

INTERNATIONAL MONETARY FUND AND ITS IMPACT ON IDEOLOGICAL STRUCTURING OF POLITICAL PARTIES

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Abstract: One of the institutions that has played a very important role in the post-communist period in Albania, is the International Monetary Fund (IMF). For pragmatic reasons or for guaranteeing their legitimacy, political parties have found it indispensable to cooperate with this institution. But, if we consider the role of the IMF from ideological perspectives, we would find that regardless of which party was in power (Socialist Party or Democratic Party) the respective government still has to follow its instructions and recommendations of a neoliberal nature. This behavior has prevented political parties, especially those of the left wing, to get structured from the perspective of ideological profile. For this reason, the entire discussion is mainly focused on the left-wing political perspective, as the principles of the right wing are closer to the IMF's neoliberal philosophy, from the ideological standpoint.

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Introduction

For many researchers, namely Stefan (1996) and Klingemann, Fucht, & Zielonka (2006), the presence of international institutions, such as IMF, is a major challenge to the states sovereignty because the foreign policy of a country is often dependent on the policies of these institutions. The states themselves try to harmonize their foreign policies with those of this institution in exchange for different favors. This is a trend being followed by many Balkan countries. As they aim to integrate as quickly as possible in the Euro-Atlantic structures, these countries significantly restrict their independence in the decision-making processes (Tarifa, 2009).

Fukuyama (1992), Faiclough (2000), and Epler (2010) argue that, under the influence of international institutions, political wings (e.g. right, left, center, extreme right, and extreme left) are subject to the same economic, financial models. As Plevnik (2003) stresses, states seek to pursue their economic policy in accordance with the rules imposed by the IMF. But, in many cases this causes problems because specific features of a certain country are not taken into account, or measures which might ameliorate economic situation are not allowed to be taken. That is why, as he considers the role of the IMF, Stiglitz (2006) has metaphorically labeled IMF as “fireman and arsonist.”

Methodology

The methodology used in this paper is closely related to the interpretation of the data obtained from secondary sources. These sources are the basis of theoretical material that we have received over the years of academic studies, as well as information collected from scientific journals, national and international institutions, internet, etc. Based on the reliability of these data, we have reached the conclusion presented at the end of this article.

Results and discussion

An institution that has played an important role after the change of the political system in Albania is International Monetary Fund (IMF). In their performance, the Albanian institutions have constantly and maximally attempted to benefit from “advices” and “suggestions” rendered by the IMF. For instance, “Any IMF mission in Albania or any agreement with it is considered a remarkable event for the institutional and political life in Albania” (Civici, 2010).

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Programs implemented in many different periods in collaboration with the IMF have assisted in reaching numerous objectives. Angjeli (2007) exemplified that from 1992 to 1993, the priority of standby program was the injection of market forces into our economy; from 1993 to 1996, ESAF program launched policies for consolidating stability to ensure growth; from 1997 to 1998, the priority of EPCA program was the fiscal consolidation under the difficult conditions created by the events of that time; from 1998 to 2001, the priorities of ESAF/PRGF program were the continuation of fiscal consolidation, control and closure of pyramid schemes, privatization of banks, etc; from 2001 to 2006, PRGF/EFF program tried to create a macroeconomic climate for the development and improvement of the business environment, expenditures policies, poverty reduction, etc.

During all these periods, the IMF has supported Albania with technical assistance in several areas including: public expenditure, taxation and customs, banking supervision, monetary policies, balance of payments, finances, and governance (Gajo, 2000). The successful implementation of such programs, in many cases, has served as the “green light” for further support Albania receives from the European Union and other benefactors.

For many Albanian economists, the 17-year experience of cooperation of all governments with the IMF, in the framework of agreements, has proven to be a very successful and determinant factor for the management of public finances and the preservation of the country's main macroeconomic balances. The criteria established by this institution have kept the size of public debt and the budget deficit in acceptable levels (as a percentage toward GDP), and have also contributed to the reformation of the social security system (Fullani, 2010). However, if we look at the role of the IMF from an ideological perspective, we note that there are many implications to political parties, especially those of the left wing.

Shock therapy, a typical neoliberal policy, which was implemented by the Democratic Party during 1992 and 1996 made it possible for Albania to become one of the countries in transition having the highest production in the private sector in 1996 (EBRD, 1999). The public sector, which was the main sector of employment in urban areas where the Democratic Party received greater support, was significantly reduced in size. In 1995, only 276,000 people were employed in this sector, whereas 615,000 and 889,000 people were employed in 1992 and in 1989, respectively (EBRD, 1999). For the government body during that time, these reforms were considered to be “inevitable costs for the reforms of post-communist transition” (Fuga, 2004). However, according to a survey conducted by the U.S. Information Agency in 1991, more than half of the respondents stated that the government should have taken more responsibility for the population's livelihood.

During this period, the voice of the opposition regarding these drastic reforms was too “feeble.” This behavior can be explained to some extent as we refer to: (1) some sort of servility shown by the Albanian political actors towards international institutions to gain credibility at home and abroad; and (2) some sort of inferiority complex to avoid being labeled, in the case of the Socialist Party, as a political force that inherits mentality of the former Labor Party (Biberaj, 2001).

Approaches of IMF neoliberal policies, embraced by the Socialist Party, were strengthened even more when this political force came into power in 1997. Under the leadership of international economic institutions, particularly the IMF, during the first term of 1997 to 2001, the Socialist Party continued to open the Albanian market to foreign goods, restricted the role of state from many aspects of economic and social life, as well as privatized state owned enterprises through auctions in favor of foreign capital (Fuga, 2003). During the second term of 2001 to 2005, in the socialist government program, the priority of economic reform was to improve the legal framework and business climate in order to expand private enterprises. Regarding the public sector,

the government intended for restructuring, commercialization and privatization of public assets and services. It was the time of many privatizations, such as Savings Bank, Insurance Company “INSIG,” and other strategic sectors of the economy—telecommunications, mining, energy, etc.

Democratic Party, which won the elections in 2005, brought no change in terms of relations with the IMF. This political force continued to rigorously implement the recommendations offered by this institution. In this context, the process of privatization and concession of public assets continued, as Xhepa (2008) stated, “IMF neoliberal principles reconciled with the ideological orientation of the Democratic Party and from this point of view such an approach was legitimate.”

During this period, the democratic government was accused by the opposition for the misuse of public property and for the corrupt way of organizing the privatization process. Interestingly, the accusations raised by the opposition, mainly the Socialist Party, toward the privatization process and concessions were not violating the left wing principles, as an increase in social costs was created by these privatizations—unemployment, the minimization of state opportunities to manage public assets, the violation of equal opportunities, etc. However, the opposition was mainly concerned about the procedure and the degree of transparency. So, the Socialist Party had no objection to the transformation, but only to the means by which this process was being managed.

At the end of the first term, the collaboration with the IMF took another course. In 2008, the government claimed, “we have reached a stage of sustainable development of macroeconomic indicators. Therefore we do not have to sign a new agreement and only collaboration within the framework of Article 4 is sufficient for us” (Bode, 2009). On other hand, the opposition objected this new approach taken by the government toward the IMF. For economic experts, behind this behavior of the government and the concern of opposition regarding the IMF, there were political interests, such as the increase of public investments out of the capacity and budget during the electoral campaign. In fact, the funds used during the campaign of parliamentary elections of 2009 proved the concern of the opposition and the intention of the majority not to get involved with the IMF. This is supported by the report of the Ministry of Finance, wherein maintenance and operational expenditures in 2009 rose by 18% or 41 million dollars compared to the previous year (Soros Foundation, 2009). Once again, the Socialist Party was more concerned about the role of the IMF toward the tendency of government to use public funds for the campaign rather than the IMF’s influence in terms Socialist Party’s ideological identity. So, this political force, unlike the sister parties in the West, was more concerned about the controlling role of this institution than its implications for many vulnerable groups, which have to endure the policies being imposed by this institution.

After the general election in 2009, Socialist Party argued that the IMF had to retake its role due to the financial crisis. For this political force, “the agreement with the IMF was the best and most acceptable solution, since we still need a financial gendarme to eliminate populism and unprofessionalism in managing public finances” (Rama, 2010).

The Socialist Party, after coming into power, signed an agreement with the IMF in September 2013, thus, restoring the status this institution once had had in Albania before 2008. As a result of the financial crisis in 2009, the government inherited some financial burden from the previous government and needed to render financial assistance in the amount of 300 million EUR. Despite the program of a left-wing party, which was openly manifested during the campaign, now this political body has decided to freely comply with IMF policies. From the ideological perspective, this action illustrates once again the pragmatic interest of the Socialist Party, which is contradictory to the ideological orientation of the left-wing political force (Civici, 2010).

Conclusion

During all these years, numerous attempts to meet all the IMF guidelines have affected the behavior of political parties, especially with regard to their political identities. Regardless of which political party was in power, Socialist Party or Democratic Party, each of them tend to follow the instructions and recommendations of the IMF in order to benefit from its expertise and funds allocated for cooperative countries. It can be expected that an interest to gain experience and to participate in international organizations is far more important than preserving the ideological profile. As explained above, the governments, despite the political ideology, ended up pursuing the same course of actions in implementing the guidelines set by the IMF.

During the transition period, this behavior of political parties can be justified with the argument that the need to ensure macroeconomic stability and support of international institutions, like the IMF, is more important for political survival than adhering to their respective political doctrines. Today the socioeconomic and political situation is quite different because of macroeconomic stability and experience gained during these years, but the political behavior is not changing—specifically, political parties in Albania. Unlike their sister parties in the West, which describe the IMF as “symbol of liberalism,” “dreadful financial gendarme,” “nightmare of many governments and countries,” “promoter of neoliberalism,” etc., these Albanian parties are more concerned about controlling the role of this institution than its implications on vulnerable groups suffering from the policies imposed by this institution.

Owing to this behavior of the Socialist Party, the country is facing a situation different from what is happening in many Western countries. Thanks to the influence of their left-wing parties, the public sector is expanding, both in the economy and in the services, while Albania continues to privatize rapidly, thus minimizing the opportunities for the public policies to become a factor for a sustainable socioeconomic development. Of course, the Socialist Party is responsible for this situation, as long as it continues to ignore the ideological structuring and focus on pragmatic maneuvers for its survival.

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