The IMF gives emergency assistance to its members that face urgent needs of balance of payment in accordance to the Rapid Financing Instrument lately introduced. The World Bank gives loan at low interest rate and grants to developing countries to invest in health, education and infrastructure. Its major goal is to bridge the economic gap between rich and poor countries. It aims at reducing poverty in poor countries at the expense of richer countries (Fund 2012).

The IMF is doing a lot to change the economic situations of different countries. Through its roles, capital markets across the world are becoming integrated by allowing capital flow across international borders. The product markets are being integrated through IMF support of international trade. As a multilateral organization, IMF is helping countries to abandon their inefficiently domestic policies and adopt international policies that promote global economic cooperation (Rajan. 2006). The policy advises that IMF gives central banks and governments of its members are based on cross-country experience and economic trends. The policy advice helps these countries to manage their fiscal and monetary policies. They are able to control inflation, government expenditure and revenue plans. Countries are able to overcome their fund constraints by securing loans from IMF to execute their expansionary plans for infrastructure. The grants to developing countries from IFM are invested in infrastructure to help reduce poverty. In addition, IMF offers training and technical assistance to help states improve on the management of economies.

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Work cited

Breen, Mecheal. The politics of lending. New York: palgrave MacMillian, 2013. print.

The books details the different ideologies some national governments had on how to control financial crisis. The author describes some of the areas and strategies the governments agreed to use. The books describes the decision on removing policies that could limits utilization of its resources. Also The author points out at the politics behind IMF lending.

Felix, Kelly. International Monetary Fund (IMF) – Origins, Purpose, News & Gold. 2010. 28 05 2014. .

The website describes the origin of IMF which was as a result of outsourcing ideas that could help the creation of a body that could drive international monetary cooperation. It was the first international monetary system after the Second World War. It describes the objectives and purposes of the International Monetary Fund. It also shows how the IMF works, its voting system, and its loan programs.

Fund, The International Monetary. What we do. 05 2012. 28 05 2014. .

The source is the international monetary website. It describes the various roles IMF has taken in shaping the world's economy particularly after the Second World War. It outlines various policies it uses in advising and financing the members who are in economic difficulties. The website describes how it promotes international monetary cooperation and stability by conducting economic surveillance.

Rajan, Raghuram G. The IMF in A Changing World. 17 05 2006. 28 05 2014. .

The website contains a speech given by Raghuram G. Rajan, a director of research and economic counsellor. He gives the speech at an international <https://assignbuster.com/the-imf-and-the-world-bank/>

conference in Arison School of Business. His speech is aimed at discussing what organizations such as the IMF can do in the financial world that is rapidly changing. It is a world which capital markets are becoming more integrated while technology allows the provision of services while at a distance.