The IMF and Global Dispossession

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Introduction

The International Monetary Fund (IMF) is one of the most powerful financial and political institutions in the world, having amassed about $1 trillion in spending capacity. These funds are deployed as loans to rescue countries during times of crisis, with the requirement that debtor countries adopt "structural adjustment programs" to orient their economies to the IMF's desire. These most often involve austerity measures, but can also stretch towards pushing countries towards export of basic goods, privatization of state-owned companies, and lifting market caps for foreign investors. The combination of crisis, loan, and policy leads to the dispossession of millions.

This thesis is a historical analysis of the IMF's intervention in South Korea during the 1997 Asian Financial Crisis. The Asian Financial Crisis was the worst economic crisis Indonesia, Thailand, and South Korea experienced since being formally liberated, overtaking even the 2008 global economic crisis for these countries in severity and scope. The IMF intervention into these countries only worsened and prolonged the crisis, even launching Korea into a recession through harsh austerity measures and mandated "labor market flexibility." Due to both the economic crash and the IMF restrictions, countries that were formerly cast as the "Asian Tigers" undergoing the "Asian miracle" suddenly experienced the closure or takeover of many of their largest corporations, millions of people experiencing unemployment, and political upheavals. In Korea, the severe austerity measures instantly led citizens to call the era the "IMF crisis," and everything from household jewelry to massive conglomerates seemed to disappear overnight.[1]

Despite the significance of such a period, literature on the crisis is incomplete. Disciplinary partitions exist between scholars debating the economics of the crisis, those situating the crisis in the history of Korea and Asia, and those discussing the cultural significance of the crisis. As a result, the topic of the racial logic of the Asian financial crisis has not been addressed. Discussing the racial logic of the crisis necessarily requires thinking across economics and into ethnic studies and the humanities, to make meaning of economic trends before the 1998 crisis came to fruition and to deconstruct macroeconomic policy measures imposed on these nations as wholly economic but nonetheless subjective. The segmentation of

[1] The crisis also serves as a commonly used and salient backdrop in many pieces of Korean media. A very, very popular one right now is 수물다섯 수물하나, or *Twenty-Five Twenty-One*, a coming-of-age drama that takes place in 1998 and colored with the daily economic hardship imposed during the IMF era. I recommend it!

the academy through area studies similarly deters inquiry into the global logic of race, or how the IMF intervention in Asia is a specific component of a larger scheme deployed also in the Latin American debt crisis and elsewhere. The connections between these interventions, understanding how each serves both to differentiate parts of the globe but link them into a global hierarchy, are left unquestioned. In the words of my advisor Professor Lisa Lowe, "the modern division of knowledge into academic disciplines, focused on discrete areas and objects of interest to the modern national university, has profoundly shaped the inquiry into these connections. Even the questions we can ask about these histories are influenced by the unevenly inhabited and inconstently understood aftermath of these obscured conditions."[2]

This segmentation in analyses of the crisis also limits criticism. As an example, I struggled while writing this thesis to reconcile the beliefs of several leaders against the consequences of their actions during the crisis. Korean Presidents Kim Young-Sam and Kim Dae-Jung, Korean Finance Minister Kyung Ki-Hwan, and IMF Managing Directors Michel Camdessus and Stanley Fischer, all seemed to be fairly progressive in their fields and to have no choice but to desperate woo international investors back to avoid outright bankruptcy of the Korean government. Kim Dae-Jung in particular had been a prominently recognized labor and human rights activist in the three decades before he became President. Yet through their actions, millions of people lost their jobs, and after the IMF intervention Korea was further entrenched in those forces that caused the crisis.

It is tempting to hopelessly accept the actions of Kim Dae-Jung and other leaders and believe that difficult policy decisions are unfortunate necessary. But the crisis was anything but natural or inevitable. A trans-disciplinary perspective is necessary to demonstrate this; to show the movement of financial capital in the crisis did not arise from any strictly objective economic flow but from the subjective view of

[2] Lisa Lowe, *The Intimacies of Four Continents* (Duke University Press, 2015), page 1-2. Also, a note on terms: I prefer the language of partitions or segmentations of the academy over disciplinary gaps or "gaps in the literature," for two reasons. Firstly, the problem in the general sense is not just disciplinary structures resulting in a lack of study of some topics, as "gaps" might imply, but also an issue of the specific ways current study is done. In some cases there are gaps, for example on the question of racial logic of the IMF that has not been focused on, but just as often the issue is not the simple absence a problem but the way it is discussed. In other words, we don't always need to add more to the literature, sometimes a more helpful but impractical solution would be to unwrite or rewrite what has already been written. And when more should be added, the number of topics that could be written about are infinite and thus gaps will always exist; the problem is often not the gaps themselves but the lines and currents along which these gaps are formed that require deeper questioning into the processes of the academy than simply identifying a missing area and jumping in. Secondly, "partitions" and "segmentations" hint at an orchestrated process that can be pushed back on, rather than any natural or inherent divide. There are not just gaps, parts, or segments of the academy but areas that have been partitioned, that have been segmented, and even forced apart.

Western investors extending the racial logic of empires past, and to understand how policy measures enacted during the crisis were not just unjust but part of a global racial logic. Even more generally, a wide scope of analysis is necessary to avoid viewing capitalism as an inescapable economic or historical process, as treading too steadily within a discpline's borders might suggest, but as something that has been disguised as such by a regime of economic reason that are far from reasonable. Through comparison with the treatment of nations across the globe, it quickly becomes clear IMF diagnoses stem from presumption of difference.

So this thesis hopes to stretch past these boundaries. This thesis is a history of the crisis, but my main contribution is not an unveilment of a series of events. Instead, I attempt in this thesis to look more broadly, at the discursive currents from within which the crisis erupted, is understood, and reinforced. I argue that the IMF's treatment of the crisis is more than an economic intervention and instead pushes the world into a recapitulated racial order. Through the delegation of blame, through the policies prescribed, through diplomatic relations with debtor countries, and through post-crisis analyses in IMF-mediated conference sessions hosted by IMF-employed economists, the IMF is able to elevate the world of Western creditors while denigrating those who depend on them. I focus on Korea, but its experience is one aspect of a larger global hierarchy that the IMF creates by comparing Korea and other Asian countries to the rest of the world. In doing so, the IMF brings forth racial categories of empires past, congratulating some countries as "models" for others, others as "acceptable," and all debtors as having experienced crises because they had not yet progressed to the level of the successful countries that served as creditors.

More broadly, I hope through this thesis to discuss the shifted nature of empire today. Calls for white nations to civilize the lower races no longer take the center stage of the discourses of empire. Instead, empire extends itself via systems and discourses of evaluation that rank based on racial difference while disguised as objective. The IMF and the Asian financial crisis are one important component in this machine, but more broadly we should be critical of all that purports to be universal. As I show in this thesis, the rational, the economic, the financial all serve to rank nations and races, and are successful in doing so because they appear to apply a single set of rules towards all, and thus any resulting difference must be extrinsic rather than a fault of the ranking logic itself. In fact, these systems are all but universal, always being applied unevenly depending on presumed racial differences, and in turn reifying those racial differences to be further embedded in seemingly universal logic.

I begin this argument with a literature review of of the IMF and the Asian financial crisis, especially focusing on how current segmentations prevent the IMF's racial logic from being understood or critiqued. To begin this critique, I discuss the IMF's founding and its transformation from a relatively simple lending body to a policy-prescribing institution. Within this historical context, I also describe the world's shift away from a single currency system regulated by states and the IMF, and towards a floating, market-based series of measures in which currencies could rise and fall rapidly. I then discuss how this volatility laid the ground for the speculative investment that grew into the Asian financial crisis, and finally discuss the IMF's diagnosis and policy prescription that ignored this speculation in favor of indicting "crony capitalism" in Korea. I critique this position as as one that presumes racial differences and masks them in the rhetoric of reason, simultaneously ending and fulfilling the narrative of the "Asian miracle" of economic success in the decades prior. With the 1998 crisis, the Western world was able to cement Korea's position as just outside of modernity, economically successful but always subpar. In this discussion, I draw from scholars of the Marxist tradition including Rosa Luxemburg, John Smith, and David Harvey, and from scholars of racial capitalism including Paula Chakravartty, Denise Ferreira da Silva, Jodi Byrd, Zenia Kish, and Justin Leroy.

Theoretical background

Racialized accumulation by dispossession

My thesis begins with Marx, and specifically his writing on capitalist accumulation. For Marx, the distinction between capitalism and feudalism or other modes of production lay in employer's ability to systematically generate profit. By only paying the amount that was required for capitalists to continue consuming worker's labor power, or in other words low hourly wages, even selling a product simply at its market-desired value could generate returns for the owner of the machinery and process that created the product (also known as the means of production). The generated profit could be reinvested to generate additional product, turning what could be simply leftover profit into capital.

Capital accumulation inevitably leads to overaccumulation. At some point the resources required to sustain this process reach a limit – perhaps there is not enough land to continue expanding a farm or factory, or there is not enough demand to consume the products generated by the reinvestment of capital. In both the former case of a production-side problem or the latter case of a consumption-side problem, overaccumulation occurs because of continuous drive to produce without end. As Marx says, "The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit."[3]

There are generally two strategies that can accomodate this overaccumulation. On one hand, and as Marx described, the products may undergo a massive devaluation. This constitutes most of our modern economic crises, including the Asian financial crisis as will be explained below. When products that were in excess are devalued, they can again be bought and sold as capital, and the march towards production can begin again.

Marxist philosopher-activist Rosa Luxemburg pointed out another possibility in *The Accumulation of Capital* (1913), arguing that the underpayment of workers would require products under capitalism

[3]Karl Marx, *Capital: Volume III* (Penguin UK, 1992); cited in Rob Sewell, "What Causes Capitalist Crises: Under-Consumption or Overproduction?" *In Defence of Marxism* (https://www.marxist.com/underconsumption-and-marxist-theory-of-crisis.htm, August 2012).

to be underbought, and that capitalism's solution for itself was expansion via war and conquest to find new consumer bases where these surplus commodities could be realized as profit. Around the same time period, Vladmir Lenin published his iconic pamphlet *Imperialism: The Highest Stage of Capitalism* that detailed the converse of this process. While Luxemburg saw expansion as capitalism's temporary "fix" in providing new consumers, Lenin saw expansion as capitalism's temporary "fix" in providing new resources and workers from which a larger array of products could be generated. Both saw the events of the time, like Japan's annexation of Korea and intrusion into China,

Over a hundred years after Marx first wrote about overaccumulation, David Harvey revisited these works and synthesized them with Marx's writing on *primitive accumulation*. Marx saw the economic process of accumulation as having started with capital obtained by entirely noneconomic and violent means. These included gold and silver taken from the Americas, the enslavement and murder of Indigenous populations there, the looting of South Asia by the British East India Company, the Transatlantic slave trade and enslavement of Africans in America, and the forceful expropriation of land from the English peasantry. Harvey argued in 2003 that these violent appropriations that Marx described did not just contribute to accumulation during the prehistory of capital, as Marx described, but was an essential aspect of accumulation itself. Similarly, restructuring and expansion described by Lenin, Luxemburg, and others that capitalism required did not only take place not only in times of formal economic crises but throughout all of capitalist history. Given that these appropriations were not "primitive" as Marx called them but were an integral part of accumulation, Harvey termed these processes as *accumulation by dispossession*.

In addition to a temporal synthesis, Harvey's theory of accumulation by dispossession also pushed theories of capitalism towards viewing capitalism as a social and dispossessive process rather than an economic one. Marx originally described capital as both a social and economic relation, and although no one has challenged or doubted this characterization, traditional Marxist theory and contemporary trends in cultural studies and the humanities have somewhat suggested a widening rift in the social and economic aspects of capitalism. The theory of accumulation by dispossession provided a return to this original formulation, made even more relevant by the obfuscated and constantly reorganizing economies of the neoliberal age.

The phrase and theory of accumulation by dispossession has struck a chord in the past twenty years, generating thousands of texts that expand on Harvey's own writing and apply the concept to many social contexts.[4] The theory has generated much criticism as well, from both traditional Marxists and from cultural theorists.[5] One important strand of critique begins with Paula Chakravartty and Denise da Silva's collection *Race, Empire, and the Crisis of the Subprime*.[6] They note that while Harvey's theory of *accumulation by dispossession* emphasizes the social processes of dispossession that are at capitalism's core, Harvey takes race for granted in his writing because he notes simply the disproportionate burden of these acts of dispossession on people of color. He stops short of discussing the racial logic that would allow such a burden to appear. Thus, even while criticizing the burden of the economic impact on people of color, race and racism are taken as "primitive" or preexisting concepts over which modern capitalist forces take hold. Ferreira da Silva and Chakravartty push back on this and argue that race continues to order accumulation in and of itself, and specifically in the subprime mortgage crisis that Black recipients of loans are *continually* configured to be outside of the relationship of an economic transaction and the capacity to pay one side of the trade.[7]

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[4]Swapna Banerjee-Guha, *Accumulation by Dispossession: Transformative Cities in the New Global Order* (SAGE Publications India, 2010); Colin Flint and Peter J. Taylor, *Political Geography: World-Economy, Nation-State and Locality*, Seventh (London: Routledge, 2018), https://doi.org/10.4324/9781315164380; Jim Glassman, "Primitive Accumulation, Accumulation by Dispossession, Accumulation by 'Extra-Economic' Means," *Progress in Human Geography* 30, no. 5 (October 2006): 608–25, https://doi.org/10.1177/0309132506070172; Derek Hall, "Primitive Accumulation, Accumulation by Dispossession and the Global Land Grab," *Third World Quarterly* 34, no. 9 (October 2013): 1582–1604, https://doi.org/10.1080/01436597.2013.843854; Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Harvard University Press, 2011); Jim Thatcher, David O'Sullivan, and Dillon Mahmoudi, "Data Colonialism Through Accumulation by Dispossession: New Metaphors for Daily Data," *Environment and Planning D: Society and Space* 34, no. 6 (December 2016): 990–1006, https://doi.org/10.1177/0263775816633195; Frank Webster, *Theories of the Information Society*, Fourth (London: Routledge, 2014), https://doi.org/10.4324/9781315867854.

[5]Daniel Bin, "So-Called Accumulation by Dispossession," *Critical Sociology* 44, no. 1 (January 2018): 75–88, https://doi.org/10.1177/0896920516651687; Raju Das, "David Harvey's Theory of Accumulation by Dispossession: A Marxist Critique," *World Review of Political Economy* 8, no. 4 (2017): 590–616, https://doi.org/10.13169/worlrevipoliecon.8.4.0590.

[6]Paula Chakravartty and Denise Ferreira da Silva, "Accumulation, Dispossession, and Debt: The Racial Logic of Global Capitalism—An Introduction," *American Quarterly* 64, no. 3 (2012): 361–85; followed by Jodi A. Byrd et al., "Predatory Value: Economies of Dispossession and Disturbed Relationalities," *Social Text* 36, no. 2 (135) (June 2018): 1–18, https://doi.org/10.1215/01642472-4362325; Zenia Kish and Justin Leroy, "Bonded Life," *Cultural Studies* 29, no. 5-6 (September 2015): 630–51, https://doi.org/10.1080/09502386.2015.1017137; Michael A. McCarthy, "Alternatives: Silent Compulsions: Capitalist Markets and Race," *Studies in Political Economy* 97, no. 2 (May 2016): 195–205, https://doi.org/10.1080/07078552.2016.1211155; Lisa Tilley and Robbie Shilliam, "Raced Markets: An Introduction," *New Political Economy* 23, no. 5 (September 2018): 534–43, https://doi.org/10.1080/13563467.2017.1417366.

[7]See also Denise Ferreira Da Silva, *Toward a Global Idea of Race* (U of Minnesota Press, 2007) for more from Ferreira da

Ferreira da Silva and Chakravartty frame their work as a study of global racial capitalism and argue that "race in the *naturalized* ways U.S. Americans deploy the term cannot be the privileged and sole critical descriptor"[8] of the various manifestations of the logics of dispossession on the "others of Europe." They emphasize that the varied ways race is understood, deployed, and experienced requires an expansive understanding of race that accounts for its contradictions, in their study describing why Black and Latino subjects are at once preconfigured as "aberrant economic subjects in the very articulation of postracial claims of achieved equality." Their collection goes on to describe the ontology of this dynamic in the 2008 subprime mortgage crisis, but stops there. Other relationships, other parts of the globe, other crises are left unaddressed, and their gesture towards a global logic of race describes only one of its manifestations. My project will attempt to complement to their discussion by discussing debt and raciality as global concepts, similarly illustrating how race serves to reconcile the simultaneous universality of capitalism in a single logic with its capacity to rank or differentiate. While Chakravartty and Ferreira da Silva focus on U.S. banking institutions and the subprime mortgage loan, I will focus on the IMF's crisis loans; while they critique the dispossession of the "others of Europe" by focusing on Black and Latino/a homeowners, I will focus on the (mis)handling of the 1997 Asian financial crisis, and as a case study focus on the crisis' escalation to catastrophe in South Korea.

More than just being a difference in topic or scope, I hope that this positioning will enable my project to connect Chakravartty and Ferreira da Silva's analysis of the racial logic of debt with postcolonial theory and theories of globalization. These are undoubtedly concepts that Ferreira da Silva and Chakravartty stretch towards in their collection, and other authors have similarly tried to bridge the gap between contemporary theories of race and theories of globalization.[9] But in my view, very little literature has questioned the racial categories that give rise to the "globalized" world of today. Discussion on globalization, expanded on below, often criticizes the unequal economic nature and sometimes (like Harvey) notes the

Silva on this topic.

[8] Chakravartty and da Silva, "Accumulation, Dispossession, and Debt", 369

[9] Relevant here are Samir Amin, *Capitalism in the Age of Globalization: The Management of Contemporary Society* (Zed Books Ltd., 2014); Mike Featherstone, *Global Culture: Nationalism, Globalization and Modernity* (SAGE, 1990); Saskia Sassen, *Globalization and Its Discontents* (New York: New Press, 1998); and Destin Jenkins, *The Bonds of Inequality: Debt and the Making of the American City* (University of Chicago Press, 2021), but there is so much insight and work in this field that cannot fit into a single footnote.

disproportionate impact of this economic burden on people of color, but no theoretical or empirical discussion has discussed how the racial and economic imbalances are not coincidental but part of the same fundamental process of capitalist dispossession. I hope that my thesis can fill this gap.

Dependency and world-systems theory

The complement to the lneage of racialized accumulation by dispossession, predating Harvey's paper by some forty years, comes dependency and world-systems theorists. In contrast to theorists of accumulation that focus on the engines of capitalism, dependency and world-systems theorists focused on questions of development and the current segmentation of the world into parts of a whole. Their work offers a challenging alternative to traditional theories of development, contending that underdevelopment today occurs not from any innate or learned deficiencies but from targeted processes of capitalist exploitation.

Though dependency theory draws from Marxists theorists of imperialism like Lenin and Luxemburg, it began in a more official sense a few years after the end of World War II. As scores of nations around the world declared and fought for their independence, trade relations were increasingly not enforced by one nation having sovereign power over another, but by the laws of the "free" market and trade agreements between two distinct nations. But the reigns of former colonial powers were of course not relinquished with formal independence. A key example of this lies in the trends of prices in "primary products" like food and water against trends of prices in manufactured goods like machinery. Primary products, as necessities, often could not raise prices in response to demand as manufactured goods do. As a result, economies based on exports of raw goods like primary products have less and less purchasing power over time compared to manufactured goods from larger nations. Formerly colonized countries that have had their economies forcibly oriented towards the production and export of raw materials are thus placed at a ever-worsening disadvantage once they enter the "free" market.

Hans Singer and Raul Prebisch wrote on this dynamic separately in 1949, comprising what would become known as the Prebisch-Singer hypothesis of inequality between countries.[10] This also laid the foundation for dependency theory, or a social-economic analysis of the inequality between former colo-

[10] Raul Prebisch, "The Economic Development of Latin America and Its Principal Problems," *Economic Bulletin for Latin America*, 1962; H. W. Singer, "Economic Progress in Underdeveloped Countries," *Social Research* 16, no. 1 (1949): 1–11.

nial powers and the peoples they once colonized. Other scholars quickly followed Prebisch and Singer, expanding on dependency theory to account for many other factors besides the trade relationship described in the Prebisch-Singer hypothesis. Walter Rodney, in his famous book *How Europe Underdeveloped Africa*, wrote on Europe's colonial relationship with Africa as the chief cause of underdeveloped economies in Africa. Far from simply progressing unevenly, Rodney contends that Europe was only able to "progress" to its current stage of capitalist success because it deprived that from African nations through slavery and structuring economies towards exports of raw materials and exports of everything else from colonial metropoles. The common point in all of these theories lies in recognizing interdependent but uneven pattern of development between "core" countries with financial power and "periphery" countries that do not. For countries at the core to enjoy everything from automobiles to electricity, both tangible material resources and financial capital in the abstract had to be moved from countries at the periphery to countries at the core of the world.

Perhaps the most recognizable extension of dependency theory comes in the form of world-systems analysis, which emerged during the 1970s most famously with Immanuel Wallerstein's writing. Like dependency theory, world-systems analysis saw development not as a country's internal process but as inseparable from its place in the world at large. Unlike dependency theory, which focused on units of relationships between former colonial powers and their respective former colonies, Wallerstein attempted to take a more expansive perspective in also considering intra-regional and within-nation relationships. Given that capitalist exploitation occurred in much the same way within a nation itself as it did across nations, and that many different international economic relationships existed besides metropoles of empires exploiting their colonies (or former colonies), a theorization of the world at large had to stretch quite a bit beyond the focus of dependency theory.

In other words, for Wallerstein the subject of analysis was not a single country's dependency on another, but how the world at large functioned independent of any qualifying condition.[11] He began by describing mini-systems, world empires, and world-economies as the three types of social systems that could exist, and argued in Volume 1 of *The Modern World-System* that the current system was the capi-

[11] For example, independent of a former colonizer-colony relationship, or a recognizable exploiter-exploited relationship, or even from nation to nation.

talist world-economy, and this encapsulated the entire world. Within the capitalist world-economy were institutions, or structures that enabled its functions; Wallerstein divded these into the market, states, households, (economic) classes, and "status-groups" or identities that individuals belonged to. These institutions lent their own interrelated notions of structure and hierarchy to the world, often in seemingly contradictory ways. For example, institutions like the market move us to prescribe to the universalist notion of meritocracy, where all individuals are held to a single standard of judgment by capacity. On the other hand, institutions of status-groups are built through the anti-universalist norms like racism and sexism, where individuals are held to multiple standards based on their race and gender.

World-systems analysis has faced a number of critiques over the years for its supposedly all-encompassing narrative described above. Like criticisms of traditional Marxist works in general, the most popular and continual of these content that Wallerstein neglects culture for economic flows and functions.[12] Though Wallerstein acknowledges and describes culture as a part of the world-system, critics argue that his conception of culture does not acknowledge its complexity, in treating identity as discrete status-groups wrthout deconstructing their origin or reproduction.[13] They also contend that Wallerstein and many orthodox Marxist worldviews see historical progression are driven chiefly by economic developments, and thus inaccurately portray culture as secondary to an economic base or root.

More broadly, world-systems analysis and dependency theory's focus on material and financial capital prevents these schools of thought from deconstructing the epistemological categories that let material goods and financial capital move, or that may appear even when the movement of physical resources does

[12]Richard E. Lee, "Cultural Studies, Complexity Studies and the Transformation of the Structures of Knowledge," *International Journal of Cultural Studies* 10, no. 1 (March 2007): 11–20, https://doi.org/10.1177/1367877907073896, Stanley Aronowitz, "A Metatheoretical Critique of Immanuel Wallerstein's "The Modern World System"," *Theory and Society* 10, no. 4 (1981): 503–20, Roland Robertson and Frank Lechner, "Modernization, Globalization and the Problem of Culture in World-Systems Theory," *Theory, Culture & Society* 2, no. 3 (November 1985): 103–17, https://doi.org/10.1177/0263276485002003009, Jason C. Mueller and Steven Schmidt, "Revisiting Culture and Meaning-Making in World-Systems Analysis: A Proposal for Engaging with the Cultural Political Economy Approach," *Critical Sociology* 46, no. 4-5 (July 2020): 711–28, https://doi.org/10.1177/0896920519856074, Stephen K. Sanderson, "World-Systems Analysis After Thirty Years: Should It Rest in Peace?" *International Journal of Comparative Sociology* 46, no. 3 (June 2005): 179–213, https://doi.org/10.1177/0020715205058606, Lauren Benton, "From the World-Systems Perspective to Institutional World History: Culture and Economy in Global Theory," *Journal of World History* 7, no. 2 (1996): 261–95.

[13]Mueller and Schmidt, "Revisiting Culture and Meaning-Making in World-Systems Analysis" interestingly notes Wallertsein's response that "I feel I've studied culture all my life," from an interview in Anand Kumar and F. Welz, "Culture in the World-System: An Interview with Immanuel Wallerstein," 2001, https://doi.org/10.1080/13504630120065293.

not. Political ideology, race and gender, space, among others remain mostly unquestioned in discussions of dependency or world-systems. Theorists ike Wallerstein and Rodney, who do theorize on how capital accumulation functions across race as a category, neglect to deconstruct race or ask how the category itself was formed.

One example of this economic focus and its incompleteness can be seen in Korea's relationship with the United States. Both dependency theory and world-systems theory focus on material goods and their transport, and in a secondary sense focus on finance capital and its transport across the globe. This does not apply well to countries like Korea; the U.S. did not begin occupying Korea in 1945 for economic or material gain, but to support the logic of liberal capitalism that was threatened by the Soviet Union, North Korea, and China. Nonetheless, Korea never stopped depending on the U.S. and paid in large amounts for this. For example, South Korea fulfilled the U.S. request to send 750,000 troops as support during the Vietnam War in exchange for technological and financial repayment that Korea received for decades from the U.S. Korea's economy for many years was based on exports to its former colonizer of Japan and to the United States.[14]. In other words, the relationship between Korea and the United States does not fit the typical cases described by dependency and world-systems theorists, but the relationship has still been one of a former colony in the periphery being dependent on a "core" imperial power, to the effect of upholding the pulse of capitalism.

Wallerstein offered a useful comment on world-systems analyses' limitations in 1998, when he argued that world-systems analysis was not a theory in its own right but only an analysis of the world.[15] World-systems analysis was first presented as an argument against modernization theory, pointing out how many of modernization theory's notions of progress contradicted the material conditions of the world at the time, and especially its unequal patterns of development. World-systems analysis was begun to push back on this, and thus its main focus in Wallerstein's words was not to provide a true theory of the world but to "clear the underbrush" for future conceptions of the world and its development. While disagreeing with

[14]Martin Hart-Landsberg, "Capitalism and Third World Economic Development: A Critical Look at the South Korean "Miracle"," *Review of Radical Political Economics* 16, no. 2-3 (June 1984): 181–93, https://doi.org/10.1177/048661348401600209, Sungjoo Han, "South Korea: The Political Economy of Dependency," *Asian Survey* 14, no. 1 (1974): 43–51, https://doi.org/10.2307/2642837.

[15]Immanuel Wallerstein, "The Rise and Future Demise of World-Systems Analysis," *Review (Fernand Braudel Center)* 21, no. 1 (1998): 103–12, pp. 109.

the Wallerstein's use of "theory" semantically,[16] I agree with the general sentiment that the worldview presented by world-systems analysis does not have to be relied on, or even battled over in a fight for some single theory of the world.

To conclude, dependency theory and world-systems analysis are incredibly valuable, but have always been incomplete, and as Wallerstein suggests the need to steer clear from dogmatic tendencies and towards new theory is always beneficial. More concretely, while Chakravartty, Ferreira da Silva, Micahel McCarthy, and others as cited above fall short of describing the global, dependency and world-systems analysts fall short of describing the social and racial. The next section illustrates how these theoretical limitations are matched by disciplinary segmentations in the literature of the Asian financial crisis.

[16]Ruth Wilson Gilmore describes theorizing as a ubiquitous task we undertake whether we would like to or not. Everything from planning our day to reflecting on our own lives to producing an academic paper describing a train of thought is theorizing. I prefer this perspective.

Literature review

The IMF and the Asian financial crisis

The role of the IMF in the Asian financial crisis offers one chance for this expanded theorization. Before the crisis, South Korea was boasting record low unemployment rates, had worker's rights and labor laws that were among the strongest of the OECD group, all with a consistently low inflation rate and while being known for its cautious stance on foreign investment.[17] But the unemployment rate in South Korea quadrupled in less than a year after the crisis began in October 1997, and the IMF quickly transitioned from an obscure international economic agency into a household name.[18].

The former face of the new Korean generation and proclaimer of equality, Kim Dae-Jung, turned an about-face on his belief in protecting the Korean economy and quickly accepted the IMF's recommendation to put Korea's central banks up for sale.[19] In other words, the glass image of capitalist stability was cracked and laid bare, as the IMF quickly opened the South Korean economy for outside financial institutions to buy up and the labor rights fought for by unions were reset after company acquisitions.

The responses in the literature for the IMF intervention here is polarized, and for the purposes of my analysis fall into three groups. The first are traditional economic analyses of the IMF's programs, which generally support the IMF's goals even if sometimes criticizing the current state of structural adjustment programs (SAPs).[20] The most regular players here come from the IMF itself, as well as associated parties

[17] Ben Clift, *The IMF and the Politics of Austerity in the Wake of the Global Financial Crisis* (Oxford University Press, 2018); Sun-Jae Hwang, "Long-Term Implications of Neoliberal Restructuring and Rising Inequality :South Korea after the 1997 Asian Financial Crisis," □□□□□ 49, no. 3 (June 2015): 97–120, https://doi.org/10.21562/kjs.2015.06.49.3.97; Daeho Kim and Seok-Kyeong Hong, "The IMF, Globalization, and Changes in the Media Power Structure in South Korea," *Media and Globalization: Why the State Matters*, 2001, 77–92.

[18] Seung-Kyung Kim and John Finch, "Living with Rhetoric, Living Against Rhetoric: Korean Families and the IMF Economic Crisis," *Korean Studies* 26, no. 1 (2002): 120–39, https://doi.org/10.1353/ks.2002.0008; David Martin-Jones, "Decompressing Modernity: South Korean Time Travel Narratives and the IMF Crisis," *Cinema Journal* 46, no. 4 (2007): 45–67; Se-Il Park, "The Labor Market Policy and Social Safety Net in Korea: After the 1997 Crisis" (Tjhe Brookings Institution, September 1999).

[19] Micehl Chossudovsky, "The Recolonization of Korea," *Los Angeles Times*, June 2000.

[20] Jo Marie Griesgraber, "The Meltzer Report in the View of US Civil Society: Some Points of Agreement, Plenty of Missed Opportunities and Shortcomings," n.d, Graham Bird and Dane Rowlands, "The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis," *The Journal of Development Studies* 53, no. 12 (December 2017): 2179–96, https://doi.org/10.1080/00220388.2017.1279734, Randall W. Stone, "The Political Economy of IMF Lending in Africa," *American Political Science Review* 98, no. 4 (November 2004): 577–91, https://doi.org/10.1017/S000305540404136X, Martin Feldstein, "Refocusing the IMF," *Foreign Affairs* 77, no. 2 (1998): 20–33, https://doi.org/10.2307/20048786.

like the World Trade Organization and the US Treasury. The consensus of these parties, even after the Asian financial crisis,

The second group are critical of the IMF, and through both quantitative and qualitative analyses try to identify the detrimental nature of the IMF's programs to the economic growth of a country.[21] Of particular note in this group are the International Financial Institution Advisory Committee, organized in 1998 by the U.S. Congress after the Asian Financial Crisis. This committee, headed by Allan Meltzer of Carnegie Mellon University, produced a report largely of the IMF's current policy of conditionality and suggested replacing it with limited "pre-conditions" that would guarantee a loan during crisis. The "Meltzer Report" was met with large criticism from the first group mentioned above, as a "radical" or unreasonable reform.[22] One commission member, Charles Calomiris, complained in a Congressional hearing about these responses, saying that "[B]ehind closed doors many critics are candid about their primary reason for objecting to our proposals: 'Forget economics; it's the foreign policy, stupid.' "[23] In other words, the Meltzer Report had attempted to give reforms that were reasonable economically, but believed the report was rejected because of conflicting goals for foreign policy. Also of note here is the former chief economist and senior vice president of the World Bank, Joseph Stiglitz, who was likely the most prominent critic of the IMF's policies during this era.[24] Stiglitz's criticisms were similarly met with

[21] David Vines and Christopher L. Gilbert, *The IMF and Its Critics: Reform of Global Financial Architecture* (Cambridge University Press, 2004); Allan H. Meltzer, *Report of the International Financial Institution Advisory Commission* (International Financial Institution Advisory Commission, 2000); Benedict Clements, Sanjeev Gupta, and Masahiro Nozaki, "What Happens to Social Spending in IMF-supported Programmes?" *Applied Economics* 45, no. 28 (October 2013): 4022–33, https://doi.org/10.1080/00036846.2012.744136; Gopal Garuda, "The Distributional Effects of IMF Programs: A Cross-Country Analysis," *World Development* 28, no. 6 (June 2000): 1031–51, https://doi.org/10.1016/S0305-750X(00)00002-4; Robert J. Barro and Jong-Wha Lee, "IMF Programs: Who Is Chosen and What Are the Effects?" *Journal of Monetary Economics*, Political economy and macroeconomics, 52, no. 7 (October 2005): 1245–69, https://doi.org/10.1016/j.jmoneco.2005.04.003; Joseph E. Stiglitz, *Globalization and Its Discontents* (W. W. Norton & Company, 2003); William Easterly, "What Did Structural Adjustment Adjust?: The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans," *Journal of Development Economics* 76, no. 1 (February 2005): 1–22, https://doi.org/10.1016/j.jdeveco.2003.11.005.

[22] See the U.S. Treasury response at https://www.treasury.gov/press-center/press-releases/Documents/meltzer.pdf, Christian E. Weller, "Meltzer Report Misses the Mark: Commission's Recommendations for World Bank, IMF Need Further Consid," *Economic Policy Institute* (Economic Policy Institute; https://www.epi.org/publication/issuebriefs_ib141/, April 2000); Graham Bird, "Sins of the Commission," *World Economics* 1, no. 3 (2000): 17–29; and discussion of the debate at Morris Goldstein, "IMF Structural Conditionality: How Much Is Too Much?" {{SSRN}} Scholarly Paper (Rochester, NY: Social Science Research Network, February 2002), https://doi.org/10.2139/ssrn.300885.

[23] Charles Calomiris, ed., The Meltzer Commission: The Future of the IMF and World Bank (May 2000).

[24] See Stiglitz, *Globalization and Its Discontents* as cited above, but also Joseph E. Stiglitz, "The Insider," *The New Republic*, April 2000; Joseph E Stiglitz, "Failure of the Fund: Rethinking the IMF Response," *Harvard International Review* 23, no. 2 (2001): 14–14; and Joseph E. Stiglitz and Shahid Yusuf, *Rethinking the East Asian Miracle* (World Bank Publications, 2001).

unpopularity among some.[25]

Critics like Stiglitz of this second group often defend globalization and the core goals of the IMF even while critizing some of its enforcers, arguing that there simply must be a return to the IMF's roots to make globalization work for everyone. In contrast, the third group of writers on the IMF take issue not only with the IMF's implementations of its mandate but also the conceptual grounding on which these programs are made.[26] These writers recognize that the IMF's economic motivations are political ones, which often derive from extended and recapitulated colonial relationships. Julie Mueller of this group is most explicit in this approach, advocating for a neo-Gramscian approach that analyzes both the IMF's policies and the conditions leading to consent to these policies in recipient countries. She contends that the success of the IMF to convince the world its fundamental form of intervention is necessary, along with the gigantic coffers to support its policies, have constituted a new world hegemon.

I hope to join this third group of writers, and extend their discussion with the discussion of raciality as co-constitutive to the logic of financial capital. With solely an economic focus on the IMF's policies, we are left with the fairly obvious contention that the programs benefit some but leave others behind. But this statement is not new, and even one that the IMF would likely agree with. Given the organization openly advocated for "labor market flexibility" in the Asian financial crisis, the IMF seemed to have thought some would receive for the worse end of its policies in exchange for the greater good of economic progression. A historical, cultural, and conceptual perspective of of the IMF must be undertaken to understand the impact of this uneven development. This includes linking the history of the IMF's responses

[25] An interesting note is that Stiglitz had serious competition at the time with then-U.S. Treasury Secretary Lawrence Summers over this position, even contending that Summers prevented him from being re-appointed to Stiglitz' World Bank position in 1999. Lawrence Summers would of course then go on to be President of Harvard University before being kicked out for his conflict with the legendary Cornel West, sexist rants on the underrepresentation of women in STEM, ties to Jeffrey Epstein, and paying a professor's $28.5M lawsuit.

[26] Clift, *The IMF and the Politics of Austerity in the Wake of the Global Financial Crisis*; Catherine H. Lee, "To Thine Ownself Be True: IMF Conditionality and Erosion of Economic Sovereignty in the Asian Financial Crisis," *University of Pennsylvania Journal of International Economic Law* 24 (2003): 875; Robert K. McCleery and Fernando De Paolis, "The Washington Consensus: A Post-Mortem," *Journal of Asian Economics*, A tribute to Seiji Naya, 19, no. 5 (November 2008): 438–46, https://doi.org/10.1016/j.asieco.2008.09.004; Joseph Jonghyun Jeon, "Neoliberal FormsCGI, Algorithm, and Hegemony in Korea's IMF Cinema," *Representations* 126, no. 1 (May 2014): 85–111, https://doi.org/10.1525/rep.2014.126.1.85; Julie L. Mueller, "The IMF, Neoliberalism and Hegemony," *Global Society* 25, no. 3 (July 2011): 377–402, https://doi.org/10.1080/13600826.2011.577032; Julie L. Mueller, "Drinking the Kool-Aid: The IMF and Global Hegemony," *Middle East Critique* 19, no. 2 (January 2010): 93–114, https://doi.org/10.1080/19436149.2010.484528; Stephen P. Riley, *The Politics of Global Debt* (Springer, 2016);Thomas J. Sargent et al., *Debt and Entanglements Between the Wars* (International Monetary Fund, 2019); Patricia Stuelke, *The Ruse of Repair: US Neoliberal Empire and the Turn from Critique* (Duke University Press, 2021).

and economic crises to the history of empire, and analyzing the social categories that the IMF uses and reinforces.

Korean history

Both of these items can be seen through an incorporation of Korea's historical trajectory and relationship with the United States.

Historians of colonial Korea today include Theodore Jun Yoo, Todd Henry, Gi-Wook Shin, David Fedman, and many others. Rather than focusing on establishing a chronological history of Korea under Japanese rule, these historians focus on specific epistemelogical and social categories that are regulated by the Japanese state and contested by native Koreans. On questions of land, to cosmopolitan space, to gender and sexuality, the Japanese government put forth formal and informal regulations, and in response Koreans would rebel through moments like the March First Movement, through guerilla fighting in the Korean mountains, or by striking in Japanese-Korean factories.[27].

After the ending of Japanese colonization, Korea was unilaterally split in two by the United States. The divide was infamously drawn by two army officials, who had little knowledge of Korea besides a National Geographic map that they used to draw the section of Korea they wanted to keep from the Soviet Union. This began the period of violence that would later develop into the Korean War, which would end with an armistice signed between China, the United Nations as led by the United States, and North Korea in 1953. Korea would see a horrific scale of violence during this time, with more bombing than in the entire Pacific Theater during World War II. This along with the fact that the war had no clear beginning or ending, that this war quickly became known in the U.S. as "the forgotten war," and the fact that this served as the first period of bloodshed for the U.S.' battle against communism, have served as the motivation for many historians' work.[28] Critical histories of the Korean War begin with Bruce Cumings'

[27] Todd A. Henry, *Queer Korea* (Duke University Press, 2020); Gi-Wook Shin, *Peasant Protest and Social Change in Colonial Korea* (University of Washington Press, 2014); Gi-Wook Shin and Michael Edson Robinson, *Colonial Modernity in Korea* (Harvard Univ Asia Center, 1999); Theodore Jun Yoo, *The Politics of Gender in Colonial Korea: Education, Labor, and Health, 1910–1945*, *The Politics of Gender in Colonial Korea* (University of California Press, 2008), https://doi.org/10.1525/9780520934153; David Fedman, *Seeds of Control: Japan's Empire of Forestry in Colonial Korea* (University of Washington Press, 2020); Todd A. Henry, *Assimilating Seoul: Japanese Rule and the Politics of Public Space in Colonial Korea, 1910–1945* (Univ of California Press, 2016).

[28] T. R. Fehrenbach, *This Kind of War: The Classic Korean War History - Fiftieth Anniversary Edition* (Potomac Books,

Origins of the Korean War, and today include also Grace Cho's *The Haunting of the Korean Diaspora*, a collection of works in *positions: east asia critique* titled *the unending korean war* and led by Christine Hong, Monica Kim's *The Interrogation Rooms of the Korean War*, and Daniel Kim's *The Intimacies of Conflict*.[29] Cumings serves as a foundation here, showing in his 1981 text *The Origins of the Korean War* that the United States military effectively began the Korean War with the arbitrary separation of the nation in 1945 and the numerous massacres and concentration camps set up by the US-backed Syngman Rhee regime in Korea between 1945 and 1950. The more modern works continue this attempt to push back on the U.S. periodization of the war as a conflict from 1950 to 1953, describing how the violence extended before and much beyond these years.

They also position the conflict and U.S. intervention as the beginning of a turbulent era of U.S.-backed military dictatorships, beginning with Syngman Rhee's appointment by the U.S. army in 1945, lasting until the 1987 democratization of Korea. Charles Kim, Seungsook Moon, Paul Chang, Namhee Lee, and many others have written on South Korea during this period, documenting the intellectual and cultural trends that fueled resistance in these regimes.[30] Of particular note is the *minjung* movement, or perhaps "movement of the masses," a student and intellectual movement seeking to reclaim Korean history as that of victimhood to that of agency. Other writing on organizing in Korea extends Namhee Lee's writing on this.[31]

Inc., 2000); Fehrenbach, *This Kind of War*; I. F. Stone, *The Hidden History of the Korean War, 1950–1951* (Open Road Media, 2014), Stanley Sandler, *The Korean War: No Victors, No Vanquished* (University Press of Kentucky, 2014).

[29] Grace M. Cho, *Haunting the Korean Diaspora: Shame, Secrecy, and the Forgotten War* (U of Minnesota Press, 2008); Bruce Cumings, *The Origins of the Korean War: Liberation and the Emergence of Separate Regimes, 1945-1947* (Yuksabipyungsa, 1981); Christine Hong, "The Unending Korean War," *Positions: Asia Critique* 23, no. 4 (November 2015): 597–617, https://doi.org/10.1215/10679847-3148346; Daniel Y. Kim, *The Intimacies of Conflict: Cultural Memory and the Korean War* (NYU Press, 2020); Monica Kim, *The Interrogation Rooms of the Korean War: The Untold History* (Princeton University Press, 2020).

[30] Paul Chang, *Protest Dialectics: State Repression and South Korea's Democracy Movement, 1970-1979* (Stanford University Press, 2015); Charles R. Kim, *Youth for Nation: Culture and Protest in Cold War South Korea* (University of Hawaii Press, 2017); Namhee Lee, *The Making of Minjung: Democracy and the Politics of Representation in South Korea*, *The Making of Minjung* (Cornell University Press, 2011), https://doi.org/10.7591/9780801461699; Susie Woo, *Framed by War: Korean Children and Women at the Crossroads of US Empire* (New York University Press, 2019), https://doi.org/10.18574/9781479845712.

[31] Henry Em, *The Great Enterprise: Sovereignty and Historiography in Modern Korea* (Duke University Press, 2013), https://doi.org/10.1515/9780822395928; Miliann Kang, *The Managed Hand: Race, Gender, and the Body in Beauty Service Work* (University of California Press, 2010), https://doi.org/10.1525/9780520945654; Chungmoo Choi, "The Discourse of Decolonization and Popular Memory: South Korea," in *The Politics of Culture in the Shadow of Capital* (Duke University Press, 1997), 461–84, https://doi.org/10.1515/9780822382317-018; Hae Yeon Choo, *Decentering Citizenship: Gender, Labor, and Migrant Rights in South Korea* (Stanford University Press, 2016).

In summary, recent trends in histories of Korea have turned away from uncovering an objective truth as a first generation of U.S. scholars had, but towards more explicitly critiquing and deconstructing social categories in Korea's history.[32] However, much of this perspective is lacking for the economy of Korea in a global context, and the IMF crisis in Korea. The majority of works in this field that analyze Korea's place in the crisis are aligned with the perspective of the IMF, indicting the "crony capitalism" of Korean *chaebol* groups without acknowledging any of the financial conditions that led to the crisis, the intervention that exacerbated it, or the logic that drove the intervention. Some exceptions here are writing from Jesook Song on the welfare state during the crisis, and several works from film studies, from Joseph Jonghyun Jeon, Jinying Li, and David Martin-Jones.[33]

[32] This is not at all to incriminate the first generation of scholars as being unnuanced or incorrect; histories like Cumings' that exposed what military aggression and popular narratives hid are of course essential, and themselves unpacked ideology and culture as well.

[33] Jesook Song, "9. The Seoul Train Station Square and Homeless Shelters Thoughts on Geographical History Regarding Welfare Citizenship," in *9. The Seoul Train Station Square and Homeless Shelters Thoughts on Geographical History Regarding Welfare Citizenship* (University of Hawaii Press, 2007), 159–72, https://doi.org/10.1515/9780824864323-010; Jeon, "Neoliberal FormsCGI, Algorithm, and Hegemony in Korea's IMF Cinema"; Joseph Jonghyun Jeon, *Vicious Circuits: Korea's IMF Cinema and the End of the American Century* (Stanford: Stanford University Press, 2019); Jinying Li, "Clowns, Crimes, and Capital: Popular Crime-Comedies in Post-Crisis Korea," *Film International* 7, no. 2 (April 2009): 20–34, https://doi.org/10.1386/fiin.7.2.20; Martin-Jones, "Decompressing Modernity."

A brief history of the IMF

Birth at Bretton Woods

Although the IMF was founded in 1944, the commitments behind the IMF began some years prior. Most notable are the series of agreements between the U.S. and Great Britain declaring their allyship and vision of the world after World War II, beginning with the Atlantic Charter in 1941. These included a right to self-determination for all nations, a common goal towards disarmament, and in economic terms a movement towards free trade for all nations through prevention of tariffs and currency devaluations. This emphasis on free trade for all nations departed from the terms of the Paris Peace Conference of 1919, which ended with economic punishment for Germany. These restrictions have generally been regarded as leading to the electoral success of the Nazi Party in the 1930s, and the Allies in the negotiations after World War II thus wanted to find a different path to peace, of which one component was an all-inclusive economic order. From the outset, these promises were incomplete and made unevenly, foreshadowing the lopsided nature of the IMF's benefits when the economic promises would give birth to it. Churchill in September 1941 argued that the right to self-determination only applied to states of the German empire, and despite a common goal towards disarmament, the United States began amassing its nuclear arsenal before the endof World War II.

After the Atlantic Charter of 1941, the two nations began independently drafting what these ideals could amount to. On the British side, prominent economist John Maynard Keynes took on this task; on the American side, the US Treasury Department official Harry White, at the discretion of Treasury Secretary Henry Morgenthau, began drafting proposals. Though they had in common the establishment of an international fund that could assist the world during crises, the two proposals differed especially on the use of an international standard currency and through which nations such a system would benefit. At the heart of White's proposal was the establishment of the the dollar standard. Under this system, the U.S. Treasury would use economic policy to maintain the value of the dollar at $35 dollars for one ounce of gold, and all nations had to fix their currencies to the United States dollar through fixed exchange rates. "Fixing" would occur by each nation guaranteeing trade for any interested party of its currency for the

U.S. dollar or gold at the fixed price, and vice versa. It would be up to the central banks of each nation to implement fiscal policy such that this would not become so bad of a deal as to bankrupt the state, so the system was a constant counterplay of a set-in-stone rule and dynamic state policy. This departed from the previous standard of gold alone, which White felt was valuable in unifying currencies into a single system but required an alternative in case countries' gold reserves temporarily ran low. America's large gold reserves at the time, along with its otherwise dominant economy, and of course White's own allegiance as a United States official, led him to argue for the U.S. dollar as a complement to the gold standard. To match the dollar-gold duo standard, and cement its stability, White proposed a "Stabilization Fund;" when a country did not have enough of either currency to pay its international payments, it could draw from this fund to avoid an international crisis.[34]

Keynes' proposal differed quite a bit. While White had a high level of respect for the gold standard of the prewar era, Keynes instead called the gold standard a "barbarous relic." For every country to value their currency in terms of gold would mean any given country could not immediately devalue its own currency, as that would mean devaluing the gold supply that other countries held. A country would thus be unable to slow down drastic inflationary periods by deflating its currency and vice versa, a restriction that ran antithetical to Keynes' more general belief in fiscal policy to regulate the market. Keynes' proposal thus focused on an International Clearing Bank that handled all international transactions, and these transactions would occur in terms of "bank money" as currency (and later *bancor*, or French for "bank gold"). The new bank would mean a central party to always ensure two countries could trade with each otheThusr even if they lacked the other's currency or the equivalent amount of gold, and the new currency in particular would not vary according to mining technology and national policies as gold did. Finally, Keynes' proposal differed from White's in emphasizing growth over stabilization, and included intervention schemes for both chronic debtors and creditor countries. White did not make any similar suggestion, given the U.S.' interests as the world's foremost financial power would be simply to keep that spot and to lend to other countries as much as it desired.[35]

[34]James M. Boughton, "A New Bretton Woods?" *Finance & Development* 0046, no. 001 (March 2009), https://doi.org/10.5089/9781451953688.022.A018; Mr James M Boughton, *Silent Revolution: The International Monetary Fund, 1979-89* (International Monetary Fund, 2001); Benn Steil, *The Battle of Bretton Woods* (Princeton University Press, 2013).

[35]Steil, *The Battle of Bretton Woods*, 71-78

These proposals met in Bretton Woods, New Hampshire in July 1944. The conference had broad goals to establish international standards for finance and trade, which translated to three specific commissions at the conference. The first commission, headed by the United States' Harry Dexter White, set out to establish the International Monetary Fund. The second, headed by Britain's John Maynard Keynes, was meant to establish the funding arm of the World Bank, which would be called the International Bank for Reconstruction and Development (IBRD). The third commission essentially captured everything else, and was chaired by the Mexican Minister of Finance Eduardo Suarez.[36]

Officials from forty-four nations arrived at the Bretton Woods conference debated on the postwar financial order, but the majority of the conference was led by the United States and Britain, and the conference in turn became a compromise between Harry White and John Maynard Keynes' proposals described above. The Bretton Woods conference had itself emerged as a successor to the earlier Atlantic Conference between the U.S. and Britain, a fact that was reflected in everything from the two major powers chairing the two major commissions of the conference to the location and attendance of the parties involved (the United States had almost three times as many officials present as Britain, which sent the second-most delegates). But among the two powers, the United States had the higher strategic hand, because the commission Britain was chairing had nearly all of its terms already agreed upon by member nations. The United States also was in a much better place financially than Britain was in 1944, as it had even profited from the war effort before joining the war effort in December 1941.

The impact of this balance of the conference's deciding power led to the new financial order reflecting mostly that of Harry Dexter White. The logistics of both the IMF and the IBRD favored the United States by being headquartered in Washington. Much more consequentially, the world now operated on White's proposed dollar-gold standard, wherein the U.S. sell bonds for gold at $35/ounce and thus have a financial impetus to fix the dollar to that amount, else they would lose money quickly. The newly-created IMF would be directed to intervene only in cases of financial crises, and neither the IMF or IBRD would have the power to mint currency as Keynes' favored bank would.[37] All of these functions would be left to

[36] Alan S. Blinder, "Eight Steps to a New Financial Order," *Foreign Affairs* 78, no. 5 (1999): 50–63, https://doi.org/10.2307/20049450.

[37] Steil, *The Battle of Bretton Woods*, 196

lending institutions in member countries, which over the next forty years would favor American banks. Such an imbalance was very, very good for American institutions' profitability, but would eventually lead to heaping piles of debt that would provoke the Latin American debt crisis of the 1980s and the Asian financial crisis of 1997. It would also lead to American dollars being pumped in large quantities all across the globe, which would prove unsustainable later in the 1970s for the maintenance of the dollar-gold standard and would lead American to eject from this arrangement in 1973.[38]

The Bretton Woods accords were not received well by every country. The Soviet Union first submitted several amendments to White's plan including discounts and special loans for reconstruction of war-torn nations, and designated procedures for countries with state-controlled foreign trade (like the Soviet Union). The Russian delegation also pushed for its participation in setting the exchange rate of its currency. This was cast as an independent check on the American and British interests, given that really no other party had a major voice in the conference. Even after signing the agreement at the Bretton Woods conference, the Soviet Union refused to ratify the Bretton Woods agreement when the time came in December 1945. And despite positive exchanges between the Soviet and American delegations at the conference itself, a Soviet representative would charge in 1947 at a United Nations conference that the IMF and the World Bank were merely "branches of Wall Street."[39]

The other major point of tension with regards to capitalist-communist cooperation was Harry Dexter White himself. White sympathized strongly with the programs of the Soviet Union, and had even stated in 1919 that "Russia is the first instance of a socialist economy in action. And it works!"[40] He pushed for better relations with the Russian delegation during the conference itself, sending multiple complements to the delegation that were eventually wired to Moscow that praised their "excellent leadership" and that "Soviet experts have been most cooperative and have shown high technical competence and a thorough understanding of the proposals."[41] Many scholars believe that this is far from a simple admiration; in 1950, two years after White's death, evidence was first revealed suggesting that White had acted

[38]Blinder, "Eight Steps to a New Financial Order."
[39]Vladimir O Pechatnov, "The Soviet Union and the Bretton Woods Conference," in *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (Springer, 2017), 89–107.
[40]Steil, *The Battle of Bretton Woods*, 6
[41]Pechatnov, "The Soviet Union and the Bretton Woods Conference", 96

as an informant for the Soviet Union for many years, even passing them plates to print Allied currency in postwar Germany and obstructing a $200 million U.S. loan to Nationalist China under the direction of the Soviet Union. These claims began as early as 1939, several years before White architected the new financial order, and began seriously taking hold in 1947, leading him to resign from his role as Director of the IMF. White died in 1948, and the FBI confirmed his role as a Soviet spy through the Venon project in 1950.[42]

Despite these claims of espionage, White was not really a Communist, least of all in the policies he fought for. His proposal strongly benefited American banks that could lend or hold dollars for other nations, and U.S. monetary policy that could simply print more dollars as would benefit American corporations during deflationary periods (other countries could not print dollars). Because of this, he arguably did more for American international capitalism than nearly any other person during the World War II era. White seemed to have a very specific vision of what the postwar era should look like – a single, harmonious global order led by American capital and regulated by the monetary policy of the U.S. Treasury, where the Soviet Union would be among its strongest allies in both trade and diplomacy. These can be seen in his non-confidential writings, for example when he argued to the Bureau of Engraving and Printing that the Soviet Union "must be trusted to the same degree as the other allies," and for this reason should be given U.S. plates.[43] Historians like James Boughton, former official historian of the IMF, still believe that this was all White stood for, and that he never committed treason or espionage on behalf of the Soviet Union.[44]

Due to the breakdown of U.S.-Soviet relations after World War II, the IMF and the Bretton Woods system never really served White's ideal version of a keystone of a unified, widely accepted, and fair economic system. After Harry Truman ascended to U.S. Presidency, U.S. policies regarding the IMF moved from the Treasury Department to the State Department, and in general the U.S. regime began marching its way into the Cold War. In 1950, Poland withdrew, then in 1954, Czechoslovakia withdrew from

[42]The documents used to do so were only revealed in late 90s after a Congressional investigation

[43]Steil, *The Battle of Bretton Woods*, 273

[44]James M Boughton, "Harry White and the American Creed," in *Harry White and the American Creed* (Yale University Press, 2022); Benn Steil, "The Lonely Crusade Of An IMF Historian To Whitewash The Spy Career Of The Fund's Founder," *Forbes* (https://www.forbes.com/sites/realspin/2013/08/15/the-lonely-crusade-of-an-imf-historian-to-whitewash-the-spy-career-of-the-funds-founder/, August 2013).

the IMF. The U.S. government would block the entry of the People's Republic of China.[45] Only three countries from Africa and zero countries from Asia were among the original members of the IMF. Delegations from India and China did argue for pro-development mandates for the IMF and greater assistance for colonies and former colonies from the IMF, but the nations of the Third World for the most part did not have a voice represented at the conference, and most still had not obtained their independence.[46] Even the term "Third World" would not be coined by Alfred Sauvy until five years after the financial order was developed.

To conclude, though there were some mild attempts at international cooperation, the Bretton Woods system clearly represented the interests of only a few, being born out mostly out of the United States' and to a lesser extent Britain's interests. The efforts of any individuals to make an cooperative international system to assist in development were still fundamentally to build a world order benefiting the dollar and U.S. interests. The IMF, the World Bank, and the world's financial standards in general were forged at the behest of the United States, while excluding half of the world outright and causing some tension with those who had other interests. White's vision of an American-led unified financial order would not take hold for some time. He would have to settle for an American-led fragmented world order instead.

The end of the dollar standard

Conflict over the Bretton Woods system did not just occur between the U.S. and the Soviet Union. Some European nations were opposed to the dollar standard because their economies grew past what the Bretton Woods system had assumed. West Germany's economy had grown in large amounts since the end of World War II, and its currency increased in value sharply until monetary policy was not enough to keep it at its original rate to the dollar. So West Germany became the first to leave the system, announcing that

[45]James M. Boughton, "The IMF and the Force of History: Ten Events and Ten Ideas That Have Shaped the Institution," {{SSRN Scholarly Paper}} (Rochester, NY: Social Science Research Network, May 2004), https://doi.org/10.2139/ssrn.878898.

[46]Michael Franczak, "'Asia' at Bretton Woods: India, China, and Australasia in Comparative Perspective," in *Global Perspectives on the Bretton Woods Conference and the Post-War World Order*, ed. Giles Scott-Smith and J. Simon Rofe, The World of the Roosevelts (Cham: Springer International Publishing, 2017), 111–27, https://doi.org/10.1007/978-3-319-60891-4_7. Also of note here is that even India at the Bretton Woods Conference was still two years away from official recognition of its independence by the United Kingdom. India was the only colony at the conference.

they would no longer hold their currency to the U.S. dollar.[47] Other countries objected to the use of the dollar standard as unfairly benefiting the United States, with the French Finance Minister Valéry Giscard d'Estaing famously complaining of this as America's "exorbitant privilege."[48] The dollar standard helped establish the U.S. dollar as the world's reserve currency, or a single currency through which all international trade was made. A common language for trade was the de facto standard for all nations, as it would require much more work to produce and manage separate exchange systems across every possible combination of currencies. Under White's version of Bretton Woods, the dollar became the peg that nations had to maintain, and most nations also took the dollar as their reserve currency partially because that they were already prepared to exchange their currencies for it.[49] Politicians like d'Estaing found this reserve currency status distateful, because while France and other countries had to produce and sell goods to the U.S. or another dollar-holding country to obtain dollars, the U.S. began with a massive coffer of dollars and had the sovereign power to print more dollars as needed.[50]

France was also worried by postwar developments and U.S. spending after the war, which through postwar spendiing pumped so many dollars into the world economy that the amount of dollars in circulation eventually overtook the dollar value of U.S.-held gold. This meant that the dollar was worth less than what the nominal $35 per ounce rate might suggest, and this was soon evidenced when the private gold market showed gold as worth $40/ounce in 1960.[51] The rate to buy gold from the U.S. state at $35/ounce was therefore attractive, as it was less than what gold was actually worth. Despite some policy attempts to reverse this trend, eventually Switzerland and then France opted to convert their dollars to gold. General Secretary of the Soviet Union Leonid Brezhnev commented that this series of developments reflected

[47] Barry Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (Oxford University Press, 2011); Franklin Serrano, "From 'Static'gold to the Floating Dollar," *Contributions to Political Economy* 22, no. 1 (2003): 87–102.

[48] See Eichengreen, *Exorbitant Privilege* for a discussion of this term. Eichengreen's text backs up much of this section.

[49] Under Keynes' system, this would have been the stateless "bank money" or *bancor* as explained above. Also, "partially" here is because while the dollar standard helped cement the reserve currency practice, the elephant in the room is the dominance of the U.S. economy itself that made the dollar appear safer than other currency.

[50] On one hand, it's a little more complicated than that, as the U.S. was obligated to maintain the dollar-gold ratio at $35 per ounce, and printing endless amounts of dollars would drive that down. On the other hand, as explained in the following paragraph, this essentially happened after the U.S. injected so many dollars into the world economy that the value of the dollar went down and the U.S. was forced to reckon with this in 1973.

[51] JAH de Beaufort Wijnholds, *Gold, the Dollar and Watergate* (Springer, 2015), 44

“the possibility of a profound crisis of the capitalist system.”[52]

The Nixon adminstration saw these developments and realized that the Bretton Woods dollar-gold standard was falling apart. In August 1971, Nixon made a radio address, stating that his administration had previously been concerned with ending the Vietnam War, and “because of the progress [the United States has] made toward achieving that goal, this Sunday evening is an appropriate time for us to turn our attention to the challenges of peace.”[53] Among the challenges of peace, to Nixon, was to reign in the inflationary nature of the U.S. dollar by ending the international convertibility of U.S. dollars to gold at the fixed $35/ounce. This would in effect remove the U.S. from the gold standard and let it “float” instead, having its value fluctuate according to the market. Floating the dollar would allow the U.S. Treasury to adopt more aggressive anti-inflation policies, including the 90-day freeze on wages and prices that Nixon called for along in this same address. The “Nixon shock,” for it was made suddenly and unilaterally by the Nixon administration, echoed throughout the world, and countries around the world began worrying about their own currencies that had previously seemed stable under the dollar-gold duo standard system. European nations moved to tie their currencies together and avoid the newly unstable dollar, while other nations created “baskets” of currencies involving their largest trading partners, and still others maintained a strong peg to the U.S. dollar. This continued peg would become partially responsible for the Asian financial crisis as elaborated below. For the United States, the shock ended up pushing the United States into a period of “stagflation” in the 1970s, involving a drop in the dollar’s value by a third.[54]

A side effect of the unpopularity of the dollar at the time was the introduction of the Special Drawing Right (SDR) as the official currency of the IMF in 1969. It seemed that both the dollar and gold faced issues of scarcity that made them more unstable than the IMF accounts should be, if they were theoretically a diverse pool of resources from all over the world. The value of the SDR would attempt to reflect

[52] Eichengreen, *Exorbitant Privilege*, 65

[53] Richard Nixon, “The Public Messages, Speeches and Statements of the President - 1971. Washington: US Government Printing Office, 1972. 1362 p. (Public Papers of the Presidents of the United States). P. 886-890.” (Office of the Federal Register, August 1971).

[54] Noel D Cary, “The Strained Alliance: US-European Relations from Nixon to Carter. Edited by Matthias Schulz and Thomas A. Schwartz. Publications of the German Historical Institute. Washington, DC, and New York: Cambridge University Press. 2010. Pp. Xiv+ 383. Cloth $85.00. ISBN 978-0-521-89999-4.” *Central European History* 44, no. 4 (2011): 775–78. Nixon’s speech has a bit of irony seen readily with some critical retrospection. His speech seems to suggest that the war is going so well that it is time to succeed just as well in the domestic economy, but both the Vietnam War and the Nixon shock would become two of Nixon’s biggest failures.

that pool of resources, being originally given value from the value of 16 currencies of the world's largest economies.[55] Although the SDR worked in giving the IMF an alternative currency to use, it was limited in use compared to an international currency. It could only be used with the IMF and especially not with private parties, the allocation of SDRs was always subject to IMF approval, and the dollar still remained in most nations' coffers as the dominant reserve currency of the world.[56]

Thus, the IMF emerged mostly unscathed from the end of the dollar-gold standard. Bretton Woods fell, but the IMF lived on.

The emergence of conditionality

The other major development the IMF underwent during this era was the solidification of its policy of conditionality. Conditionality, or the set of conditions that a country must agree to in order to receive a loan from the IMF, was not part of the original IMF as established in the Bretton Woods agreement. This was not to say that the original IMF functioned solely as a fund that member nations could draw from freely, as it was mandated to prevent nations from running large trade deficits or surpluses in order to avoid economic crises. The policy of conditionality established later differed in being not a blanket set of regulations for all, but specifically targeting countries that requested loans from the IMF. Countries that requested loans from the IMF were now subject to disciplinary rules and special standards.

This officially began in February 1952 during an Executive Board meeting. The Managing Director would cautiously frame the Fund's resolution by stating that

> [E]ven at the outset I think it must be clear that access to the Fund should not be denied because a member is in difficulty. On the contrary, the task of the Fund is to help members that need temporary help, and requests should be expected from members that are in trouble in greater or lesser degree. [57]

[55] Today the formula for the value of the SDR only includes five currencies.

[56] James Boughton, Isard Peter, and Michael Mussa, *3 The History of the SDR*, *The Future of the SDR in Light of Changes in the International Monetary System* (International Monetary Fund, 1996).

[57] International Monetary Fund, "Meeting Notes of the Executive Board of the International Monetary Fund," February 1952, 2

These were finally set into metaphorical stone in 1969, when the IMF Articles of Agreement were amended for the first time. The IMF was ready to say that as part of its core duties, it would "adopt policies on the use of its resources that will assist members to solve their balance of payments problems ... and that will establish adequate safeguards for the temporary use of its resources."

In other words, the Fund was meant to try its best to give loans freely, and the regulations attached should not specifically target those nations in need. In this meeting other officials would similarly express caution over these regulations, for example blocking the Fund from requiring short-term repurchase agreements and even a requirement for nations to provide a written statement agreeing with the "principles" of a lending decision.[58] Besides these sentiments, the IMF did not extensively restrict or specify the types of conditions that could be attached, with the Managing Director stating that "it would be too much to expect that we should be able to solve with one stroke the entire problem of access to the Fund's resources ... We shall have to feel our way."[59]

Despite the cautious sentiments about the IMF's power, "feeling its way" meant negotiating these policies with each country for each crisis, and the IMF as a financially and politically powerful institution often had the upper hand in these negotiations. Countries in crisis, especially countries with smaller economies and less external resources, needed loans from the IMF more than the IMF "needed" any country. The IMF did feel its way through the conditionality issue over decades of practice, but it would eventually veer towards more conditions, more stringent conditions, and conditions birthed from the limited-government stnaces advocated for during the 1980s.

The prime example of these can be seen in the IMF's response to the Latin American debt crisis of the 1980s, the most severe and widespread economic crisis in Latin American history and the largest test of the IMF's aid programs. Before the crisis, the IMF's policies of conditionality were undoubtedly known and common. But after the crisis, when the IMF had to not only negotiate between a country but conduct a set of negotiations across an entire continent, these policies began to consolidate into a canon. These policies had cohered into a set of principles that John Williamson would famously call the Washington

[58] A repurchase agreement involves one party selling securities and purchasing them back at another date. This could function as collateral in the case of the IMF; a nation would give the IMF a security as collateral for cash.

[59] Fund, "Meeting Notes of the Executive Board of the International Monetary Fund", 4

Consensus in 1989.[60] In other words, through practice, a single set of principles would dominate over others.

The crisis began building from economic activity of the 1970s. As Latin American countries underwent large development campaigns, they took out large loans from American banks. American banks saw these campaigns as relatively safe investments and therefore lent them money. An element of doing-as-others-did was at play here; as large banks gave loans to Latin American countries, other banks felt it was safe to do the same. Brazil, Chile, Argentina, Peru, and Mexico especially began building large amounts of foreign debt. Debt to foreign creditors began at $29 billion in 1970, but by 1982 Latin American nations owed $327 billion dollars – an increase of over 1000% percent in ten years.[61] Economist Jeffrey Sachs noted at the time that for nine major U.S. banks, the total amount loaned to Latin American countries totaled almost three times their capital.[62]

Around the same time, partially due to Nixon's move to end the Bretton Woods system as described above, the world underwent a period of "stagflation" that involved a continued increase in currency value but rising unemployment and stagnant economic output. In 1980, U.S. Secretary of Treasury Paul Volcker began a recovery campaign from this recession through anti-inflation measures, which meant increased interest rates on U.S. loans to other nations towards a general campaign to push down the value of the U.S. dollar. The "Volcker shock" resulted in a tamed inflation rate for the United States, but also a global contraction of trade. Latin American countries that depended heavily on trade were hit hard, as their exports dropped dramatically in value.[63]

The trend in accumulating debt for a decade suddenly became unstable because of this. U.S. banks began ending the trend of refinancing expiring loans, making countries scramble to pay loans back. Even Latin American countries that did not experience this issue had to continue depleting their reserves to pay heightened interest payments, which reached over 18% near their peak in 1981.[64] And these continued

[60] McCleery and De Paolis, "The Washington Consensus"; John Williamson, "The Washington Consensus," *Washington, DC*, 1990.

[61] Boughton, *Silent Revolution*.

[62] Jeffrey D. Sachs, "International Policy Coordination: The Case of the Developing Country Debt Crisis," Working {{Paper}}, Working Paper Series (National Bureau of Economic Research, June 1987), https://doi.org/10.3386/w2287.

[63] Robert Devlin and Ricardo Ffrench-Davis, "The Great Latin American Debt Crisis: A Decade of Asymmetric Adjustment," 1994.

[64] Manuel Pastor, "Latin America, the Debt Crisis, and the International Monetary Fund," *Latin American Perspectives* 16,

depletions could not be matched by exports to adequately replenish a country's reserves, as these exports fell in value due to the economic ripples of the Volcker shockn value due to the economic ripples of the Volcker shock.

Eventually, the mountain of debt began to fall. In August 12th, 1982, Mexican Finance Minister Jesús Silva Herzog announced that Mexico could no longer pay its debt, beginning a 90-day moratorium on loan payments and requesting a restructuring of its loans so that they could be paid. Silva Herzog, U.S. Secretary of Treasury Paul Volcker, and IMF Managing Director Jacques de Larosière began immediately coordinating a financing plan to prevent the crisis from escalating any further. Mexico would implement the IMF's prescribed adjustment program, in exchange for about $1.3 billion from the IMF, $925 million each from the Bank of International Settlements and the U.S. government, and about $5 billion from a staggering 526 commercial banks. In March 3rd, 1983, the agreement was signed, and in March 15th, the last of 526 partnering banks finished signing this agreement. Other countries followed suit over the next three years, some because they were in the same position as Mexico and others because panicking banks ended the trend of refinancing and their had to immediately be paid. One by one, the IMF began arranging deals with governments.[65]

For Mexico, this meant increasing the price of gasoline, eliminating the fixed "preferential" exchange rate that Mexico used for essential goods to ensure that they could always be bought, and a cut of the national fiscal deficit from 16.5 percent to 8.5 percent of the countries' GDP. For Brazil, this meant similarly meant reducing the borrowing requirement from 14% of the GDP to 8% by 1983, preventing wage increases, and steadily devaluing the *cruzeiro*. Other countries' experiences took after Mexico, Brazil, and Argentina's (Latin America's three largest economies at the time) experiences here, all of these prescriptions oriented towards quickly increasing governments' ability to pay off debt by cutting its expenses, and in the process convincing foreign creditors that remaining in these countries was safe.

These requirements were strict and resulted in many countries slashing public funding that in fact made the crisis worse, requiring a second set of bailouts in the second half of the 1980s. But these conditions were still relatively cautious, because most discussion around conditionality at the time tried to

no. 1 (January 1989): 79–110, https://doi.org/10.1177/0094582X8901600105, 89

[65] Boughton, *Silent Revolution*.

limit its role. In 1979, speakers at the IMF's Annual Meeting argued that IMF loan packages be greatly increased in size and be given with fewer conditions, which Managing Director Jacques de Larosière encouraged his senior staff to do. Ariel Buira, a Director at the IMF from Mexico, would in 1981 lambast arguments for conditionality cutting down on debtor nations' government programs, saying that:

> This [argument for conditionality] is a nice 19th century liberal conception in which the state has a purely regulatory role and no development responsibilities, but surely one on which the Fund's 140 odd member countries may have their own views. I know that my authorities do not expect Fund guidance on this matter.[66]

For Buira, this view was simplistic and contradictory. How could proponents of limited government argue that the IMF should have expanded conditionality? Buira would go on in this statement to suggest that the practice of conditionality be placed under a formal review, given that the IMF's current case-by-case basis put debtor countries' prescribed packages at the whims of IMF staff.

But despite Buira and others' protests, the IMF would expand conditionality to cover structural reforms over the next few years. The initial set of credit lines with limited conditionality in the early 1980s proved to be a failure, with most countries still lacking funds by 1985 to pay back their debts. IMF staffers and creditor nations began pushing for stronger conditions in hopes that the money they had invested could be recovered. The review that Buira had advocated for supported structural reforms when it was published in 1986. More broadly, U.S. President Reagan's popularity meant advocacy of limited government became the norm rather than an exception.

In 1985, U.S. Secretary of Treasury James Baker would introduce a new recovery package that became known as the Baker Plan. This strategy would involve a refinancing of current debts, a shift from short-term to long-term loans, and as opposed to simpler fiscal austerity requirements, would also require structural adjustments like focusing on exports of raw materials. In blunt terms, this plan also did not work. Latin American countries continued to default on their loans. A different strategy was needed, as it became increasingly clear that many countries would not be able to pay back their loans no matter

[66] Ariel Buira, "Statement of Mr. Buira on Supply-Oriented Adjustment Policies," April 1981.

how hard they were pushed. In 1989, seven years after the crisis had formally begun, U.S. Treasury Secretary Nicholas Brady would introduce the Brady Plan as a final attempt to stop the crisis. The Brady Plan allowed creditor banks to switch their loans to tradable and discounted bonds, essentially letting banks with large investments in Latin American countries offload a portion to other banks, and in doing so become less cautious about investing again in Latin America. With renewed foreign investors' confidence, the crisis was finally over.[67]

Buira has described conditionality at best as "paternalism, by which a country is guided towards its own good, rather like a parent or a teacher guides a child in its own best interests," and at worst "elements that are unnecessary to overcoming the [Latin American] payments crisis."[68] One may harken back to paternal justifications for empire of the sovereign kind, for everything from James Kipling's *The White Man's Burden* to Churchill's insistence on denying Indian citizens of their independence. Implicit in the assumptions of both justifications lie that those who enforce these conditions know best, but "know best" always happens to benefit the enforcer much more than the debtor country. These standards even overlap in scope, with both "old" colonial empires and the new reign of the IMF converting dependent nations into export-oriented economies.

Unlike the regimes of empires past, the logic of the IMF operates singularly on an economic discourse without making reference to race or to the character of the subjects in the dependent nation. The deployment of conditionality nonetheless illustrates how these values are formed across racial lines, or in other words how the presumption of racial difference allows the supposedly universal logic of conditionally to be differentially applied. The Latin American nations experiencing the debt crisis were punished for the fall of their mountain of debt, with no similar discipline being applied to the creditor banks in the United States. If anything, the Baker and Brady plans focused on restructuring debt so that creditor banks could have their loans repaid by transferring them to bonds and other lending institutions, in other words easing the burden of banks while dragging on the burden of debtor countries.

This thesis is not an economic one, so the point of this perspective on conditionality is not to prove

[67] Devlin and Ffrench-Davis, "The Great Latin American Debt Crisis"; Duncan Green, "Latin America: Neoliberal Failure and the Search for Alternatives," *Third World Quarterly* 17, no. 1 (1996): 109–22.

[68] Ariel Buira, "An Analysis of IMF Conditionality," in *Challenges to the World Bank and IMF*, First (Anthem Press, 2003), 55–90, https://doi.org/10.7135/UPO9780857288202.005.

or disprove the effect of any particular condition on any particular economic outcome. Rather, I hope it is plainly obvious how the IMF is not a lending fund that countries may use during times of crisis but an enforcer of those policies essential to the contemporary capitalist world order, and further how older structures of empire have been reworked for the modern day by institutions like the IMF. The mechanisms of this continuance is visible in a multitude of ways, for example in the kinds of standards that are enforced in both types of regimes and who they benefit, but this thesis' main focus lies in the assumptions behind these standards and how the standards ultimately force these assumptions to be fulfilled.

The IMF, version 1.0

The IMF received much criticism for its handling of the Latin American crisis. But the IMF, if anything, was strengthened after the Latin American debt crisis. IMF economists and IMF-organized conferences produced volumes of writing justifying the high-conditionality of the debt crisis, and the policies of conditionality til today have not fundamentally changed even to today. The enforcement of conditions during this era set a precedent for future intervention with a more cohesive set of policies, constituting the controversial "Washington Consensus" as formulated by John Williamson.

The emergence of this set of policies was the culmination of the transformation set in motion in the 60s. The IMF originally ensured that the fixed exchange rates of the Bretton Woods system remained stable by providing liquidity to countries before their currencies could fall precipitously. After the Nixon shock of 1973, the IMF no longer served as the funding complement to a system of monetary policies, and instead began implementing economic policies itself, policies which were defined through great detail in the Latin American debt crisis of the 1980s. In doing so, it gained authority to discipline and practice exercising that power.

Despite such a change, the IMF at its roots was preserved. Explicitly, the IMF was still meant to preserve financial stability through regulating all nations' monetary systems. Implicitly, the policies of the IMF were still constructed by and benefited banks in creditor nations, most consistently the United States. And while the IMF was never a sovereign power, its policies always held onto forces that made them hegemonic, either because of the dominance of the United States after World War II or the desperation states faced during economic crises that forced them to take the hand the IMF dealt them. Thus, even while outliving the original Bretton Woods agreement's dollar-gold financial standard, the political currents that gave birth to it in 1945 still held strong in 1973 and stronger still after the Latin American debt crisis. Rather than depart from those currents and embark on new ones, the IMF was even armed with the framework of conditionality to do as those first currents desired.

Historian James Boughton calls the 1980s the "silent revolution" for this change in the IMF's role to administer policies. I view these changes not as a revolution or a radical shift in role, but as a *maturation*. After thirty years and many pivots, the IMF finally had policies, experiences, and mandates to fulfill the spirit of its original mission. It now had precedents it could iterate on to quickly deploy policies in future interventions. When future iterventions were criticized, the IMF responses in the Latin American debt crises ccould be used to illustrate the "necessity" for strong conditionality. The technology of conditionality that the IMF had engineered had some tumultuous beginnings, but they nonetheless had been adopted as conclusive practice. Just as the mountains of debt that would result in the Asian financial crisis began piling up, it seemed that the IMF, version 1.0, had been released.

The Asian Financial Crisis of 1997

If the Latin American debt crisis was an experiment on the continental scale to establish the IMF's racial logic, the Asian debt crisis was that logic's maturation and extension across the entire globe. The Asian financial crisis allowed the IMF to expand its unequal system into a true hierarchy, one where placements of some of the lesser nations could be used to castigate others. It was born out of conditions very similar to those that created the Latin American debt crisis, beginning out of a surge of investment from foreign creditors in the 1980s. A series of shocks in the global financial world (including the Latin American debt crisis) led to this "investment" becoming unrepayable debts that mounted higher and higher. Thailand eventually became the first to acknowledge these debts could not be repaid in July 1997. A chain reaction of foreign divestment began, leading to the closure of giant corporations in Asia, millions of people losing their jobs, and intervention from the IMF becoming the only possible option for affected countries.[69] These interventions were coupled with higher interest rates and more stringent conditions than those that had been suggested for Latin American countries, even while the 1980s had revealed harsh reforms to be a failure.

As will be argued in this section, most profitable for the IMF was that the crisis seemed to stem from Asian financial misbehavior and the IMF's interventions appeared to succeed. South Korea, for example, paid its loan amount of $21 billion back four years before the required deadline of 2005, leading to congratulatory remarks from IMF Managing Director Horst Kohler. Kohler would state that the relationship between the IMF and South Korea "has been exemplary and in many respects serves as a model for other countries."[70] For other nations, Kohler and other IMF officials would issue similar but tamer remarks that the crisis had been born out of non-cooperation but was solved through "acceptable" repay-

[69] Farallon Capital Management was a major robber of public resources in Indonesia after the Asian Financial Crisis, purchasing a majority stake in Bank Central Asia in 2002 and earning back its money every year it held the bank from interest payments from the Indonesia government. Yale University was strongly implicated in this maneuver; then-graduate student activists believed Yale to hold $400 million to $5 billion in the hedge fund, alongside endowment funds for many other institutions including the University of Pennsylvania, the University of Michigan, and Duke University. A reminder that the modern university, far from being simply an arena for intellectual reproduction, actively and violently participates in dispossession of public resources around the globe. See Amanda Ciafone, "(Un)Fa(i)Rallon in the Endowment: Tracking Yale's Global Capitalism." Breaking Down the Ivory Tower: The University in the Creation of Another World., January 2005 for an extensive research on this topic.

[70] Horst Kohler, "IMF Managing Director Congratulates Korea on Early Repayment of 1997 Stand-By Credit" (The International Monetary Fund, August 2001).

ment schedules and policy adoptions. By leveraging the blame onto the crisis-ridden nations, the IMF avoids culpability of itself and of creditor banks that participated in the speculation at the center of the crisis. More broadly, the discourse of the IMF allows itself to be painted as a fundamentally necessary policy institution in order for debtor countries to be properly incorporated into the Western world of capitalism and to be saved should they fail.

The rest of this section explores this series of events in greater detail. I first discuss the years building up to the crisis, specifically the economic and political liberalization of the 1980s that several Asian economies underwent, as well as the foreign speculative investment that emerged in response to this liberalization. This is followed by a discussion of the crisis itself, from outbreak and escalation to intervention and aftermath. I conclude by discussing the post-crisis analyses that the IMF and its critics have undertaken to retrospectively understand the crisis.

The history here will focus on South Korea, and for context will include the crisis' development in Thailand. But, as I will explain below, the logic the IMF deploys in these countries applies generally to what some term the "Late Industrializers," or the nations in Asia that experienced various spurts in growth throughout the second half of the 20th century. These nations were devastated by war or held back by imperial powers (or in the case of Japan, was left in shambles after its empire's collapse) throughout the 1900s, but their unexpected and rapid development made them attractive investment opportunities for Western investors in the late 1980s. They strode to enter the realm of capitalist modernity, but they did so through state-led strategies that drew criticism from free-market enthusiasts of the West. Eventually, this Western distate and debt to Western countries together boiler over, forcing a reorganization and disciplinary process of Asian economies into terms more amenable to the IMF. All of this and its aftermath allowed the logic of the IMF to value Asian models of development as more legitimate than models of development in Latin America and Africa, and as proximate but not completely accepted by the West. In this way, the crisis both built off of and elaborated on racial hierarchies of empires past.

Speculation

For Thailand and South Korea, the decade and a half leading up to the crisis can be described both as an economic boom and a series of mistakes that would lead to meltdown in 1997. In other parts of the world, these periods can be considered fairly tumultuous economically. Financial institutions worldwide panicked after Saddam Hussain's invasion of Kuwait in 1990, leading to a sharp increase in the price of oil worldwide and triggering a minor economic recession in the United States and Europe.The Latin American debt crisis had of course taken hold in the 1980s, and even in the 1990s nations in Latin America were shaken again with the Mexican peso crisis of 1994. Perhaps most importantly, the Soviet Union was dissolved in December 1991 after a decade and a half of President Gorbachev's liberalization programs. This triggered a depression in Eastern Europe after Russia suddenly stopped many of its export programs.

For Thailand and South Korea, and other industrializing nations in Asia, however, economic situations appeared more stable than had been for decades. Stability seemed to be finally be a norm for South Korea especially, as the nation began in 1987 a formal democracy after the June Democratic Sturggle against President Chun Doo-Hwan and the establishment of popular elections for the presidency. In both Thailand and South Korea, financial institutions were freed from previous lending restrictions throughout the 1970s and 1980s, which meant that new avenues of investment could be found. For Thailand especially, this meant financing real estate development as part of a more general development boom. These projects were generally seen as safe because many of these development projects were under the supervision of the government, and because these projects were collateralized with real estate that would increase in value over time. Domestic banks took on these projects at such high amounts that they eventually ran low on cash, themselves requiring loans from creditors in the United States.

This accelerated for a near-constant period since 1973, despite Thailand's several coups in this period. Banks continued to take out larger loans from financial institutions, and similar to the practices of Latin American countries pre-crisis, there existed implicit guarantees that short-term loans could simply be "rolled over" when they were due as long as the markets on the whole appeared stable. International banks continued to finance domestic banks, and domestic banks financed real estate projects.

To attract these foreign investors, the Thai government raised interest rates on Thai bonds in the early

1990s, meaning the value of Thai currency and products as a whole rose. Thai exports thus became less desirable in the global market. At the same time, a few investments turning sour pushed banks to target riskier investments to make up their losses. The risk on these investments was also generally underestimated given the economic success of Thailand at the time.[71] This pattern resulted in the Thai currency being valued at significantly more than what foreign investors thought it was worth. It also appeared that the value of the baht would soon drop given the riskier investments that banks had been taking on.

Foreign speculation began in this period, as outside investors bought bonds from the Thai government in the Thai baht currency that could be redeemed for dollars at a predetermined rates. These investors beleieved that the value of the baht would soon drop, making the dollars that they would gain a profitable investment compared to the baht that had been put in. George Soros' Quantum Fund took a $1 billion position against the Thai baht in 1996 out of the Fund's total assets of $12 billion at the time. Julia Robertson's Tiger Fund took a $3 billion position against the Thai baht.[72] In response, the Thai government began raising its interest rates even higher, hoping it would prevent foreigners from purchasing assets that could be used in speculative attacks, while still encouraging foreigners to finance Thai banks' development projects as explained above. The heightened interest rates likely did have some deterrent effect on speculators, but speculators' positions still kept climbing.

It was at this period that discussions between the Thai government and the IMF began. The IMF repeatedly attempted to convince the Thai government to devalue its currency and cut its losses, which the Thai government refused to do on the grounds that it would lead to speculators' massive profiting and could trigger an economic panic. The IMF also pressed the Thai government to share macroeconomic data, which the Thai government was extremely wary of sharing given that this could also trigger an economic panic. Also, despite the mostly cordial nature, the political nature of the IMF even before the crisis was fairly sensitive. The Thai government likely also did not want to provide data to the IMF surveillance programs because it saw the IMF as reflecting the interests of Western creditors.[73]

[71] James M Boughton, *Tearing Down Walls: The International Monetary Fund, 1990-1999* (International monetary fund, 2012).

[72] Anindya K Bhattacharya, "The Asian Financial Crisis and Malaysian Capital Controls," *Asia Pacific Business Review* 7, no. 3 (2001): 181–93; Adam Harmes, "The Trouble with Hedge Funds," *Review of Policy Research* 19, no. 1 (2002): 156–76.

[73] To be clear, "surveillance" is the official IMF designation for a set of monitoring and data collection programs, not my own descriptor.

Korea faced a much different situation than Thailand in the years leading up to the crisis, but creditors and the IMF believed the same patterns of secrecy and "crony capitalism" were at fault for the crisis. South Korea had been formally freed from colonial rule in 1945, but since then had experienced a tumultuous four decades of beginning with rule by the U.S. military, followed by a civil war provoked by the U.S. division of Korea, and then decades of military dictatorships and civilian protests.

The military dictatorships in this period were partially able to maintain rule because of their heavy emphasis on industrialization and the need for economic stability, which even these regimes' most ardent opponents agreed on. In the eyes of the Rhee, Park, and Chun regimes, constitutional rights could come after Korea had its own internationally competitive conglomerates. Until then, opposition had to be quelled. Millions of people were imprisoned, first through concentration camps established by Syngman Rhee, and then for twenty years through political repression by the Park Chung Hee regime's Korean Central Intelligence Agency (KCIA).

Of the most prominent of these detainees was Kim Dae-Jung, a presidential candidate in 1971 that became the face of the opposition against Park Chung Hee. He was nearly assassinated after the election results showed much closer than the Park regime was expected, then was kidnapped in 1973 by the KCIA after he fled form the country. He was sentenced to death by Park's successor, Chun Doo Hwan, in 1980, after which Kim fled to the United States. Kim's continued criticism against these regimes was that economic success was absolutely not contingent on the restriction of human rights. [some other stuff] He gained

Kim's election was part of many developments symbolizing Korea's arrival to modernity. Decades of protest culminated in the June Struggle of 1987 and the establishment of popular elections for the Korean Presidency. The year after, Korea hosted the 1988 Olympics, spending billions of dollars on ceremonies and construction to showcase its modernization. In 1995, the World Bank moved Korea from the "borrower" status it had previously occupied, and in 1996, Korea joined the OECD. It seemed fitting to many that the most popular presidential candidate be Kim Dae-Jung, as if Korea had finally graduated from the dictatorships Kim so prominently stood against.

In the midst of these developments were the continued proliferation of large family-owned *chaebol* corporations, which had first arisen with the Park regime's subsidy policies. International financial bodies like the IMF were cautious about these; while most attributed the so-called "Miracle on the Han River" to the state-assisted development of these corporations, the heavy hand of the state seemed antithetical to the free market enthusiasts of the day.

This cautious stance became only more so as time went on. Korean corporations' debt-equity ratios piled higher and higher, accumulating for South Korea from 123% in 1992 to 257% in 1996.[74] Like Thailand, exports in Korea underwent an effective devaluation in the first half of the decade as the American dollar grew stronger at a pace Korean exports did not grow with. This, combined with the longstanding heavy investment in steel by the Korean government beginning to no longer be as essential to the Korean economy, resulted in economic difficulties for many firms. On January 23, 1997, Hanbo Steel declared bankruptcy with a debt of $5.8 billion to domestic banks. Rumors flew alleging that President Kim Young Sam's son, Kim Hyon Chul, had pushed banks to support the failing company. Sammi, another steel manufacturer, and Jinro, South Korea's largest liquor manufacturer, defaulted on their debts in March and April and had to be given emergency loans by domestic banks.

Korea's economy seemed to be doing fine to many, continuing its annual 6% GDP growth rate and keeping inflation moderately low at 5% per year, but the news of the failure of these large companies made foreigners cautious. Short-term loans that had previously been supplied to Korean banks began to stop being rolled over. When Thailand declared on July 2nd, 1997 that it would float the baht, foreigners began to panic. Perhaps the largest cause for alarm came on July 15th, when Kia Motors declared bankruptcy and control was handed to a government-formed bankruptcy protection committee. Kia was the eighth-largest *chaebol* in Korea and much larger than any of the preceding bankrupt groups,

The fall of Hanbo, Sammi, Jinro, and Kia stand out not because they were triggered by the foreign capital crisis escalating in Thailand, nor that their fall was triggered by a corrupt corporate practice, but because they were not rescued as they had been in the four decades prior. Kang Kyong Shik stated this bluntly in response to the fall of Sammi, saying that "the government is no longer able or willing to res-

[74]Neal Maroney, Atsuyuki Naka, and Theresia Wansi, "Changing Risk, Return, and Leverage: The 1997 Asian Financial Crisis," *Journal of Financial and Quantitative Analysis* 39, no. 1 (March 2004): 143–66, https://doi.org/10.1017/S0022109000003926; quoted in Andrew H Roper and Campbell R Harvey, "The Asian Bet," *Financial Markets and Development: The Crisis in Emerging Markets*, 1999, 29.

cue poorly managed, bankrupt companies with taxpayer's money." Even in the leadup to the crisis, the massive debts incurred by Sammi, Hanbo, and Kia especially occurred not because of a macroeconomic problem but because the steel industry as a whole had been producing more than ever before, and thus previous giants in steel had to sell steel for lower. In the conclusive words of Robert Feenstra, Gary Hamilton, and Eun Mie Lim, "[r]ather than regarding these events as a *failure* of the capital market, we could instead view them as an initially *successful* attempt to separate corporate and political control, by allowing bankrupt groups to work with creditors with the government coming in as a last resort."

But international observers took the opposite view. "Crony capitalism" appeared to have taken its toll, and rather than the companies falling because of government-business practices working, foreigners worried that they had fell because of government-business practices failing. Combined with the capital crisis happening in Thailand at the time, it seemed that the "Miracle on the Han River" had not really been a miracle at all, and was even plausible to be just corrupt officials and business leaders propping each other up for the past few decades. They also correctly believed that the bankruptcy of Kia in particular would have ripple effects to those companies in Korea that depended on Kia to sell or buy from, and would worsen the seemingly already-fragile financial situation in Korea.

From July to October, these worries steadily escalated. Investors began pulling out and lenders stopped rolling over loans, just as they had in Thailand. On October 17th, Taiwan followed Thailand's lead in floating its currency. On October 23rd, the Hong Kong stock market dropped 10.4 percent, the worst drop in ten years. On October 25, the S&P downgraded Korea from a rating of AA- to A+, to A- at the end of November. Investors continued panicking and pulling out [state some specifics]. Kyong Shik Kang attempted to send a negotiator to Tokyo to hopefully prevent Japanese banks from withdrawing funds, but Japan's central banks tated they would only do so with an IMF-supported program.

Intervention

The crisis was nearly at hand. If the trend of foreign investment withholding rollvers continued, Korean banks would not be able to repay its next batches of payments, and that situation would only become worse as investors would see and then pull out in turn. On November 16th, IMF Managing Director Michael Camdessus held an impromptu secret meeting with Kyong Shik Kang while on a trip to Asia to discuss a possible IMF package. The IMF at this time also began orchestrating an international maneuver to prevent an all-out crisis, with most of Camdessus' staff spending their days and nights calling international banks and attempting to convince them to roll over their loans so that the crisis in Korea would avoid becoming a catastrophe. Korea would owe $9 billion by the end of December if the banks did not take the IMF's word that Korea could repay at a later time

On December 3rd, the IMF and Korean authorities finalized a $55 billion loan package, of which $21 billion would come from the IMF, $10 billion would come from the World Bank, $4 billion from the Asian Develpopment Bank, and the remaining $20 billion as a contingency pledge from banks in twelve nations. Both the overall loan amount and the IMF's contribution were unprecedented. This was also one of the first times the IMF would lend to a nation in the OECD instead of a firmly designated "developing" country.

The loan amount itself was massive, but the IMF's strategy was not to provide enough cash for Korea's debt troubles to pass. Of the stated loan amount, only $5 billion was available in December 1997, with the rest being distributed through 1998 and most of the loans not even used at all.[75] They certainly weren't enough to pay off the $130 billion Korea owed, and the initial infusion was not even enough for Korea to make its loan deadlines in December 1997. Instead, the loans were mostly an attempted message to foreign creditors that Korea was safe; the IMF and the World Bank were intervening, so Korea was a safe investment.

At first, foreign banks did not find this adequate, not even to fulfill Korea's short-term payments. This judgment continued the cyclical self-fulfilling prophecy at the heart of the crisis: as foreign investors lost confidence, they pulled their money out, putting Korea into the dire economic situation that the investors had worried about. For much of December the rollover rate remained at around 15% – much lower than what was needed for Korea to avoid declaring bankruptcy. On December 19th, the Korean government begged the United States government to in turn persuade the IMF to orchestrate another

[75]Of course, $5 billion is still massive, being (for comparison) the entire package provided to Mexico during the first phase of the Latin American debt crisis.

Figure 1: Deputy Prime Minister of Finance Im Chang-Yeol (right) and IMF Managing Director Michel Camdessus (left) at the signing of the December 3rd agreement. Published in the December 4th edition of the *Joseon Ilbo*.

round of negotiations. By December 23rd, the IMF was able to orchestrate this international maneuver, where the IMF directed central banks in twelve countries, and those central banks in turn pushed banks in their own countries to roll over loans to Korean debtors. All of these efforts were joined through daily reporting requirements to the IMF, and resulted in about 95% of Korea's debt being rolled over.

Most important in this appeal to creditors were the harsh policy prescriptions the IMF attached to Korea's loan package. The IMF believed that the crisis came about because of decades of "crony capitalism" hidden by the strong arm of the Korean state which ultimately scared off investors. The solution was the converse of this: foreign confidence had to be restored through strong reforms. Importantly, the IMF recognized at these points that the immediate triggers and solutions to the crisis were not any fundamental problems, but the beliefs of foreigners in Korea as a safe investment. In the words of Canadian Finance Minister Paul Martin on behalf of the G-7 nations, "A successful program will require a continued sustained commitment to reform by the Korean authorities, appropriate financial support from the official sector as outlined above conditioned on the strong policies necessary to restore confidence, and a successful effort by the Korean authorities to secure longer term financing from private creditors and the international capital markets."

The appeals between the IMF and partner banks thus meant pitching to these institutions the reforms the IMF would implement in Korea. From the first phase of the crisis that resulted in the December 4th loan package, these reforms [were quite harsh], with Camdessus and even President Clinton urging Korean President Young Sam Kim and Secretary of Treasury Kihwan Kim to publicly announce they would adopt extensive reforms. They escalated further over the course of December, first by IMF administrators that viewed the initial policies as too soft, then by Kihwan Kim as a desperate bid after banks still appeared hesitant to roll over their loans.

These reforms entailed the immediate suspension of nine financial institutions, and their closure if they did not submit "appropriate restructuring plans." With the euphemistic caveat that it would "entail losses to shareholders," the IMF declared in a December 4th press release that many financial institutions of any standing would be subject to mergers and acquisitions as from both domestic and foreign investors. The IMF conclues this section with a standalone paragraph stating simply that "to promote competition and efficiency in the financial sector, the authorities will allow foreigners to establish bank subsidiaries and brokerage houses by mid-1998."

Besides reforms specifically for the financial sector, the IMF also prescribed general structural reforms. These all center around a program of economic "liberalization" that mainly involved opening the country for foreign investment. The ceiling on foreign ownership in Korean equities and listed Korean shares would be raised from 7 percent and 26 percent to fifty percent by the end of the year.[76] Besides these general ceiling adjustments, other major barriers to foreign investment were also modified, including foreign access to domestic money market instruments[77], foreign access to corporate bonds, and general simplification of approval procedures. The total number of conditions totaled 94 for South Korea and 73 for Thailand, much more than those imposed for other countries in previous crises.

These policy measures stung hard. Renewed loans from international banks charged incredibly high interest rates, from 2.25% to 2.75% higher than the preceding averages of around 5%.[78] IMF demands to reduce government spending resulted in a 5.7 percent reduction in GDP, compared to the growth rate of over 6 percent that Korea had held for the past decade. The suspension of the nine banks at the beginning of the crisis and the promise that many more could be closed motivated many banks to stop lending and build up cash reserves so that they could appear stable, which then forced many businesses requiring loans into bankruptcy. The Korean government made good on that promise, revoking license after license until only three merchant banks remained in 2003 from thirty in 1997.[79] The ripple effect from this went on for years, with fourteen of the thirty largest corporations either declaring bankruptcy or entering merger programs.[80] The largest of these was the collapse of the conglomerate Daewoo Motors in 1999, which had issued 17 trillion won of corporate bonds before being shut down. The government promised to holders of these bonds that up to 95% could be reimbursed, a significant amount but still

[76]Fifty percent might seem high, but in 1998 the Kim administration would remove that ceiling on foreign investment altogether.

[77]Money market instruments are short-term loans, useful for bridging two payments. A company might use this kind of device if they had to pay a supplier one week to make a product but would only receive customer payment for that product in the next week after.

[78]Kim Kihwan, "The 1997-98 Korean Financial Crisis: Causes, Policy Response, and Lessons," in *IMF Seminar on Crisis Prevention in Emerging Markets*, 2006, 12

[79]Merchant banks are like investment banks in focusing on much larger corporations and capital amounts than in funding individuals or small businesses.

[80]Lim and Hahn 2004, https://ypfsresourcelibrary.blob.core.windows.net/fcic/YPFS/Lim%20and%20Hahm%202004.pdf

a departure from the full guarantees or bailouts the government would have made in prior years.[81] The collapse also came at the tail end of the crisis, when the country was considered to be deep into recovery, highlighting how painful the IMF's desired structural reforms had been.

The most painful result of these reforms for most Koreans were the waves of layoffs that were foregrounded by the IMF's directive in December 1997 to bring forth "labor market flexibility." Both Kim Young-Sam's outgoing administration and Kim Dae-Jung's incoming administration promised that these changes to labor laws were necessary, but would be limited and much stronger unemployment benefits would accompany the employment protection rollbacks. Labor union alliances across the country, especially the militant Korean Confederation of Trade Unions (KCTU) and the government-managed Federation of Korean Trade Unions (FKTU), criticized these decisions as soon as they were announced. The FKTU had recently led the largest strike in Korea's history earlier from December 1996 until February 1997, with some 700,000 workers. Organizers at the time strongly opposed new labor laws involving an increase in the work week by 12 hours, the delay of official recognition of the KCTU until 2000, and the rollback of labor protection laws for contract workers. The rioting and tense negotiations involved in this strike, and more generally the decades and tradition of union organizing that preceded it, seemed to have been for naught if any negotiation involved could be rolled back at simply the direction of an outside party like the IMF. Both sides waited nervously as 1998 drew onwards to see to what scale layoffs would be required.

In the beginning, the impact appeared to relatively small. On February 7th, 1998, the promises made by Kim Dae-Jung to establish a safety net appeared to have been made good, since the plan the Kim administration submitted to the IMF called for tripling the employment insurance fund, relaxing the size requirement for firms to have just ten employees (from thirty) to qualify for unemployment benefits, and increasing the payout of unemployment benfits from fifty to seventy percent of the minimum wage.[82] But the Kim administration did not make a special effort to avoid unemployment itself, and the austerity requirements imposed by the IMF still took their toll, such that major corporations began warning of

[81] 17 trillion won very, very roughly comes out to about $10 billion (an exact conversion is ill-defined given the massive fluctuations in the Korean won to the U.S. dollar at the time of Daewoo's collapse).

[82] Kyung-Shik Lee and Chang-Yuel Lim, "Korea Letter of Intent and Memorandum of Economic Policies, February 7, 1998," February 1998.

Figure 2: Labor union workers of Seoul Bank protest at a general strike organized by the Federation of Financial Unions on July 11th, 2000. The sign in the background reads "*let's reign in government finances and establish responsible management.*" Seoul Bank was one of two banks seized immediately upon the IMF intervention, the other being Korea First Bank. Unlike Korea First, Seoul Bank was unable to be sold to foreign investors and underwent government-led restructuring for two years before being sold to Hana Bank. The restructuring involved a layoff of 2,700 employees, or 35% of the bank's workforce, quickly upon seizure in 1998. Around 80% of the remaining employees were protected by the Seoul Bank union, and conflicts between the union and management led to strikes like the one depicted above. The union and Seoul Bank's new management agreed on early retirement programs to handle most of the layoffs by September 2000. For more information on Seoul Bank's restructuring, see Kang, Chungwon. "From the Front Lines at Seoul Bank: Restructuring and Reprivatization." The International Monetary Fund, December 2003. Photo: Choo Youn-Kong / AFP / Getty Images, seen in Carson, Michael, and John Clark. "Asian Financial Crisis." https://www.federalreservehistory.org/essays/asian-financial-crisis, November 2013.

layoff programs. In May 1998, Hyundai announced that 8,000 employees would have to be released if either government assistance or union negotiations were not resolved, and Korea Telecom announced that 10,000 employees could lose their jobs. Unions made their move in response on May 28th, with the militant KCTU leading the organizing effort for a general strike involving 121,400 workers across the country to call for what was called the "rights of the people to survive." Ten thousand workers at the Hyundai factory complex in Ulsan walked out, shutting down production lines for the day.[83]

Figure 3: *The General Strike for Employment Security and the Rights of the People to Survive*. From the May 29th, 1998 issue of the Dong-a Ilbo.

But even the general strike lasted only or a day. Unions, corporations, and the Kim administration all wanted to avoid a confrontation at the scale of the violent protests of the 1970s and 1980s. Hyundai's layoffs still went ahead, and layoffs among the largest 545 companies amounted to 171,000 people losing their jobs. This pattern continued for the next three years, with constant struggles between Korea's unions and company management. The 1998 layoffs were the quickest and most widespread, and encountered relatively little pushback because of the swiftness and the desperation the country recognized as companies everywhere grappled with the possibility of bankruptcy. After the first large waves of layoffs,

[83]Stephanie Strom, "South Koreans Protest Spread Of Layoffs In I.M.F. Plan," *The New York Times*, May 1998.

companies udnerwent restructuring efforts that became much more complicated than slashing budgets and forcing employees out of their jobs. Unions tried to hold strong during this time, with strikes of over ten thousand people occurring on April 20th, 1999 led by the KCTU and Seoul transit workers and July 28th, 2000 as depicted in Figure 2. General strikes also occurred on May Day of each year, rallying hundreds of thousands of people and almost 550,000 in 1999, and individual unions launched strikes as they were necessary. Despite such resistance, unemployment in Korea during the crisis tripled to 8%.

In addition to the widespread corporate layoffs, the national remembrance of the IMF crisis canonically also focuses on Korea's gold collection campaigns, or a series of campaigns for ordinary citizens to help pay off Korea's international debts with gold. The government had massive amounts of debt to foreigners, it had very low reserves of foreign currencies to pay them, and the value of the Korean won was depleting fast. Gold was a valuable resource for South Korea to pay off its debts. Samsung and Daewoo led gold collection campaigns among their employees first, and civic groups that had called for household austerity in the form of limiting consumption of expensive imports soon switched to promoting gold collection as well. The *Korea Herald* estimated that 225 tons, worth $2.2 billion, had been collected from December 1997 to March 1998, with contributions from some 23% of Korea's households. The media seized the gold collection campaign as a symbol of Korea's national spirit, arguing that many had given up treasured possessions that had been in families for generations in order to collectively save the country. The gold collection campaign stopped in March of 1998 after only three months, but reporting and discussion on the campaign as a symbol of national unity continued for two years after. The reality of the gold collection campaign is more limited, as Seung-kyung Kim and John Finch note, because most of the gold was sold, not given freely, by families desperately who tried to obtain cash to save more valuable assets or pay for daily needs during periods of layoffs. And while the amount of gold collected was massive and unprecedented, but it also did not hold a candle to Korea's national debt of $304 billion, to the IMF's $55 billion bailout package, or even to the amount that Korea owed in December alone ($9 billion).

The gold collection campaign and the labor crisis that arose in 1998 have in common the lack of opposition to Kim Dae-Jung's administration that implemented and even extended the IMF directives for reforms. Though promising to temper the IMF's interventions during the presidential debates of the fall of 1997, Kim Dae-Jung and Finance Minister Kim Ki-Hwan pivoted to declaring a wholehearted acceptance of the IMF reform plan when Kim was inaugurated in January of 1998. The IMF called for lifting the ceiling on foreign ownership in Korean stock to fifty percent, but the Kim administration actually removed the ceiling altogether, for which he was even called the "neoliberal revolutionist." These actions almost seem as if they should have been met with more opposition, but the most common slogans in the general strike of 1998 were against not against the Kim administration but against conglomerates like Hyundai and the IMF, and the strike itself lasted only for a day. And it is difficult to imagine the status of the gold collection campaign as a marker for the unified Korean spirit being similarly elevated under the tumultuous Park or Roh regimes that involved constant criticism and protest. Kim enjoyed a strong 67% approval rate as he navigated the crisis, only declining in popularity later on to 27% for his "Sunshine Policy" programs attempting to improve relations with North Korea.

In part, this is because of Kim's status as a sort of icon of Korean activism and the immediate political goals of Korean labor activists. The FKTU had been allied with Kim in the past as he spoke out against President Park Chung Hee in particular and the actions of Chun Doo-Hwan and Roh Tae-Woo in the regimes that succeeded Park, so Kim was seen as their natural ally when the economic crisis and the IMF's promises of layoffs began. Kim's campaigning in 1997 even before the crisis began heavily criticized *chaebol* groups as corrupt monopolies that held back Korean workers and labor rights, leading him to incidentally align with the IMF intervention's heavy criticism of *chaebol* and Korean unions to in turn align with his crackdown.

But it also illustrates the constrained political sphere and hegemonic nature of liberal capitalism in Korea. Kim never departed from the ideals of Western free-market capitalism when he strode for social and labor rights; in his words at Stanford University in June 1998, "if we are to put the Korean economy back on the right track, we must develop democracy and a free market economy in parallel, as Western countries have done." During the periods of military rule when any notion of rights was explicitly denied, the liberal rights Kim saw in the United States already seemed radical for South Korea. Despite intellectual waves like the *minjung* movement to imagine and claim an emancipatory history for all Koreans, these movements were heavily constrained to either emulate liberal free market capitalism or simply failed to win electoral positions due to their Marxist-Leninist leanings.[84] Political climates were thus shaped in such a way that it was near unthinkable for mainstream politicians, even human rights activist icons like Kim Dae-Jung, to think beyond the bounds of liberal rights. When the IMF attacked the chaebol groups for their supposedly corrupt practices, it was natural for Kim Dae-Jung to side with this criticism instead of in turn criticizing foreign investors' herd behavior, because the latter group was perfectly justified to pull their money out as they pleased and act in their own rational best interest. Criticizing the presumptions and racial logic, which I will explore in the next section, or attacking the more general premise that these foreign investors were mistaken and unnecessarily harmed Korea, thus lay outside of most Korean's realm of possible decisions as Kim ascended to the presidency.

Kim Dae-Jung's status in this light is complex and even contradictory. In some angles, he was the most progressive president Korea has ever had, especially in his "Sunshine Policy" programs with North Korea that tried to turn from previous administrations' adversarial policies to more friendly and even gift-based relationships with North Korea. This was by far Kim's most controversial program as President in severely anti-communist South Korea, one of the main reasons his approval rating fell to 27% at the end of his presidency. But even so, some Korean scholars assert Kim is a driver of hegemonic forces in Korea by forcing a recapitulation of South Korea as a separate and distinct national state from North Korea through the Sunshine Policy's programs. And still others assert that Kim, as a stalwart against the Korean *chaebol* system, stands explicitly as a counter-hegemonic figure against the forces of capital. The stance I have taken above holds that Kim definitely serves as an important proponent of the hegemony of global liberal capitalism, but he is ultimately a single person tightly integrated in structures and cultures that make it impossible not to be such a figure. While not trying to leave Kim free from blame for essentially opening the Korean economy for sale to Western investors and thus further entrenching Korea in the problems of dependency that began the debt crisis, I view trying to explicitly classify Kim as one of pro- or counter-hegemonic (as some scholars have written on) is unproductive compared to examining the

[84] The definitive text in my mind for this topic is Namhee Lee's *The Making of Minjung*, but intellectual traditions in Korean protest culture is in general a widely discussed topic even in English literature, so other texts like Paul Chang's Protest Dialectics, Youngtae Shin's Protest Politics, and Romano Chung's Reunification and Protest in South Korea are also useful.

forces and logic from which these almost paradoxical stances like Kim's emerge. The following section attempts to break into that logic of the IMF, as a racializing force that enables liberal capitalism to forever portray itself as just and rational because of presumptions of difference, and to reproduce those notions of difference through moments of crisis.

Racialization

There are generally two opposing views of the crisis that emerged in 1997 and remain unreconciled today. Should the crisis be attributed to "crony capitalism" and flaws in the economic systems in Asian countries, or to a series of self-fulfilling prophecies, whereby foreign investors predicted a crisis and then caused it by pulling out their funds in one gigantic wave? The former view was put forth by the IMF and its economists including Timothy Lanee, Atish Ghosh, Javier Hamann, and Steven Phillips. This group asserts mainly that the drought of investment renewals in 1997 was due to a lack of transparency from the Korean and Thai governments and a justified view from investors from the information that they did have that their investments would turn sour. The opposing view is held by economists Jeffrey Sachs, Joseph Stiglitz, Jason Furnan, and others, who argue that Asian countries were doing just as well and sometimes even better along many macroeconomic indicators compared to other parts of the globe, and thus the crisis was mostly a fault of external force rather than a defect in Asian economies in particular.[85]

The evidence presented earlier in this paper has mostly been in support of the second perspective, that the herd behavior of foreigners deserves criticism and the crisis would not have arose without it. To recap, the crisis strategy from the IMF, especially in its most dire moments, was a coordinated effort to bring back foreign investors. The push for reforms began and escalated in attempts to bring foreign investors back in, not to outright fix alleged decades-old problems. As Yung-Chul Park notes, many of these long-term policy reform efforts did not finalize until the end of 1998, well into the oft-commented speedy recovery from the crisis. Because of these reasons, even if systemic practices in Asian economies deserve crticism, these problems are at the periphery of the crisis compared to the near-catastrophic herd

[85] Also useful is to note that "nontransparency" from Asian countries, as noted above in the case of Thailand, was often held out of fear from governments that revealing their hand would trigger a massive sell-off. The lack of transparency seemed to fuel the collective withdrawal of investments, but the alternative to these governments was to have disaster strike.

behavior of foreign investors.

But I make these points not to assign greater blame to the foreigners and away from the *chaebol* groups or corrupt Korean politicians, or to definitively answer whether foreign investors were justified in simultaneously pulling out of Asia. To try to answer that question, especially through the usual empirical economic lenses, distracts from critique of the premise of the relationship between foreign investors and Asian banks. In other words, I do not believe that foreign investors were justified in pulling out, but I am more concerned with why this was made possible than with assessing if it was the rational best choice. Such a rational best choice was not possible, both in the conceptual sense that an idealized objective strategy free of social forces of course does not exist, and in the practical sense that Western investors often complained of limited information from Asian central banks. Thus, to answer why the Western investors collectively pulled out of these nations is to question how countries in Asia were at the mercy of Western imagination and capital, and how such a relationship was affected by the crisis and its resolution.

Until the crisis, Korea was seen to have undergone a harsh period of state-fueled development that was just outside of the logic posed by the capitalist West. This process was often nicknamed "the miracle of the Han River," or its various aliases including the "East Asian miracle" or the success of the "Asian Tigers," all suggesting not only the perceived economic success of Korea and its neighbors but how unexpected they were. The success of these countries should not have happened; they seemed supernatural and beyond reason, and it should have been impossible for countries torn apart by war and dictatorship to enter the same market and on a level playing field as that of Western capitalist nations. Any countries that had done so had to do so outside of the proper or canonical economic systems of the West. To use the language of da Silva, Korea was preconfigured as a nation of improper economic subjects. To use the language of Alice Amsden, prominent scholar of the "Asian Tigers," in *Asia's Next Giant* (1992):

> Quite simply, industrialization was late in coming to "backward" countries because they were too weak to mobilize forces to inaugurate economic development and to fend off a wave of foreign aggression begun in the second half of the nineteenth century. Their weakness, moreover, arose from internal social conflict –ethnic, racial, regional, or class. Such conflict precluded arrogating enough power to a central authority to prevent foreign inter-

vention, invasion, or the catastrophic loss of statehood altogether.[86]

Amsden went against the neoliberal economic trends of the time that preached against state intervention, but even for her writing in support of Korea's state-driven development, it is necessary to cast Korea as "backward" and imbued with weakness before it strode for its own path into Western capitalism. That backdrop makes it is possible to cast its later success as a "miracle" instead of an inevitable or sensible process of industrialization.

The converse effect of the miracle story is to obscure the profoundly unmiraculous and violent processes that led to economic success, and especially the U.S.' perverse relationships with South Korea after "liberation" in 1945 that enforced a very particular form of economic success contingent on the loss of social rights. These cannot be comprehensively ennumerated here, but I refer to the South Korean state's forced inception as a political counter to communism and North Korea, to the nation's devastation and forced stalemate in the Korean War five years later that permanently solidified South Korea's dependence on the U.S., to sending 300,000 to support the United States during the Vietnam War and receiving economic assistance and technological resources after, and enduring four decades of military dictatorship that privileged a few family-held conglomerates above all others. In short-form articles reflecting on the "miracle," these processes are often just unmentioned or noted only briefly. In longer histories where it is very difficult to ignore these historical developments, they are still often placed as a backdrop for Korea's "backwardness" that makes the miracle so astounding, instead of a precondition or necessity for the relative economic prosperity Korea achieved.

But in the context of the Asian financial crisis in particular, the miracle narrative worked most importantly to bring billions of dollars of investment to Korea and to foreshadow the later crisis that would expose the miracle as in fact a facade, always subpar to the practices and logic of Western capital. Investors believed that there was a miracle happening in the form of state intervention guaranteeing many large investments to be effectively safe, and they poured money in over the course of twenty years. Despite three coups in Thailand, the constant fight for corporate regulation by workers in Korea throughout the 1980s,

[86] Alice Hoffenberg Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford University Press, 1992), 12

investors believed in the miracle. The onset of the crisis simultaneously shattered and fulfilled this narrative. In the immediate sense, the crisis revealed nations in Asia to have failed economically, ending the year after year of unexpectedly high growth. On the other hand and in the much more fundamental sense, that failure was necessary for Western capitalism to triumphantly unmask Korea's economic success as not a miracle but a facade hidden by four decades of state intervention. The miracle of Asian economic success had been seemingly defying the logic of capital because it had in fact been too good to be true.

Parallel to the national economic narratives of the miracle in East Asia are the archetypes of the "model minority" and the "yellow peril," commonly recognized as myths of individual subjects. To place a subject into either archetype is to simultaneously value it as cunning, strategic, and hardworking, and undervalue it as lacking the creativity and ingenuinity of the Western individual. Both myths rely on a deprivation of the Asian subject from the status of the Western individual and instead bestow the identity of an obedient and unquestioning subject, a status which can morph into the horde of the yellow peril when there are many or into a silent, unbothering minority when there are few. This "seamless continuum," to use Gary Okihiro's words, between the model modernity and yellow peril archetypes form a single challenge to the Western, white idea of success, one that must be contained as a manageable and useful minority if peace is to be maintained, for "the very indices of Asian American 'success' can imperil the good order of race relations when the margins lay claim to the privileges of the mainstream."

The model modernity status extends this challenge to the international level, morphing the yellow peril for empires past into a manageable investment opportunity for empires today. The logic of exactly how need not be meticulously understood by all Western observers (it is a miracle, after all), only that there is a new investment opportunity thanks to hardworking and obedient laborers. Like the model minority myth and the idea of a East Asian miracle, this status of model modernity sometimes ignores the price that those conferred this status need to pay to enter the world of capitalist success, and in other moments dimunitively marks it as part of the noble road of obedient work, inevitable obstacle, and eventual reward.

Though discussed as single images above, the model modernity and the miracle narratives are not separate, and insight into the more general racializing process can be viewing them alongside each other. These images characterize nations in Asia as aberrant and prompt observers to treat their economies with an air of disblief, despite their apparent progress on their road to Western modernity. Entering the realm of modernity is an impossible goal, for the miracle eventually must end and be exposed for the corruption it really is, and the point of the model is to be idealized but always unrealistic, and always inferior to the "real" Western modernity the model approximates. In other words, the proximity to Western capital, or equivalently to Western modernity and to whiteness, is precarious and can be revoked at any moment. When it is revoked, the disciplinary nature of this logic is revealed, for countries that pose a challenge to that logic have to be appropriately set in place through economic punishment.

The images of the miracle and the model modernity form temporal complements to each other. Just after the "Miracle on the Han River" was exposed as too good to be true, Korea was immediately conferred the same role of an unrealistic model for other nations by the IMF. Horst Kohler, Managing Director of the IMF in 2001, illustrates this view of Korea in his congratulatory remarks for Korea's ahead-of-schedule payment of loans:

> [T]he close cooperation between Korea and the IMF over the last few years has been exemplary and in many respects serves as a model for other countries. We are confident that with your strong leadership Korea will successfully continue to restructure its economy to meet the challenges that still lie ahead. Rest assured that the IMF will, for its part, cooperate closely with the Government of Korea in its future endeavors.[87]

There is some irony and cruelty in the swiftness with which the proximity to modernity through the model status is revoked and then bestowed again. Kohler even assures Korea that the IMF will "cooperate closely" in the future, as if the nation should be thankful for the disciplining process the nation experienced.

Kohler's remarks also illustrate that the model is not simply an ideal for which Korea and the IMF should privately be satisfied with, but one that other countries should stride towards. In contrast to the countries experiencing the Latin American debt crisis, Korea did not require a second round of financing, and the sale of its banks to foreign investors went relatively smoothly. Kohler indirectly chastises those Latin American countries that did not meet such a standard. In doing so, the IMF paints a hierarchy of

[87] Kohler, "IMF Managing Director Congratulates Korea on Early Repayment of 1997 Stand-By Credit."

some nations above others, ascribing strength and weakness as measured by their economic progress and crisis recovery. This hierarchy differentiates nations, but does so through the apparently universal logic of economic discourse. The observed differences between nations are then justified as being of natural ability of deficiency, and the presumption of racial qualities from which these differences arise are hidden. The racialization of Asian nations as forever close to but outside of Western modernity is hidden, of Latin American economies as inferior and backwards, and, though not discussed here, of African nations as undeserving of the American loan, all are hidden. In the words of Ferreira da Silva and Chakravartty, that raciality *disappears* as the objective hierarchy of each nation's economic strength is revealed and tested through crisis.

The engine behind this process, which gives immediate motivation for this process of racialization to Western investors and forces the above presumptions to be reproduced, is the endless process of accumulation by dispossesion Harvey famously describes. Western investors desired more returns after one investment was reaped, and felt that this process of accumulation was essentially limitless, partly because countries in Asia had been so underdeveloped after a century under imperial rule and partly because the Korean and Thai central banks had a history of guaranteeing loans that were too big to fail. Loan amounts, debt-to-equity ratios, and overall national debt to foreign lenders thus piled higher and higher. From a social standpoint, the model of state-led investment of the so-called "Asian Tigers" was at once an incredibly attractive investment position and yet one that had to be proven wrong eventually if the Western notion of the limited state were to be proven correct. This status for a time was constantly "rewarded" through ever-mounting investment (debt), only to be suddenly revoked by at a moment's notice once Western investors decided the miracle had run its course.

This occurs notably in a different sense from Marx's original definition of overaccumulation, whereby there is no way to generate additional profit from a surplus of labor and capital because of material and practical constraints. In the Asian financial crisis, accumulation both in an economic and social sense occurred because of discursive trends in the beliefs of foreign investors in the profitability of countries in Asia, not because any particular avenue of investment became unprofitable. The speedy recovery of nations and the IMF's strategy of rescue through opening countries for further investment lend evidence to this: if anything, the countries had more to offer than ever before, and all that was needed was a fix in the form of deregulation of markets previously protected by states from foreign takeover. In other words, accumulation could continue, as long as a healthy dosage of dispossession were to accompany it. Drawing from da Silva and Chakravartty, as well as what Jackie Wang (who in turn draws from Nancy Fraser) terms racialized accumulation by dispossession, this dispossession is only possible if there is first a racialization of some as improper economic subjects that can be disciplined as part of the reorganiation. And as I have discussed above, in Asia whole nations were cast as peripheral to Western modernity via inclusion into the global economy when it was profitable, only to be rejected and re-included when it came time for a fix.

Conclusion

If the IMF wishes us to learn one thing from the Asian financial crisis, it's that there's no alternative but to be be evaluated by "free market" capitalism and the interventionist logic of the IMF. It's to believe that there was no alternative for U.S. creditors but to pull out in the face of what appeared to be an impending crash, that there was no alternative for the IMF but to impose unprecedented economic burdens on Korea, that there was no alternative but for Kim Dae-Jung's administration to accept and begrudgingly implement these restrictions in order for foreign investors to return. To believe that as painful as they were, these steps were ultimately necessary to save Korea from a precipitous fall.

I hope to push back on this defeatist perspective, through deconstructing the above arguments as disingenous and a cover for the same racial hierarchy of old, as shown above, but also by pointing to alternatives to neverending reformism. It is still an obvious truism that colonial political interests are able to be upheld thanks to the power of its financial institutions, a relationship that hurts most during times of crises and often crippling instead of serving countries in need. One might think of the U.S. sanctioning the French bank BNP Paribas for $8.9 billion in 2014 for dealing with U.S. enemies Sudan, Iran, and Cuba, a move that was only possible because BNP Paribas relied on U.S. institutions to store and move money.[88] More recently, one can refer to the Biden Administration's unilateral decision to freeze $9 billion owned by the Afghanistan central bank but held in U.S. institutions and therefore subject to the whims of the current regime. Neither of these events occurred through any international law, but because of the reliance the world has on U.S. banks.

But alternatives do exist. Russia and many countries in Asia have been moving towards relying on a basket of currencies to set the value of their own and to use in their national reserves, moving away from the fragile reliance on the dollar that led to financial ruin for Thailand and Indonesia especially. China's Belt and Road Initiative has grown massively over the past decade, accounting for upwards of a trillion dollars of investment across nearly every continent and presenting a major departure from the pattern of financing from U.S. banks that preceded it. Some world leaders view these emerging alliances

[88]Most notably this includes the Fedwire system to process and validate large payments like the kinds, which is operated by the United States Federal Reserve.

as net goods; for example, while on a trip to form an economic partnership with Russia and join the Belt and Road Initiative, Argentinian President Alberto Fernandez commented to Russian President Vladmir Putin:

> Since the 1990s, Argentina has been strongly oriented towards the United States. Argentina and its economy are largely dependent on the US and our relations with it. In fact, our debt to the IMF also emerged because of this relationship. [...] I am consistently working to rid Argentina of this dependence on the IMF and the US. I want Argentina to open up new opportunities. Cooperation with Russia is vital for us.[89]

Questions remain on whether the kinds of changes, however large or dramatic they might appear, are sustainably moving the world away from U.S. and IMF-mediated financial hegemony. Russia invaded Ukraine less than a month after Fernandez made the above statement, and countries like Argentina are experiencing price hikes in wheat and other basic commodities due to disruptions in trade with Russia.[90]. It is difficult to see whether the economic and moral or political promises of the Russia-Argentina trade relationships are real and will allow Argentina can find economic prosperity outside of the IMF hegemony. In other strategies to seek prosperity outside of U.S. empire, El Salvador has adopted Bitcoin as a national currency over the past year, partially for the freedom afforded to the nation from relying on other countries' markets to price their own currency. The IMF has strongly condemned this move, arguing that El Salvador cannot regulate this currency at all and the price of Bitcoin wildly fluctuates.[91]

Perhaps the largest of these alternate paths to economic prosperity, China's massive Belt and Road Initiative (BRI), has been extensively criticized in popular media as "neocolonial" or simply imitating the dominance of empires past that force nations into parasitic economic relationships.[92] Many similarly

[89]"Talks with President of Argentina Alberto Fernandez," *The Kremlin* (http://en.kremlin.ru/events/president/news/67704/print, February 2022).

[90]See Hernan Nessi, "In Argentina, an Inflation Hotbed, Ukraine War Drives Prices Higher" (https://www.nasdaq.com/articles/in-argentina-an-inflation-hotbed-ukraine-war-drives-prices-higher-0, March 2022).

[91]Ephrat Livni, "The I.M.F. Urges El Salvador to End Its Embrace of Crypto as Bitcoin Tumbles." *The New York Times*, January 2022.

[92]Nayan Chanda, "The New Colonialism: China's BRI or Silk Road Project Is Coming to Be Seen Across Asia as the Road to Ruin," *The Times of India*, n.d; Anthony Kleven, "Belt and Road: Colonialism with Chinese Characteristics," *The Lowy Institute* (https://www.lowyinstitute.org/the-interpreter/belt-and-road-colonialism-chinese-characteristics, n.d.); Ashish Singh, "BRI Is 21st Century Neo-Colonialism with 'CCP Characteristics," *The Daily Guardian*, October 2020; Fiona

accuse China of using the BRI to set "debt traps," or provide loans and then seize resources when debts cannot be repaid. One oft-repeated example lies in the buyout of the Hambantota port in Sri Lanka by China Merchants Port Holdings when a $7 billion loan could not be repaid. Of course, China has committed none of the military violence, has not taken over large territorial tracts in other countries, or constructed a racial hierarchy or any other social formation to drive forth its expansion of capital. And in the case of the Hambantota port, debt to China constituted only a small portion of Sri Lankan debt that forced Sri Lanka to sell the port, the only two bidders for the port were from Chinese companies, and the deal itself was in fact mandated by an IMF structural adjustment program, all suggesting that China perhaps did not manipulate Sri Lanka into entering debt in order to obtain resources like the port.[93] Of course, this is just one deal of many, and it would be impossible to sufficiently explore whether the BRI or any other solution briefly mentioned above constitutes a true challenge to the current dominance of U.S. capital.

All of the above is only to demonstrate that there are many alternative promises to economic prosperity outside of IMF-mediated Western financial hegemony, but it is difficult to tell which or whether any of these are viable and sustainable. Antonio Gramsci famously wrote that "the old world is dying and the new world struggles to be born. Now is the time of monsters." Scholarly, political, and popular criticism of the IMF is plentiful, all yearning for a break from the tentacles of Western liberal capitalism, struggling for a new world or at least a new economic order to structure it. The current wave of promised solutions appear to be full of these monsters; only further critical and anticolonial scholarship with time can reveal which promises are monsters are endemic to this interregnum and which promises can bring forth that new world.

Symon, "China's BRI - a New Colonialism?" (https://www.ft.com/content/5da3a9e2-2967-473f-a66a-d703d0e18f2d, May 2019).

[93]Deborah Brautigam Rithmire Meg, "The Chinese 'Debt Trap' Is a Myth," *The Atlantic*, February 2021, an extensively researched article from The Atlantic, first convinced me of this perspective.

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