

# IMF spells it out: Workers must pay for the cost of war

Nick Beams  
17 April 2026

While attention at the IMF meeting focuses most directly on the World Economic Outlook (WEO) report, the Fiscal Monitor report is often just as significant, sometimes more so.

The WEO report issued on Tuesday set out the possibility of a “severe scenario” resulting from the war against Iran in which oil prices remain at elevated levels and global growth falls to just 2 percent, characterised by the IMF as recessionary.

The significance of the Fiscal Monitor report is that this is where the IMF lays out its policy prescriptions for governments and central banks.

The message in the report, issued on Wednesday in the wake of the WEO, is clear: governments must not significantly boost spending to alleviate the massive hit to their populations because of the war. The worsening debt situation, coupled with the increase of military spending, will not allow it.

A blog post based on the report, noted that higher energy and food prices, together with tighter financial conditions and greater uncertainty, are “once again prompting calls for fiscal support.”

But, it continued, “with debt already elevated in many countries, fiscal policy must respond cautiously—providing support where needed without pushing public finances closer to the brink.”

In other words, where such relief is provided because of political pressures, it must be limited and any increased outlays in one area must be accompanied by cuts in others.

According to the IMF, while economies recovered from the energy and food price shock of 2022, governments were left with higher debts and weaker buffers. Even when growth picked up, fiscal positions did not improve.

“Global growth was robust in 2025, yet there was no

meaningful progress in repairing budgets. In many countries, deficits stayed high, debt kept rising, and interest bills grew rapidly.”

The result is that gross public debt rose to 94 percent of global GDP in 2025 and is expected to reach 100 percent by 2029—one year earlier than forecast a year ago. A significant factor in the worsening debt position is the hike in the interest bill, which has risen from 2 percent of GDP to almost 3 percent in just four years.

Poorer countries have faced mounting pressures on their fiscal position for some time—in many cases having to spend more on debt and interest than they do on health, education and other social services. They are going to be hit even harder in the coming period with further rises in interest rates, as well as energy and food shortages.

Now major economies are increasingly being caught in the vortex of the deepening global crisis. Here the “window for orderly fiscal adjustment is narrowing,” the report said.

“Advanced economies with large debt loads need concrete, well-sequenced consolidation measures, not medium-term targets.”

What this jargon means in practical terms was spelled out for the US, where government debt is at \$39 trillion and the interest bill is running at around \$1 trillion a year.

“For the United States, the arithmetic is inescapable: Stabilising the country’s debt path will require action on both revenue and expenditure, including spending on the major entitlement programs.”

US President Trump has already made clear that is the intent of his administration, underscoring the fact that his policies are not the ravings of a so-called madman, deranged as he appears, but are actually the articulation of the program of financed capital as set out

by the IMF.

In a closed Easter lunch, Trump remarked that the federal government should stop paying for daycare, Medicare and Medicaid and the federal government should only be concerned with only “one thing, military protection.”

The fact that the Trump agenda is not a product of his fevered brain but is the particular expression of a universal agenda was expressed in what the IMF had to say about Europe.

“European governments,” it stated, “must reconcile defence-commitments with aging-related pressures through tangible shifting of spending priorities.”

What this means is that spending on pensions and services for the aged—as well as many other areas—must be slashed to make way for the major increases in military spending by all European governments.

The IMF message is being taken on board by major governments. In a meeting on Wednesday, a group of finance ministers from nearly a dozen countries, including Britain, Australia and Japan, gathered in Washington for the IMF meeting, committed themselves to so-called “fiscal responsibility.”

“Even with a durable resolution of the [Iran] conflict, impacts on growth, inflation and markets will persist,” they said. “We are committed to managing the economic and response to and recovery from this crisis in a coordinated, responsible and responsive way.”

The IMF program is being spelled out across the board. This week the *Sydney Morning Herald* carried a comment from well-known Australian economist Saul Eslake laying out the response being demanded of governments to the developing crisis.

He wrote that if federal and state governments felt tempted to offer cost-of-living assistance they must resist. If they wanted to prevent the Reserve Bank of Australia lifting interest rates further, possibly setting off a recession, they should do as “little as politically possible” in providing relief in their budgets. They had to resist any temptation to support wage rises for workers.

The global attack on the working class is not going to be a passing storm. The Fiscal Monitor report made clear it must be at the very heart of every government’s economic agenda.

In the words of the blog post: “The nature of today’s fiscal challenges has shifted. Weaknesses are longer

mainly cyclical or the result of temporary emergencies, but are structural: security spending [a euphemism for the vast increase in military outlays], climate and energy transition costs, and rising interest bills are placing persistent demands on budgets, whole revenues have not kept pace.”

All the reports from the IMF this week have pointed to the inextricable connection between war and the state of the global economy, the increasing fragility of the global financial system and have been summed up in the Fiscal Monitor report declaring war against the working class at home.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**