COMPARING THE EFFECTS OF IMF POLICIES ON HUMAN RIGHTS IN TURKEY AND ARGENTINA

Extended Essay presented in

WORLD STUDIES

In partial fulfillment of the requirements of the INTERNATIONAL BACCALAUREATE DIPLOMA

May
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table of Contents</td>
<td>i</td>
</tr>
<tr>
<td>Abstract</td>
<td>ii</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Formation and Functioning of the IMF</td>
<td>2</td>
</tr>
<tr>
<td>IMF Conditionality</td>
<td>4</td>
</tr>
<tr>
<td>The Effects of the IMF Conditionality</td>
<td>5</td>
</tr>
<tr>
<td>a. Eliminating Subsidies in Agriculture</td>
<td>5</td>
</tr>
<tr>
<td>b. Privatization</td>
<td>6</td>
</tr>
<tr>
<td>c. Reducing wages or wage increases</td>
<td>8</td>
</tr>
<tr>
<td>d. Decreasing Government Spending</td>
<td>8</td>
</tr>
<tr>
<td>i. Health</td>
<td>8</td>
</tr>
<tr>
<td>ii. Education</td>
<td>10</td>
</tr>
<tr>
<td>Criticisms to IMF</td>
<td>12</td>
</tr>
<tr>
<td>Criticisms to Countries</td>
<td>12</td>
</tr>
<tr>
<td>Conclusion</td>
<td>14</td>
</tr>
<tr>
<td>Works Cited</td>
<td>15</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>17</td>
</tr>
</tbody>
</table>
ABSTRACT

This extended essay examines the link between structural adjustment programs demanded by the IMF and social welfare in Turkey and Argentina. The two countries are often compared when discussing IMF’s success, since they had similar economic histories with IMF and they both faced an economic crisis in 2001. They are also compared in this essay because of the alike cultural and political structures: chronic political instabilities, populist policies and widespread nepotism and corruption. This essay, rather than focusing on IMF’s success in achieving its main goals (fixing the balance of payments problems and enabling the repayment of debts), investigates the effects of IMF policies on human rights in Turkey and Argentina. The constitutions of the two countries and International Covenant on Economic and Social Rights are used to support the human rights analyses whereas international economics and Fleming & Mundell model is used to explain the purposes of the IMF conditionality. The outcomes of implementing IMF policies contradict with the rights promised in the constitutions and ICESR. The essay goes on to analyze both the Fund’s and the countries’ responsibility for the human rights violations: Although it is set out as an economic institution, politics have a huge effect on IMF lending schemes. As supported by the realism theory, the US uses the Fund to gain political benefit. The IMF is more concerned with securing the profits of big conglomerates and MNCs rather than the long term development and the situation of middle income people in Turkey and Argentina. On the other hand, the countries are also responsible, firstly because they create the problems and then demand help from IMF, and secondly because the cultural and political structure defined above impedes the economic growth and necessary structural reforms that would eliminate the human rights violations.
Introduction

Foreign trade is the keystone of economy for a great majority of countries, and International Monetary Fund and World Bank are international organizations designed to protect and facilitate the functioning of global financial system. During the financial collapse after World War II, many European countries suffered from imbalance of payments and needed supranational institutions that will help them out from these problems. Although West European countries got through the troubled era, the IMF’s and WB’s works did not end because lots of countries still have hard time keeping the economic stability and the balance of payments. Meanwhile, throughout the years, the role of IMF slightly changed: After 1980s, the creditor for countries with balance of payment problems widened its role by implementing structural adjustment programs¹ and became an institution that mainly focuses on securing the collection of debts of developing countries to multinational private banks by creating economic policies. (Öztürk 112)

To solve the problems in balance of payments and repayment of debts, IMF usually wants countries to cut back government spending, increase taxes and facilitate foreign investment and imports, along with other demands. (McGee 699) Although these regulations aim to increase economic growth and bring stability to economy, they also have significant impacts on human rights in a country, affecting the quality of life. Usually these regulations maintain the confidence of international lenders at the expense of hurting development and employment. (Serin and Arican 2) Also, without the necessary infrastructure in banking, legal and tax systems, the aimed market economy fails to function, hence IMF solutions lose effectiveness.

The essay will thus, while using the IMF as a case, try to examine how global institutions work and how effective they are. The success of IMF in its target recovery area, economics, is hotly debated. This essay aims to show the consequences of IMF policies from a human rights perspective, comparing the occurrences in the two countries with similar political histories and cultures, viz., Turkey and Argentina. Both countries were implementing IMF policies for a long time before they had a crisis in 2001, and although their economic success with IMF differed at some points, both countries had a history of political instabilities and military coups, had problems such as nepotism and corruption and lacked necessary structural reforms in legal/banking arena.

¹ Structural adjustment programs refer to the policy changes that IMF and WB coordinately started to request from borrower countries especially after 1980s to ensure that the given loans are spent according to the main goals, i.e. imbalances of payments.
How did stabilization policies and structural adjustment programs affect the human rights in Turkey and Argentina? This issue will be addressed three disciplines: Economics, Human Rights and Political Science. Economics is relevant to explain the need for IMF and its conditionality, while political science (especially the theory of realism) will be necessary to explain how state based international organizations can estrange from their premier aims and work for the benefits of lender countries. Also, it will be relevant in explaining local governments’ strategies in administering IMF policies and managing both IMF’s and citizens demands; whereas human rights will be helpful in explaining the consequences of abolishing minimum wages, privatization, cutting back public spending, increasing taxes... on the quality of life of workers, more broadly, citizens.

**Formation and Functioning of the IMF**

In 1930s after the Great Depression, many countries consistently devalued their local currency to increase exports, increased tariff rates to protect their domestic markets and put restrictions on imports. While these “beggar-thy-neighbor” policies caused international trade to shrink, World War II exacerbated this situation by causing a fall in production and investment; as many countries like England exhausted their reserves for war needs. (Öztürk, 97-98) **Therefore; to stabilize the exchange rates, to liberalize international trade, to avoid increases in tariff rates and devaluations 44 countries met in Bretton Woods to form a supranational monetary system.** (Lenain 15-17). From the two plans (Keynes Plan and White Plan) that had been negotiated, White Plan was accepted; which proposed to establish two international organizations: International Monetary Fund and World Bank, and fixed exchange rate system. (Öztürk, 98) By creating a pool of funds that countries can borrow credit from, IMF aimed to satisfy the need for foreign currency and avoid devaluation. But how does IMF find this liquidity and form the pool of funds?

Each country has to contribute some amount of money and gold, called quota, when becoming a member and the amount of quota is set by the IMF according to the countries’ GDP, total reserves and total foreign trade capacity. The amount of a country’s quota also defines its voting power. For example;
Table 1: IMF Members' Quotas and Voting Power, and IMF Board of Governors
(Last Updated: May 08, 2009)

<table>
<thead>
<tr>
<th>Member</th>
<th>Quota Millions of SDRs</th>
<th>Percent of Total</th>
<th>Governor</th>
<th>Votes Number</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>37,149.3</td>
<td>17.09</td>
<td>Timothy F. Geithner</td>
<td>371,743</td>
<td>16.77</td>
</tr>
<tr>
<td>Japan</td>
<td>13,312.8</td>
<td>6.13</td>
<td>Kaoru Yosano</td>
<td>133,378</td>
<td>6.02</td>
</tr>
<tr>
<td>Germany</td>
<td>13,008.2</td>
<td>5.99</td>
<td>Axel A. Weber</td>
<td>130,332</td>
<td>5.88</td>
</tr>
<tr>
<td>France</td>
<td>10,738.5</td>
<td>4.94</td>
<td>Christine Lagarde</td>
<td>107,655</td>
<td>4.86</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10,739.5</td>
<td>4.94</td>
<td>Alistair Darling</td>
<td>107,636</td>
<td>4.86</td>
</tr>
<tr>
<td>Argentina</td>
<td>2,117.1</td>
<td>0.97</td>
<td>Carlos Fernández</td>
<td>21,421</td>
<td>0.97</td>
</tr>
<tr>
<td>Turkey</td>
<td>1,191.3</td>
<td>0.56</td>
<td>Ali Babacan</td>
<td>12,163</td>
<td>0.55</td>
</tr>
</tbody>
</table>


Map 1: Voting Power in the IMF

Voting Power in the IMF


As can be deduced from the table, five countries rule the Fund. The US, holding approximately 17% of the votes, can veto all decisions that require special voting majority, 85%. (Andersen et al. 3) One of the criticisms of IMF is that countries with voting power use
IMF to politically influence borrower countries (further analyzed below, see page 12), which can be explained with political realism theory in international relations: states are “self-regarding” and “egoistic”; and “interest is defined as power” (Simmons). With respect to this reasoning, it is unsurprising that a state’s first priority is to gain more power and influence others to its own profit; rather than trying to help others for creating a stable economy. This also explains why USA continues to be the greatest contributor to the Fund despite its huge government debt\(^2\), to maintain its controlling influence in political arena.

**IMF Conditionality**

When giving credits, IMF imposes strict regulations on debtor countries to make sure of avoiding structural or balance of payments problems that might endanger the country’s ability to repay the debt (which also explains how IMF acts as a “guarantor/enforcer” for international lenders) Woo points out that some countries get stricter or more conditions in IMF agreements, and suggests that this depends on three main things in the borrower country: The government’s open-mindedness and eagerness to carry out reforms, its sensitivity to vote losses, and finally the pressure of interest groups. Thus, his model indicates that domestic politics may affect IMF project design, since IMF has limits on pushing their negotiation partners according to their vulnerability. (Woo 1)

This “IMF Conditionality” generally contains:

- Abolishing forms of government intervention on exchange rates, since a freely convertible currency helps increasing exports and decreasing imports; thus improves current account balance,
- Facilitating foreign investment in local industry and financial services by eliminating constraints,
- Removing the trade barriers,
- Decreasing government spending, abolishing subsidies and increasing taxes to cover budget deficits.
- Implementing supply side policies, such as privatization and deregulation programs that will eradicate the conditions to protect labor (decrease or abolish the minimum wage requirement) or environment, thus decrease the costs and increase the country’s export competitiveness.

→ Reducing inflation.

Reducing government spending may seem only related to covering the budget deficit, but Fleming and Mundell model portrays the relationship between government spending and the current account balance as follows:\(^3\):

\[ Y = C + I + G + (X-M), \ \text{thus:} \]

\[ (X-M) = Y - (C + I + G) \] and since \((C + I + G)\) means expenditure:

\[ X-M = Y-E \]

Current account deficit occurs when \(X < M\), i.e. when \((Y-E)\) is negative. To eradicate this, governments are encouraged to reduce \(E\), thus improve the balance. What the government can do to reduce \(E\) is increasing interest rates to decrease \(C\) and \(I\) and slightly decrease \(G\). (Sen)

**The Effects of the IMF Conditionality**

a. **Eliminating Subsidies in Agriculture**

According to Article 45 of Turkish Constitution, “State facilitates the procurement of materials, machinery and other inputs of farms” and protects farmers. However, starting with 1980\(^4\), IMF wanted Turkey to cut subsidies on farming and increase interest rates, but this lowers the productivity in agriculture, since farmers have difficulty in getting credits from banks. As they cannot do investment, i.e. purchasing new machinery like tractors, fertilizers or high-quality seeds; they become poorer. But it’s not only farmers whose quality of life is decreasing, but because of the fall in productivity reached serious levels, Turkey lost its self-sufficiency in the production of basic food items and food import increased. (Aysu, “Kâresel Krizı”) Increasing imports while food exports decrease harm the balance of payments; and it possibly triggered the increased unemployment in the primary sector and expedited migration from rural areas to metropolis. According to Aysu\(^5\) approximately fifty farmers went bankrupt each second during 2009 because of the structural adjustment programs of IMF that increase

\(^3\) The definitions of the letters in the equations are as follows:

\(Y\): Real national income, \(C\): Household consumption expenditures, \(I\): Gross private domestic investment

\(G\): Government consumption expenditures, \(X\): Exports of goods and services, \(M\): Imports of goods and services

\(^4\) Cutting back subventions on agriculture was introduced by the famous “January 24\textsuperscript{th} Decisions” in Turkey, which announced a radical shift to a liberal economy. These decisions were encouraged by the IMF, and also the letters of intent submitted on December 1999 and December 2000 include the statements promising to abolish all kinds of indirect support programs to agriculture before the end of 2002. Moreover, legislation numbered 4572, ratified and published on the Official Gazette on June 2000, clearly states the abolishment of government support in agriculture. (Aysu, “Siyasi Partililik..”) and (Aysu, “MHP ve ANAP..”)

\(^5\) The general director of Confederation of Farmer Unions (Çspark)
acquisition of small farms by corporate farms and privatization and destroy the local
businesses in the sector. (Durutuna)

Argentina has also implemented policies that reduced government support to domestic
agriculture and abolished export subsidies. Once considered “the country of food”, Argentina
was the fourth biggest food producer. However, 2001 crises dragged nearly half of the people
under poverty line and one fourth of them to unemployment. (Etchaleco) Especially with
increased privatization agriculture industry also transferred to the hands of multinational
companies like many other industries. For example in the soybean industry structure radically
changed after US agriculture giant M entered the market. Between 1996-2001
soybean industry grew fourteen times its original size (Box), and Argentina became the third
biggest exporter of soybeans with 41 billion tons in 2005. (Workman) So the exports of the
country increased, improving the balance of payments, but the beneficiaries was foreign
investors rather than Argentina citizens; since many of the small local producers that couldn’t
resist the competition with giants and had to pay M for seeds were forced out of the
market.

Even after the 2001 crisis, IMF negotiated a new loan package with Argentina,
advising further reduction in the government spending. Box compares this condition to
“throwing salt on a wound while inflicting another”, which was also accompanied by a
condition of increased freedom to foreign investment in national sectors that accelerated the
process of taking businesses from local businesses to foreign investors. (Box 2)

b. Privatization

Privatization seems like a good source of income for governments to cover deficits,
however it’s just a temporary solution. One of the most general and valid argument against
privatization is: What will you do when there is nothing left to sell? As Öniş states, Argentina
performed the world’s fastest and widest privatization, making nearly $14.2 billion income
during 1991-1996. Although this helped to improve the balance of payments and keep the
fixed exchange rate system, there was hardly anything left to privatize in mid 1990s. Because
of this, government had to find new solutions to attract foreign investments and it had
difficulty in financing the government spending. (Öniş, 5)

Privatization may also result in a decrease in wages and usually increase in
unemployment, (Faruk) which leads to reduced welfare and reduced economic development
in the long run. Also, increase in unemployment is correlated with increased suicide rates: Dr.

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6 Privatization refers to the process of transferring state owned/controlled companies, enterprises, businesses or
agencies to private ownership and control, i.e. selling public companies to private sector.
Halil Ulaş from Turkish Psychiatry Association states that the rate of suicide-caused deaths is two-three times higher in jobless people than in working class. (KanalD Haber) Moreover, Article 49 of Turkish and Section 75 of Argentinian Constitution give the two States the responsibility to protect employment.

Graph 3: Privatization Implementation in Turkey by Years

Source: Republic of Turkey Prime Ministry Privatization Administration
<http://www.oib.gov.tr/yayinlar/publications.htm>

Apart from the risk of unemployment, concerns regarding privatization are generally grouped into two sections. First, public is worried about the privatization of strategic sectors. Tuncer points out that 42% of Turkish banking industry is owned by foreign investors, while many other countries are sensitive about limiting foreign involvement in financial arena. Opponents of privatization notes that even in wartime Britain, Churchill decided to limit privatization of British Petrol shares to at most 49%. (Pultur) However, Privatization Administration (hereafter PA) announced that “state has withdrawn from most of the ports and petroleum refinery sector”. The second main criticism is privatizing profitable firms at heavily discounted prices. Since in numerous occasions profits of the privatized companies could compensate the sale price in couple of years, society doubts that income from privatization worths the lost shares. This suspicion is reinforced by the facts that government still cannot finance the necessary infrastructural reforms or foreign and public debts don’t

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7 Parliamentarian M. S. condemned the sale of POAS (P.O.C) by stating that the value of real estate of POAS would total to $2.1 billion, whereas the sale price was $700 billion. (Hurriyet) Tuncer reminds that the 2006 profit of T.T was $2.8 billion from which share holder O would get $1.5 billion, whereas it bought the share for $6.5 billion, thus the profit will amortize the money spent to buy the shares in 4 years.
decrease. Moreover, although PA aims to protect employment by establishing a social safety net and public interests by using “golden shares”, these endeavors haven’t had successful outcomes yet, which distresses the public.

Plus, although Section 14bis and Article 56 of (respectively) Argentinean and Turkish Constitutions entitles states to protect environment and preserve natural resources, deregulation policies introduced by the IMF conditions often transgress these promises to attract foreign investment.

The effects of privatization are also analyzed in other sub-titles of this section, since they are widely distributed to all sectors.

c. Reducing wages or wage increases

Since private sector aims to maximize profit by minimizing costs, removal of minimum wages leads to significant decreases in laborers’ wages. Both the International Covenant on Economic and Social Rights Article 7-a-i, Article 55 of Turkish and Section 14bis of Argentinean Constitution recognizes right of everyone to fair wages, and gives States the responsibility to set and enforce an equitable and vital minimum wage. However, reduction or removal of minimum wages violates these rights and drags workers into poverty. Gökalp also states that: “Governments give up certain human rights for the sake of obeying the rules (...) in case of removal of minimum wages, nobody can survive without getting illegal.” Because of unfair wages, workers may not be able to afford basic merit goods such as education expenses of their children or healthcare expenses. In the long run, these two will have a detrimental effect on economic development in the country, since not enough educated next generation will work with lesser productivity and health problems in a society will also increase government spending along with decreasing productivity.

d. Decreasing Government Spending

Decreasing government spending results in decreased procurement of necessary public and merit goods. Private sector often rejects providing public goods because of the free-rider problem and even if they supply merit goods (such as health services and education), a great majority of laborer class cannot afford it. Hence, the market fails.

i. Health

In 2007’s budget plan, Turkish government declared that it will spend resources in accord with IMF and WB recommendations. Thus the “Notification of Treatment

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5 Free rider problem refers to the non-excludability built into some goods; once provided, one cannot exclude anyone from using it, payers and non-payers alike. (McGee 278)
Assistance Application" introduced many changes in health services. Before, the medicine and health service expenditures of citizens under social security were provided from their funds. The new regulation narrowed down the types and amounts of medicines that can be afforded by the fund and urged citizens to pay for the medicines they get, which resulted in many people not able to buy the much needed medicines, get them in smaller doses or get their cheaper equivalents that are not as effective. Also, "patient share" is introduced for civil servants as well, again worsening the access of many citizens to health services.

In addition to that, circulating capitals of public and university hospitals are reduced. To manage the hospitals with limited budgets, administrators dismiss workers, choose cheap material with low quality and leave out some necessary medical analyses. This situation exacerbates the health service provided in public hospitals and endangers public health, while paves the way to privatization. (Sağlık ve Sosyal...)

ICESCR states in article 12, everyone has the right to "enjoy the highest attainable standard of physical and mental health and states must prevent and treat epidemic, endemic, occupational and other diseases and create conditions which would assure to all medical service and medical attention in the event of sickness." Also Article 56 of Turkish Constitution supports ICESCR. However, although the World Health Organization recommends at least 10% budget share on health for countries like Turkey, the highest budget share allocated was 5.27% in 1960. According to K this affects the health statistics in Turkey, as Turkey has the highest baby mortality rate among 30 OECD members and it went down to the same category with countries like Indonesia and Middle East countries because of the recent epidemics and tuberculosis cases.

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10 In 2009, the patient shares on health services raised to 3 TLs per prescription and 5 TL and 12 TL per examination in public and private hospitals respectively. For further information consult to the press conference of B A (General Director of "T K" - Turkish Public Sector Union) on 30.12.2009. Can be found at: http://www.turkcegazete.com.tr/haberler/1291-manset-haberler/7153-2010-butuculde-de-car-te- sahid-getiril-yok

11 International Covenant on Economic, Social and Cultural Rights

12 According to the report by Turkish Health Union, the 2.1% share allocated to health from the government budget in 1923 increased to 3.08% in 1970 and 4.2% in 1990. It decreased to 2.6% back in 2002. Thus the general budget share on health is approximately 2-3% in Turkey. <http://www.tumgazeteriler.com/?a=2372034>

13 The general director of "T S S" (Turkish Health Union)
ii. Education

Education is a vital dynamic in raising productivity and stimulating economic growth. Educated people can find jobs more easily and contribute to the GNP, when compared to the uneducated people.

A better evidence for the fact that education increases employment levels would be the Table 2, which shows that the number of unemployed university or higher educational institute graduates is less than number of unemployed high school graduates, which is also less than the number of unemployed primary school graduates in Turkey.

Table 2: Unemployed persons by educational status

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>University</th>
<th>High School</th>
<th>Lower School</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1,639</td>
<td>121</td>
<td>1,518</td>
<td>70</td>
</tr>
<tr>
<td>1989</td>
<td>1,708</td>
<td>121</td>
<td>1,587</td>
<td>105</td>
</tr>
<tr>
<td>1990</td>
<td>1,643</td>
<td>121</td>
<td>1,576</td>
<td>72</td>
</tr>
<tr>
<td>1991</td>
<td>1,547</td>
<td>121</td>
<td>1,549</td>
<td>64</td>
</tr>
<tr>
<td>1992</td>
<td>1,805</td>
<td>277</td>
<td>1,728</td>
<td>77</td>
</tr>
<tr>
<td>1993</td>
<td>1,873</td>
<td>264</td>
<td>1,713</td>
<td>66</td>
</tr>
<tr>
<td>1994</td>
<td>1,670</td>
<td>47</td>
<td>1,623</td>
<td>25</td>
</tr>
<tr>
<td>1995</td>
<td>1,609</td>
<td>60</td>
<td>1,549</td>
<td>46</td>
</tr>
<tr>
<td>1996</td>
<td>1,560</td>
<td>46</td>
<td>1,514</td>
<td>31</td>
</tr>
<tr>
<td>1997</td>
<td>1,522</td>
<td>33</td>
<td>1,489</td>
<td>20</td>
</tr>
<tr>
<td>1998</td>
<td>1,460</td>
<td>43</td>
<td>1,417</td>
<td>28</td>
</tr>
<tr>
<td>1999</td>
<td>1,520</td>
<td>43</td>
<td>1,477</td>
<td>34</td>
</tr>
<tr>
<td>2000</td>
<td>1,487</td>
<td>68</td>
<td>1,419</td>
<td>42</td>
</tr>
<tr>
<td>2001</td>
<td>1,501</td>
<td>68</td>
<td>1,433</td>
<td>46</td>
</tr>
<tr>
<td>2002</td>
<td>1,564</td>
<td>76</td>
<td>1,488</td>
<td>46</td>
</tr>
<tr>
<td>2003</td>
<td>2,493</td>
<td>113</td>
<td>2,380</td>
<td>66</td>
</tr>
<tr>
<td>2004</td>
<td>2,408</td>
<td>57</td>
<td>2,351</td>
<td>56</td>
</tr>
<tr>
<td>2005</td>
<td>2,520</td>
<td>60</td>
<td>2,460</td>
<td>80</td>
</tr>
<tr>
<td>2006</td>
<td>2,446</td>
<td>55</td>
<td>2,391</td>
<td>90</td>
</tr>
</tbody>
</table>

However, curtailing government spending on education may lead to an uneducated cheap labor force in the long run, which will damage the country’s economic growth; which is the current case in Turkey. Budget allocated for education is insufficient for the necessary improvements in education. D\(^{14}\) points out that the expenditure on debt interests covers nearly one third of government budget on 2006 and expenditure on defense and armament follows it; whereas budget share of education\(^{15}\) did not change despite the increase number of schools and students. This lower budget share violates the rights to free public education and increases the financial burden on parents and will worsen the educational statistics.

The problem with education in Argentina is not related to the investment on education but the quality of the education. Although the enrollment rates are high for primary and secondary education in Argentina, the quality of education offered creates a problem; especially the people with low-income cannot get high quality education and usually cannot finish secondary education. Thus achievement is behind the countries that invest similar amounts on education. (Murillo et al. 5)

Table 3: Expenditure on Education: International Comparison for 1997

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Expenditure on Education (as % of GNP)</th>
<th>Expenditure per teacher (as % of total current education expenditure)</th>
<th>Student/Teacher ratio</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>5.5</td>
<td>54.1</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Australia</td>
<td>5.4</td>
<td>54.2</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.1</td>
<td>12</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Canada</td>
<td>6.0</td>
<td>42</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Chile</td>
<td>3.6</td>
<td></td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.1</td>
<td>41.9</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>Korea Rep.</td>
<td>3.3</td>
<td></td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.6</td>
<td></td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>Peru</td>
<td>3.6</td>
<td>42.1</td>
<td>28</td>
<td>5</td>
</tr>
<tr>
<td>Uruguay</td>
<td>3.3</td>
<td>41.5</td>
<td>20</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Murillo et al. 8.

\(^{14}\) A D is the general director of Education Workers Union (R"{u}g"{u}t"{u}m Sen)

\(^{15}\) The budget allocated for Council of Higher Education (YOK) is 3.4% in the whole budget and comprises 26% of the budget allocated for education in 2005. This means the spending per student is $1.197 which is one fourth of OECD countries’ average.

In the last ten years, the total budget share of education was between 9.2–13.5% and was equal to 2.3–4.18% of the GNP which is the lowest percentage among OECD countries. (YOK 37)
Criticisms to IMF

Although IMF set out as an economic union, through many examples it became obvious that politics define whether a country can get an IMF loan or not, rather than economics. Calomir gives Ecuador as an example, claiming that IMF lending despite the doubts that Ecuador can/willing to carry out any reforms was intended to secure the US bases there to control the drug traffic. (88) In fact, the Meltzer Commission accepted in a study sponsored by the US Congress the fact that the US uses the Fund according to its own political ends. (qtd. in Andersen et al., 3). Stiglitz believes that 2001 crisis in Argentina was a result of mismanagement of the Fund and WB(69-70), since the two institutions only worked to supply profits to their shareholders, namely the US ruling class. Bedggood describes the Argentinean crisis as follows:

"The 1990s under Menem saw Argentina exposed to structural adjustment. The IMF/WB etc imposed a policy of balanced budgets and privatization of state assets. Who benefitted? The owners of capital invested in Argentina and their local agents. Repayments on the national debt were kept up which meant that the shareholders in the IMF, World Bank continued to profit. Who are these owners? The big multinational banks and the US Treasury! (3)"

Secondly, although the programs designed for countries are similar, the outcomes usually differ, since economics is a social science. Hence, the IMF is also criticized for not preparing special structural adjustment programs unique to countries. Moreover, IMF policies are directed to short run market recovery, while deregulation, privatization and price liberalization often creates problems regarding human rights, which harms productivity and economic development in the long run.

Criticisms to Countries

Nevertheless, the IMF is not the root of all evil. The countries are equally, or maybe even more responsible for the violation of human rights and disregarding long term development. First of all, countries demand help from IMF with their own will, after they

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16 For example, the reason of inflation was completely different in Argentina and Turkey, and it was around 5000% in Argentina while it was 80% in Turkey. Hence, "reducing inflation" is not the same task in two countries. In Argentina, due to the hyper-inflation people didn’t make long-term contracts, but in Turkey people were used to inflation around 80% so made many long-term contracts. Hence, dropping inflation to 0% at an instant wouldn’t harm people in Argentina whereas it would mean death in Turkey. Also, the social cost of the economic crises in Turkey was huge amount of votes given to marginal parties whereas it was looting of big stores in Argentina. (Karacak 56)
cannot solve the balance of payments problems in their economy. Plus, both the citizens and the governments look for a scapegoat to blame for the unfortunate events, rather than questioning themselves for being unsuccessful. (Altan 60)

To start with, corruption is a major problem in both Argentina and Turkey that prevents the effective usage of IMF lending in developmental projects. Altan exemplifies this with the fact that the real reason why Argentina couldn’t repay her debts was that $50 billion of lending was transferred to some private accounts in Sweden and USA banks during 1975-1983.(62).

Governments usually seek short term benefit. Even if it would be beneficial to the country in the long run, they evade tasks that will cost them votes in the upcoming elections. One outcome of this is reluctance in performing necessary tax reforms. For example in Turkey, tax revenues largely depend on indirect taxation because private businesses can evade taxes. That’s why when IMF demands a tax increase, civil servants and laborers carry the burden because tax is cut from their salaries beforehand. Thus the tax increase both fail to be effective and only exacerbates the situation of middle income people. (1)

Similarly, another structural reform demand by IMF was about controlling the money that Central Bank distributes to the local authorities in 2008, however Turkish government disregarded it because the money distributed largely flew to AKP17 municipalities and used to finance “gifts” to the citizens. Moreover, Mr Prime Minister used this as a populist policy and announced they disregarded “an IMF demand” openly, because society generally sees IMF as a problem creator. (1)

Political instability and populism prevailed in both Argentina and Turkey since 1930s18, worsening the economic and social conditions. Military governments blocked left wing and suppressed the labor unions, which lead to reduced protection of labor rights such as fair wages, social security etc. (S) Also in the case of privatization, governments couldn’t effectively use the “golden share”19 right, and nepotism in both countries reduced the benefit gained from privatization.

Lastly, although IMF demands reduced government spending, it doesn’t specify the area where spending will be curtailed. As Dinçer and Sen points out, budget allocated to

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17 AKP is the current ruling party in Turkey.
18 Argentina saw six and Turkey saw two coup-d’états. (Turkish Time)
19 The governments may hold “golden shares” for short term (ex: 5 years) after privatization which gives them priority in the decision making process. With the golden shares, governments can protect the public interest by setting rules such as: “No workers will be dismissed for this amount of years.” Although PA aims to use the golden share, it has not been effectively used yet. (PA)
defense never tightens while education and health does, creating detrimental effects in the long run.

**Conclusion**

*International Monetary Fund* is a supranational organization that many countries demand help from not only to fix balance of payment problems but also to gain confidence of international lenders. By demanding structural policies that focus on price liberalization, deregulation and privatization, IMF aims to secure repayment of debts of a country. The main problem is, while securing repayments to international lenders, IMF disregards human rights violations and harms to development of the country that occurs as a result of facilitated foreign investment, privatization, reduced government spending and reduced protection to laborers and environment. One other problem is that countries with voting power, especially the US use the Fund according to their own political benefits. However, although IMF conditionality has obvious effects in the violation of human rights in Turkey and Argentina, it cannot be blamed for everything. First, countries invite IMF; the Fund does not interfere without the will of countries. Second, nepotism, corruption, political instability and populist policies of governments that has prevailed for long times in both Turkey and Argentina exacerbated social conditions and the human rights violations.
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