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Adjusting America

The Structural Adjustment Programs Imposed by the IMF & the World Bank Are Hitting the U.S. Too!

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There is enough evidence on how policies of the World Bank, International Monetary Fund (IMF) and the World Trade Organization (WTO) have come to connote colonialism and a dominating world capitalist system for the Third World. The unregulated flow of global capital has placed the fate of developing economies at the mercy of Wall Street traders. However, nations of the South are not the only victims of this process. There is also a "South" in the North-right here in the United States, that is being harmed by domestic policies of the U.S. government, such as the 'Contract With America' and the 'welfare reform.' These policies are part of the same package of policies imposed by the World Bank and the IMF on developing countries.

With the rise of "neoliberalism" on a worldwide scale, the Third World countries have faced rampant privatization and the removal of barriers to trade via structural adjustment programs imposed by the World Bank and the IMF. In the U.S., supply-side economics, or 'Reaganomics' have continued uninterrupted under Bush and Clinton administration. In England it was called "Thatcherism" but has continued virtually uninterrupted under the "new Labor" government. Regardless of where it has taken place, the onslaught has been remarkably similar: debts and deficits accumulated through military overspending and tax cuts to the rich are being repaid on the backs of the poor, women, immigrants, people of color and workers.

Though a triumphant view dominates media coverage of the U.S. economy, but never before poor working families have been forced to wage their daily struggles amid pervasive chatter about unprecedented prosperity. In both rich and poor nations, dislocations from economic and corporate restructuring, and from dismantling the institutions of social protection, have resulted in greater insecurity in jobs and incomes.

The 'Third Worldization' of America

The double squeeze by corporate America and a U.S. government catering to corporate interest, has forced Americans to give back quite a bit. For example:

- Despite glowing media reports on our booming economy, as estimated 46 million Americans, nearly 17% of the population, live below the poverty line.
- The top 2.7 million people have as much income as the bottom 100 million. In other words, the richest 1 percent of Americans is projected to have as much income as the bottom 38 percent. Wealth is even more concentrated, with the wealthiest 1 percent of households owning nearly 40 percent of the nation's wealth. The bottom 80 percent own just 16 percent of the nation's wealth. To further widen this inequality, CEOs of U.S. corporations pocketed 419 times the average wage of a blue collar worker in 1998.
- According to the Report on Household Food Security put out by the USDA in 1999, an estimated 36 million Americans in 10.5 million households do not have access to adequate food.
- The strong economy, celebrated by administration is not reducing hunger because even though more households are in workforce, their take-home pay is not enough to feed their families. A full-time worker at minimum wage earns \$9,512 a year. For a family of four, that puts the family income well below the federal poverty line of \$17,072.
- A survey of 26 cities released in December 1999 by the U.S. Conference of Mayors shows that hunger and homelessness has grown unabated, despite an expanding national economy. Among 2 key findings of the 1999 Status Report on Hunger and Homelessness in America's cities, demand for emergency food related assistance during 1999 grew at the highest level since 1992 (18 percent over the previous year), and demand for emergency housing related assistance grew at the highest level since 1994. 21 percent of requests for food are estimated to have gone unmet.
- The government has responded to this crisis by passing legislation such as welfare reform which has resulted in 11 million families, including 8 million with children, losing their income. This happened when total federal spending for food programs before welfare reform was only 2.5 percent of the federal budget. More than half of the \$54 billion in welfare cuts are coming from food stamps that 25 million poor Americans depended upon. Over 80 percent of food stamps go to families with children. This has resulted in increased hunger.
- In 1997, Second Harvest, the country's largest chain of food banks provided food for almost 26 million people, nearly 10 percent of America's population. Even then it had to turn away 2.3 million people. To compensate fully for the government cuts, each of the 350,000

churches in the U.S. would have to contribute an additional \$150,000 and many churches do not have a budget this big. To make up for the shortfall, the non-profit sector would have to distribute a total of 24.5 billion pounds of food over the next 6 years, four times more than the current distribution and enough to fill 5 million Army National Guard Trucks.

- The number of Americans who lack health insurance continues to increase, climbing to 44.3 million in spite of a prosperous economy.
- An estimated 7 to 8 million Americans are homeless.
- In the United States approximately 20.7% of the population age 16 to 65 is functionally illiterate, the majority of whom are low-paid workers such as farm workers, domestic workers and other who labor long hours in low-paying jobs.

Indeed, structural adjustment Washington-style is giving the U.S. a Third World appearance: rising poverty, widespread homelessness, greater inequality and social polarization. But perhaps it is the state of children that most starkly captures the 'Third Worldization' of America. Today United States has the highest rate of child poverty among the industrialized countries, with one in every five children growing up in poverty. The number of children living at or below one-half of the poverty line increased by 426,000 between 1996 and 1997. About 20 percent of all children under the age of 18, or 14 million, live in food insecure homes.

Direct Impact of IMF/World Bank Policies on Americans

- The U.S. trade deficit has mushroomed from about \$107 billion in 1990 to more than \$270 billion in 1999. A study by the Institute for Policy Studies shows how World Bank/IMF policy lending has contributed to the increase of the U.S. trade deficit by prescribing currency devaluations, which make U.S. imports more expensive and by prescribing cuts in government spending, which lead to job loss and reduced purchasing power of people to buy U.S. goods.
- Although U.S. unemployment is at a record low, the fact that U.S. imports are far outstripping exports, has displaced U.S. jobs, particularly in the manufacturing sector. More than 530,000 U.S. manufacturing jobs were lost between March 1998 and September 1999. This is significant because manufacturing jobs as a whole pay better and more often offer fringe benefits such as health insurance and pension coverage than in other industries that employ non-college graduates.
- World Bank and IMF programs have also contributed to downward pressure on U.S. wages by prescribing the lifting of controls on investment and so-called "labor market flexibility" measures that weaken unions. These policies have contributed to the mobility of global

corporations, increasing their power to bargain down wages and working conditions here in the United States. Although real wages in the United States rose slightly in 1998 and 1999, low-income workers, including large numbers of people of color and women saw their wages erode during the decade of the 1990s. Even some globalization proponents admit that 20-25 percent of the increase in U.S. inequality may be due to import competition and employers moving (or threatening to move) to developing countries where they can take advantage of lax enforcement of worker rights.

Corporate-driven structural adjustment has triggered severe social stress and strain in both the North and the South. United States, after dismantling many of the social mechanisms of the New Deal state, has addressed the discontent through punitive measures. US expenditures on criminal justice have increased four times faster than the budget for education, and twice as fast as outlays on hospitals and health. Today the US has achieved the distinction of imprisoning a larger share of its population than any other nation.

To counter this wave of corporate driven structural adjustment, it is essential that we promote the common interests of the peoples of the South and the North. This entails forging, across borders, an alternative economic vision, one that brings the economy back under the control of the community, one that fosters solidarity instead of polarization idealized by market economy.

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