

# [Global managerial economics](https://assignbuster.com/global-managerial-economics/)

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Global Managerial Economics IMF (International Monetary Fund) s that it " provides low-income countries with policy advice, technical assistance, and financial support" and that " low-income countries receive more than half of the technical assistance provided by the Fund, and financial support is extended at low interest rates and over relatively long time horizons" (How the IMF Helps Poor Countries 2006). IMF does all this by employing three key functions-lending, technical assistance, and surveillance. The organization is engaged in the provision of financial assistance to low income countries that are undergoing a balance of payment deficit. The Exogenous Shocks Facility helps distressed countries in temporarily addressing their short term needs arising from unanticipated exogenous shocks. Some countries may not need financial assistance but advice on policies. IMF also extends this by providing Policy Support Instrument.
Together with these programs offered by IMF is an austerity program. Financial aids are coupled with " neoliberal" 1 ideology or agenda which is a prerequisite for the fund. Examples of these conditions are " cutbacks" or " liberalization" of the economy, opening markets for trade, minimization of government intervention, privatization which causes the reduced protection of domestic industries, currency devaluation, mounts in interest rates, " flexibility" of the labor market, elimination of subsidies, and incentive for foreign investors (Shah 2005). There has been a growing controversy on the effects of these austerity measures.
Some critics claim that problems experienced by the countries aided by the IMF can be directly traced by the implemented austerity measures together with the organization's financial assistance. A good illustration of the above discussion is the global economic crisis which occurred from 1997-1999. The worldwide collapse of the capital market is attributed to " unregulated free markets, lack of protection for emerging economies, and debt (Debt and the Global 2001)." The resulting economic and financial crisis saw how stock market and economies collapse while raising the rate of unemployment and poverty. The impact of the crisis was felt almost all over the world from Asia, Russia, Latin America, and Africa.
IMF's efforts in alleviating poverty and promoting economic development can be measured by the positive and negative impacts of its various programs. This section will look at Thailand which was aided by IMF through lending, technical assistance and surveillance.
After the Asian financial crisis in the late 20th century, IMF provided support to Thailand in helping with its economic recovery. A few years after, Thailand reported lower unemployment rate and higher wage rate. Chuan Leekpai's administration backed these up by " pointing to economic indicators such as increasing GDP growth, rapid export growth, increasing government reserves, declining private debt, a reduction in non-performing loans (NPLs) and increasing private domestic consumption" (Chomthongdi 2000).
However, the success or failure of IMF is not only measured by economic measures. Behind the reported economic developments are social problems which dampen the country's progress. In Thailand, the number of family living below poverty line increased. As a result of the crisis, the income inequality in the county rose. The help extended by IMF is reported to have severely negative income on the lowest income group in the country while improving only the condition of those in the highest strata (Chomthongdi 2000).
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