September 21, 1984

AN AGENDA FOR THE IMF CONFERENCE

INTRODUCTION

The International Monetary Fund (IMF) and the World Bank will hold their joint 40th anniversary meeting in Washington, D.C., from September 24 to 27. The Bretton Woods Conference of 1944 established these two international organizations to help reconstruct the world monetary order in the wake of the Depression and World War II. In light of the breakdown in 1971 of the monetary order established at Bretton Woods, and of the current international debt crisis, it is time to take a hard look at the role of the IMF and ask whether continued U.S. participation is in its own interest and that of the world economy.

If the world possessed one universal medium of exchange, such as gold, or if all national currencies were exchangeable for gold, international trade and the currency markets would be a good deal simpler to manage. But with the existence of many national currencies that are not tied to a commodity such as gold, exchange problems inevitably arise. The IMF was established to cope with such problems. Exchange rates were fixed at certain levels, though the pegs were adjustable to compensate for any "fundamental disequilibrium" that developed between currencies. The IMF possessed a reserve of gold and various currencies, from which countries might borrow if they ran a temporary balance-of-trade deficit, so that short-term pressures on currencies would not force changes in the exchange rate.

Inherent defects in this system, however, led to its effective collapse in 1971 when, faced with a run on the dollar, President Richard Nixon suspended convertibility of the dollar into gold. However, the IMF remained in existence, seeking a new role and new applications of its old powers. One such function taken on by the IMF is the maintenance of international liquidity by creating special drawing rights (SDRs), the international

equivalent of bank credit. This inflationary practice is based on the same questionable economic theory that led to the collapse of the original Bretton Woods system.

Another new role performed by the IMF is to induce banks to lend money to governments of developing countries in an attempt to foster economic development by giving banks an implicit guarantee that the Fund will bail out these countries if they find it impossible to pay or service their debts. Yet this practice not only promotes the public sector in these countries at the expense of the private, but also has been a primary cause of the current international debt crisis.

The U.S. therefore should take the following policy positions at the upcoming IMF-World Bank meeting. First, the U.S. should oppose initiatives to create new, inflationary SDRs. Second, the U.S. also should oppose the future use of IMF resources to induce private foreign banks to make otherwise risky loans to the governments of developing countries. Third, the U.S. should insist that IMF conditionality be changed to encourage free enterprise and free trade in developing countries. If the IMF refuses to make these reforms, the U.S. delegation should make clear to the Fund that the United States will give serious consideration to withdrawing from the international body.

THE INTERNATIONAL MONETARY SYSTEM

In order to understand the role of the IMF in international trade, the nature of money and trade must be examined.[1] In a primitive society without money, goods are bartered. But barter limits trade, because it requires an exact coincidence of goods possessed and desired by each party to the transaction. By employing as a medium of exchange a commodity that is durable, easily divisible, storable, and transportable, yet relatively scarce (such as gold or silver), trade is made vastly easier. This is because individuals--or countries--can specialize in the production of those goods and services at which they are most efficient, using money to purchase the variety of other goods and services needed to live and prosper. Since specialization and division of labor with free trade allow for a tremendous increase in wealth, the use of money benefits all members of each society.

When a government seeks to substitute paper bills for an exchange commodity, however, problems can arise. If each piece of paper represents a certain amount of the commodity on hand,

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1 The best discussion of this subject is found in Ludwig von Mises' 1912 classic, The Theory of Money and Credit (Irvington-on-the-Hudson, New York: Foundation for Economic Education, Inc., 1971), translated from the German by H.E. Baston.

say gold, and is exchangeable for that commodity, trade can proceed relatively unencumbered. In the later 19th and early 20th centuries, most currencies were redeemable in gold, which was, in effect, the world's currency. This system was known as the "gold standard." Under this monetary order, balance-of-trade problems were less serious than is the case today. If during a given year the value of goods imported by the United States, for instance, exceeded the value of goods exported, a certain amount of gold-backed paper money would be sent to other countries to pay for the net imports. These countries had to use this currency either to invest in the U.S., purchase U.S. goods, or buy U.S. gold. Foreign purchases of gold tended to devalue the currency, making it more difficult for the U.S. to import and causing a balance-of-trade surplus. Under this gold standard system, the distribution of goods and currencies between countries tended to even out over time.

World War I led to the breakdown of the gold standard.[2] During the war, countries stopped convertibility of currencies into gold, so that they could inflate their currencies to "pay" for the war. Seeking to avoid the painful consequences of these policies during the postwar adjustment period, many countries, especially Great Britain--the financially dominant power at the time--were reluctant to return to the pure gold standard. A so-called "gold exchange" standard was agreed to by most countries in 1922. Under this arrangement, gold was "economized," in that British reserves were held in U.S. dollars in addition to gold and other European countries backed their paper currencies with British pounds sterling. This system allowed for huge expansions of credit. But in 1929 it came crashing down in the Great Depression.

In reaction to the Depression, countries abandoned the last vestiges of the gold standard and began to devalue their currencies in a vain effort to obtain a competitive edge in world trade. Import restrictions also were imposed to "protect" domestic jobs. The breakdown in orderly international trade that resulted from these policies only served to deepen the Depression and exacerbate unemployment. Countries were pitted against each other in no-win economic warfare. In the end, real warfare was the result.

THE CREATION OF THE IMF

In 1944, as World War II seemed to be drawing to an end, the representatives of 45 countries met at Bretton Woods, New

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[2] A good review of the history of the international monetary order is found in Benjamin J. Cohen, Organizing the World's Money (New York: Basic Books, Inc., 1977).

Hampshire, to plan the postwar international monetary order. The participants sought to promote increased international trade by reforming the monetary system. Unfortunately, the means adopted were not appropriate to these ends. Working from the plans of Britain's John Maynard Keynes and America's Harry Dexter White, a "dollar exchange" standard was established. The U.S. based its currency on gold valued at $35 per ounce, and other countries pegged their currencies not directly to gold but to the dollar. There was a desire to avoid large and sudden fluctuations in exchange rates while allowing some flexibility. Therefore countries pegged their currencies at certain exchange rates, but were allowed to alter the rates to correct a "fundamental disequilibrium" in their balance of international payments. What constituted such a disequilibrium, however, was never spelled out.

If a country's currency is not tied to gold and it experiences a trade deficit, the government of the country can devalue its currency to make exports more competitive. The International Monetary Fund was created to avoid frequent devaluations. Each member of the Fund is assigned a quota that it contributes to the Fund in the form of gold, dollars, and its own currency. In the event of a trade imbalance, a country can draw on foreign currencies--up to 200 percent of its quota--to cover its balance-of-payments deficit without devaluing.

Unfortunately, the Bretton Woods system never worked quite as intended, and eventually it collapsed under the weight of its own defects. As the economic strength of countries grew, for instance, they often would keep their currencies undervalued in order to promote domestic political aims, such as stimulating job creation in exporting industries. In addition, "fixed but flexible" exchange rates caused much currency speculation. When it appeared that a country might devalue its currency, speculators would engage in heavy selling to avoid losses--but this only put increased pressure on the government to devalue.

Using the dollar as the primary international currency also posed problems. First, it allowed the U.S., in effect, to export its inflation, since foreign central banks were willing to hold dollar reserves. In the mid-1960s, the U.S. attempted to pay for Great Society welfare programs and the Vietnam War by printing more money and running up federal budget deficits. The worst effects of inflation were delayed temporarily, however, by exporting inflated dollars overseas in payment of international debts. But such exports caused inflation elsewhere. Economist Henry Hazlitt explains as follows:

> If the U.S. owes $1 billion to West Germany, it simply ships over a billion paper dollars. The U.S. loses nothing, because in effect it either prints the billion dollars or replaces those shipped by printing another billion dollars. The German Bundesbank then uses these

paper dollars, these American I.O.U.'s, as "reserves" against which it can issue D. marks.[3]

Needless to say, a dollar glut occurred overseas and the real value of the dollar fell. Further, since these American IOUs were in theory redeemable by central banks in U.S. gold, the U.S. faced a serious threat to its gold supply. Because more and more dollars were printed, the market value of gold rose to well over $35 per ounce, yet the U.S. was committed to sell it at that price. This situation eventually became intolerable for the U.S. On August 15, 1971, President Nixon suspended convertibility of dollars into gold, effectively closing the books on the Bretton Woods system. For several years thereafter, the U.S. and other countries attempted to manage exchange rates, but since 1973 the rates have been determined on a day-to-day basis by the market.

THE IMF IN THE 1980s

With the passing of the Bretton Woods system, the primary function of the IMF disappeared. No longer was there need for an agency to lend money in order to keep pegged exchange rates from shifting and currencies from being devalued. However, the IMF has not only lived on, it has continued to grow, doubling its resources from approximately $37 billion in 1979 to over $75 billion today. In 1983, the U.S. committed another $8.4 billion to its reserves with the Fund. In light of the demise of the IMF's primary function and the debt crisis that the Fund seems unable to solve, the functions of the IMF should be carefully examined at the upcoming conference, and the propriety and benefits of future U.S. participation questioned.

Special Drawing Rights (SDRs)

One function that the IMF continues to perform is that of assuring international liquidity. The basis for this role is the theory that, from time to time, when the world economy slows down, "demand" must be created to spur growth. To this end, "special drawing rights," or SDRs, were created in 1970 by the IMF. Economist Benjamin J. Cohen observes that "SDRs are simply a draft, a form of fiduciary unit that can be transferred between central banks under agreed conditions in exchange for convertible foreign exchange."[4] SDRs are literally created out of thin air, like credit by a bank. They are backed by neither gold, dollars, nor any other currency. The countries represented in the IMF simply vote the creation and issuance of SDRs and agree that these can be used in international economic transactions.

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[3] Henry Hazlitt, From Bretton Woods to World Inflation (Chicago: Regnery/Gateway, 1984), p. 168.

[4] Cohen, op. cit., p. 211.

The value of an SDR is currently based on a weighted basket of the currencies of the five largest exporting countries: the dollar (42 percent), the deutsche mark (19 percent), and the yen, the pound sterling, and the French franc (each 13 percent). The value of an SDR literally varies from day to day with the changes in the market values of the various currencies. Today it is worth approximately $1.10. Currently some $25 billion in SDRs have been issued, expanding the world supply of money--with predictable inflationary effects. The IMF hopes some day to keep all of its records and accounts in the form of SDRs.

The creation of SDRs is based on the mistaken Keynesian assumption that economic stagnation occurs because of a lack of "demand," meaning that there is somehow a lack of currency in the hands of consumers with which they can "demand" goods and services from foreign producers. If "demand" in the form of paper money, or SDRs, is put into the hands of consumers or central banks, the theory goes, economic growth will result because producers will respond to the increased demand with more goods and services.

The example of the U.S. economy from the late 1960s until 1980 clearly refutes this theory. Inflation merely created higher prices and hence a scramble to "outrun" inflation, with consumers making large credit purchases, workers making high wage demands, and lenders demanding high interest rates to compensate for the fall in the value of their capital. Eventually, as the currency fell in value, economic activity began to stagnate.

Perhaps the most striking recent example of the inflationary policies encouraged by easy international credit is Argentina. Between 1970 and 1980, prices in Argentina increased 282,000 percent. Between 1950 and 1980, while inflation in the U.S. over that entire period was 242 percent, inflation in Argentina was an unbelievable 24 million percent.[5] Argentina, a country rich in natural resources, which once had a standard of living equal to that of Canada and Australia, has for some years been hovering on the brink of total economic collapse.

Demand, whether in the domestic or international market, is the other side of supply. Money simply acts as a means to facilitate exchange--nothing more and nothing less. Increasing the money supply does not create additional goods and services. In the long run, it actually discourages production.

Admittedly, the effects of SDRs on world inflation have not been as great as those of other factors, such as inflation of the U.S. dollar during the 1970s, but the influence of SDRs is dangerous and should be stopped before the effects do become serious. The creation of SDRs by the IMF had served only to harm the world

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5 Jackson Diehl, "Shopping Sprees, Speculation Help Argentines Survive Inflation," The Washington Post, September 2, 1984, p. A13.

economy. The U.S. position at the Washington conference should be a refusal to agree to the creation of any new SDRs. Indeed, the U.S. should consider refusing to accept SDRs in international economic transactions.

The Catalyst Role

Another IMF role deserving close examination is its function as a "catalyst." After the collapse of the Bretton Woods system, the IMF increasingly used its resources to induce private commercial banks to extend funds to developing countries. According to Argentine economist Carlos de Marcos, this "catalyst role of the IMF contributed significantly to the increase in commercial loans to LDC [less developed country] governments...."[6] This activity was a major cause of the current international debt crisis.

With the demise of pegged exchange rates in 1973, the exchange value of currencies became more than ever a reflection of each country's domestic economic policies. If the IMF had died with the Bretton Woods system, countries might have been forced to exercise tight economic discipline to keep their currency values stable. Unfortunately, the IMF not only lived on but actually fostered monetary irresponsibility. The Fund's own resources as such were not enough to finance inflationary and other irresponsible economic policies adopted by developing countries in an effort to combat world inflation. But they were quite enough to induce private banks to provide huge loans to the governments of developing countries by seemingly removing any risk of default. These loans were not usually for particular projects or enterprises, but simply general loans to the government. The IMF promised implicitly that, if debtor countries could not raise the hard currencies to pay back or service loans, the Fund would step in with needed funds.

The results of this catalyst role have been disastrous for the developing countries and the banks that have advanced them billions of dollars. The governments of developing countries expanded, relative to their private sectors, thanks in part to these loans. The money generally was used irresponsibly to finance consumption, high wages for state bureaucrats, graft for corrupt politicians, and bailout money for failing state owned or operated enterprises. Consequently, little new wealth was created with which to pay back loans or interest--much less to benefit the developing countries. The debt crisis, which began with the Mexican default in 1982, was thus in large part the result of the IMF's catalyst role. Needless to say, when the crunch came, the IMF did not have the reserves necessary to bail out the debtor

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[6] Carlos de Marcos, "An Inquiry Into the Nature and Causes of the International Indebtedness," Master's thesis for the International College in Los Angeles, California, April 29, 1984, p. 119.

nations. The debts of Brazil, Mexico, and Argentina alone amount to over $200 billion. Part of the IMF "solution" to the debt problem has been to solicit yet more funds from private banks to be poured into bankrupt LDCs.[7]

It is important to note that the same IMF that now demands austerity in debtor countries is responsible for many of the problems it seeks to solve. The IMF is like a doctor who breaks a man's leg and then offers to set it for a very costly fee. By encouraging private bank loans to LDC governments with few strings attached, the IMF has promoted the growth of public sectors at the expense of private sectors, inflationary and irresponsible economic policies, and massive international debt. The U.S. should not allow its money to go to the IMF for such purposes.

IMF Low Conditionality

In an international system in which each country uses its own currency, it is possible at any given time for a country to lack the necessary amount of a certain foreign currency needed to finance the level of trade taking place. Economist Joseph D. Reid notes that "A shortage of wanted foreign currency...might not signify inadequate goods to sell at incorrect prices, but a [randomly] bad or inadvertant sequence of transactions which promises to balance when completed, but at this moment does not [balance]."[8] He offers as an example a country exporting agricultural products. Perhaps due to the season (between harvests, say) or to temporary bad weather, a shortage of certain foreign currencies occurs and necessary imports cannot be purchased. But since it is only a matter of time before the crops are harvested and exported, a "low conditionality loan" from an international lender, such as the IMF, would be made almost as a matter of course. A loan of this kind would require no basic changes in a country's economic policy.

This kind of loan is very reasonable, but it might be asked why an IMF is needed to perform the lending function. During the period of economic chaos and low confidence in the international monetary system following World War II, it was not surprising that the IMF carried out this function. Today, however, this role could be performed by private international banks. The international bank system is far more sophisticated now than it was 40 years ago.[9] And loans of foreign currencies to private businesses constitute a straightforward business transaction.

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7 See Edward L. Hudgins, "Four Steps to Resolve the Argentine Debt Crisis," Heritage Backgrounder No. 365, July 10, 1984, for further general discussion of the debt problem.

8 Joseph D. Reid, Jr., "The United States' Requirement of IMF Conditionality for Foreign Aid: Analysis & Recommendation," unpublished paper done at Center for Study of Public Choice, George Mason University, Fairfax, Virginia, July 1984, p. 7.

9 See The Economist, March 24-30, 1984, for a series of articles on changes in international banking.

Problems do arise, however, when the state is involved in the economy. If the state were to control all foreign monetary transactions, as is the case in many developing countries, then central banks would be needed to secure foreign currency. Moreover, states might own or operate the enterprises needing foreign currency. Even in these cases, private banks might well supply the needed loans. But what if the state overvalued its currency and wished to purchase foreign currency at below market rates? A private bank normally would make sovereign loans only at high rates of interest, because of the risk associated with predicting government economic and monetary policies. If an IMF is needed to facilitate economic transactions that no profit-seeking bankers would be willing to undertake, by effectively insuring them against loss, it is questionable whether such loans should be made at all. If the problem in securing loans lies in the irresponsible monetary policies of governments, the governments should change those policies; the IMF should not reward imprudent economic behavior.

IMF High Conditionality

Cases also arise in which a trade deficit and shortage of foreign currency are not due to temporary conditions. For example, there might be a permanent decline in worldwide demand and prices for a country's important export products, or the country might face a steep price rise for important imports, such as oil. A country would have to make fundamental economic adjustments to meet such a chronic situation. In these cases temporary loans from the IMF would not be appropriate without the understanding that fundamental changes would be undertaken by the country.

In such a situation, the IMF might provide a "high conditionality loan," requiring major changes in the country's policies. Yet it is by no means clear that loans of this type are sensible. Adverse market changes are rarely the sole--or even the most important--factor leading a country into balance-of-payments problems. Economist Henry Hazlitt points out that

> ...most of the time, balance-of-payments difficulties are brought about by unsound policies on the part of the nation that suffers from them. These consist of pegging its currency too high; encouraging its citizens or its own government to buy excessive imports; encouraging unions to fix domestic wage rates too high; enacting minimum wage rates; imposing excessive corporate or individual income taxes (destroying incentives or production and preventing the creation of sufficient capital for investment); imposing price ceilings; undermining property rights; attempting to redistribute income; following other anti-capitalistic policies or imposing outright socialism.[10]

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10 Hazlitt, op. cit., p. 14.

A look at the policies of the countries with the most serious economic and debt problems leaves little doubt concerning the accuracy of Hazlitt's observations. The question then becomes twofold: (1) are the conditions attached to IMF loans to debtor countries appropriate to deal with their problems, and (2) is the IMF the best institution to impose these conditions?

IMF conditions attached to loans usually include a combination of requirements. The country's currency must be devalued normally against the currencies of other countries. The rate of increase of the domestic supply of money and credit also must be reduced. Wages must be kept down. And an attempt must be made to bring budget expenditures in line with revenues. To this end the IMF usually "suggests" that taxes be increased and imports discouraged in order to keep hard currency in the country.

At first glance it would appear that these stringent conditions at least would move the economically irresponsible country in the direction of discipline and prudence. While in some cases such conditions do have some benefits, there are a number of serious problems with conditionality. Restrictions placed on imports, for example, might yield short-term results, but in the long run they can actually hinder growth and decrease exports. A balance-of-trade deficit is not an inherently bad thing. Indeed, imports of raw materials and other capital goods are necessary for domestic industries to grow and prosper. An undue restriction of imports can destroy domestic industries--and with them any hope of meeting debt obligations and achieving prosperity. Austerity programs generally harm the private sector and poor individuals, while public sector employees and bureaucrats always seem able to weather the storm.

Perhaps the worst aspect of IMF conditionality, however, is the common requirement of tax increases. A fundamental cause of economic problems in the first place is money being diverted out of the private sector. Higher taxes simply make matters worse. Funds must go for capital investments and private business if productivity is to increase. But higher taxes make this difficult. An example serves to illustrate this point. In the midst of a recent economic crisis, Jamaica, under IMF conditions, had to raise taxes on businessmen and their capital goods. Fishermen were thus unable to afford to own and operate boats. This led to a situation where fishermen were unemployed and Jamaica had to import fish--undermining the very import substitution the IMF requirement was designed to achieve.

As Henry Hazlitt points out, the real causes of economic problems are socialist policies. State planning, manipulation, and control of economies create the economic problems that are now seen in developing countries. IMF planning, imposed on a country's economy by the country's government, only aggravates these problems. Moreover, a crucial fact must be borne in mind in order to understand why IMF conditions invariably fail: governments in developing countries do not tend first and fore-

most to seek economic prosperity for their countries--they seek political power for themselves. Under a free market economic order, individuals control their own property and thus their own economic destinies. The role of the state is limited to the protection, not the direction, of life, liberty, and property. Socialism is an economic system that requires the amassing of power in the hands of the state. The politicians, planners, and bureaucrats committed to this system are not inclined to see their authority diminished by the expansion of the private sector.

THE IMF AS A VEHICLE FOR U.S. POLICY

Some proponents argue that U.S. membership in the IMF serves an important political function. U.S. participation in the body, they say, allows the IMF to urge beneficial policies on developing countries that would be difficult or impossible on a bilateral basis. Many countries are concerned about undue foreign influence, and even if their politicians were to recognize that certain policies are of value, the fact that they were put forward by the U.S., as part of a bilateral agreement, would provoke a reaction against them. If a policy were urged by an international agency, such as the IMF, it would be considered more acceptable.

Some even argue that the U.S. can use the IMF in a game of "good cop, bad cop." The IMF seeks to impose harsh conditions on a debtor country--the U.S. argues for less severe conditions. According to this line of reasoning, the country might even begin to treat the U.S. as a good friend and be more willing to accept tough conditions in order to avoid the harsh conditions required by the IMF.

The use of the IMF as a vehicle to defuse the passions of paranoid debtor governments might be plausible if conditionality were more rational. But recent history indicates that resentment is just as strong against the IMF as against perceived "yankee imperialism." Massive demonstrations in Argentina, rioting in the Dominican Republic, and popular anger in other debtor nations has been aimed explicitly at the IMF.

The strategy of playing off U.S. policies against IMF policies in a "good cop, bad cop" game might prove effective in some cases. But this approach contains a serious drawback, aside from the fact that many countries have little trouble seeing through such a ploy. If economic progress is to be made in developing countries, and if economic policies are to be changed permanently and for the better, ideas must be changed. This is a process that will take many years. The U.S. can speed it up by stating clearly, honestly, and without apology the truth about economic systems. Using IMF harshness to make the U.S. seem a little more reasonable will do nothing to change minds in debtor nations. In the face of the emotional, irrational outbursts with which the truth is often faced, the U.S. would do better to lay out its case clearly and then stand its ground. By playing international

political games, the U.S. might gain temporary victories at the risk of losing the war.

AN AGENDA FOR THE IMF CONFERENCE

With the collapse of the Bretton Woods international monetary order, the primary purpose of the IMF was ended. But the IMF has lived on and attempted to find new reasons to justify its existence. A number of the roles it has taken on have turned out to be highly questionable. The creation of international liquidity through SDRs, for instance, is inflationary by nature and undermines international monetary stability. And the Fund's catalyst role, inducing private banks to make massive loans to the governments of developing countries with the promise of an IMF bailout if payment problems arise, has been a major cause of the current debt crisis.

The U.S. delegation to the 40th anniversary conference should make clear its opposition to such irresponsible IMF policies. It should also state clearly that continued U.S. support of the Fund will be assured only if the IMF makes certain fundamental changes in its practices. In particular, the delegation should demand the following reforms:

1. <u>End low conditionality loans</u>.

Low conditionality loans by the IMF might in many cases be economically sound, but there is no reason why private banks should not perform the function.

2. <u>Use conditionality to foster growth of the private sector</u>.

Given these serious problems associated with IMF conditionality, the U.S. should not tie bilateral aid for countries with economic difficulties to IMF rules. Indeed, the U.S. should require as a condition for its future participation in the IMF at least a major restructuring of conditionality along true free market lines. Borrower states should be required to reduce the size of their public sector, to sell off public enterprises that belong in private hands, and to let the market determine what is made and traded. Governments that exclude foreign business and investment, or allow such foreign access only with the promise of expropriation, are cutting their people off from a source of economic growth simply to retain political power. The U.S. should demand that the IMF force countries to change such practices as a condition for loans. If capital were free to move in and out of such countries, loans would probably not be required.

3. <u>Reexamine the Membership of the IMF</u>.

It is clear that certain of the 146 members of the IMF do not belong in an organization dedicated to promoting free international trade. The IMF includes Afghanistan, Ethiopia, Hungary,

Iran, Kampuchea, Laos, Libya, Nicaragua, Romania, and Vietnam. The U.S. should demand a serious debate on the virtues of the membership of these countries.

4. Manage the role of the IMF.

The IMF role should be altered over a period of years. The body could provide an important forum in which international economic problems could be discussed. It might also perform oversight and statistics-gathering functions to provide a central clearinghouse for international economic information. It could even draw on these data to provide a dispassionate "rating system" for foreign countries to assist lenders and investors, much like Standard and Poors and other domestic rating agencies.

In this 40th year of the IMF, the U.S. should carefully reevaluate its membership. It should make certain that it remains in the IMF only if IMF policies are in keeping with the best interests of the U.S. and the world economy.

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