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THE INTERNATIONAL MONETARY FUND: OUTDATED, INEFFECTIVE, AND UNNECESSARY

INTRODUCTION

Founded 53 years ago in the turbulent era of the 1940s to stabilize the world economy, the International Monetary Fund (IMF)[1] has become outdated, ineffective, and unnecessary. Most of the economic conditions that led to the IMF's creation no longer exist; in addition, the Fund has failed to achieve most of its own newly defined roles, a preponderance of which merely duplicate the functions of other existing agencies and organizations.[2]

When the IMF was founded, economies around the world were in shambles following the Great Depression of the 1930s and the devastation of World War II. The poor economic policies pursued by many countries during the 1930s had left currency values uncertain, hindering trade. Those who created the IMF believed that it could help restore confidence in the world's currencies by establishing a specified value for each currency in relation to an amount of gold, a practice known as the gold standard. The IMF maintained these values by infusing money into world financial markets, but its efforts had mixed results.

When the gold standard was abandoned in 1971, it was replaced by a "floating" exchange rate system that allowed currencies to fluctuate in value. Bereft of its old mission, the IMF chose a new one: to act as a development bank for poor countries. The data for the past three decades, however, demonstrate conclusively that most of the less

1 The terms "IMF" and "Fund" are used interchangeably throughout this paper to refer to the International Monetary Fund.
2 For a comparable analysis of the World Bank, see Bryan T. Johnson, "The World Bank and Economic Growth: 50 Years of Failure," Heritage Foundation *Backgrounder* No. 1082, May 16, 1996.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

developed countries receiving IMF loans have the same or lower per capita wealth today than they had before receiving these loans. Many actually are worse off economically:

- Of the 89 less developed countries that received IMF loans between 1965 and 1995, 48 are no better off economically today than they were before receiving IMF loans;
- Of these 48 countries, 32 are poorer than they were before receiving IMF loans; and
- Of these 32 countries, 14 have economies that are at least 15 percent smaller than when they received their first IMF loans.[3]

Many of the missions the IMF has chosen to undertake do not require any involvement by the Fund. Congress should examine the IMF's overall effectiveness in accomplishing its stated purposes, as well as its impact on poor and developing countries. If it does, it will find that the IMF more often than not has failed to advance the purposes for which it was founded and has contributed little to improving the economies of less developed countries. It is time for Congress to develop a legislative strategy to end the contribution to the IMF. Specifically, Congress should:

- **Refrain from funding any new IMF programs.** Because IMF programs have been largely ineffective, Congress should not consider requests from the Clinton Administration or from the IMF to fund such new IMF activities as the New Arrangements to Borrow (NAB) program. There are no guarantees that contributing additional U.S. tax dollars to put the IMF on "life support" will help recipient countries achieve long-run economic stability. The United States should not support any organization that lacks a viable purpose.
- **Seek a General Accounting Office (GAO) audit of IMF lending practices.** The GAO has conducted no audit of IMF finances in recent times. Congress therefore should call upon the GAO to audit these finances by focusing on the effectiveness of the Fund's lending practices and programs, as well as its loan performance.
- **Insist that the IMF be more open about its internal operations.** The IMF is a secretive organization, and details of its loans are not made public. Americans, however, deserve to know how their tax dollars are being spent. Congress should condition all future U.S. support on public access to IMF records and activities.
- **Require that the Administration report to Congress on the level of economic freedom in IMF recipient countries.** Specifically, the U.S. delegate to the IMF Executive Board should submit to Congress a report detailing the levels of economic freedom that exist in all countries receiving IMF loans.
- **Terminate all U.S. funding for the IMF after its current replenishment is completed.** When the current funding cycle is over, the United States will have committed almost $47 billion to the IMF, making it the Fund's largest single

3 See Appendix, Table 1, "Economic Growth Rates of Recipients of IMF Loans and Purchases."

contributor. Because the IMF relies on occasional replenishment of funds from donors, and since the last replenishment occurred in 1992, it is likely to seek a new replenishment soon. Congress should refuse to appropriate any additional funds for this outdated, ineffective, and unnecessary organization.[4]

WHY THE IMF IS OUTDATED

The IMF was founded in 1944 at a meeting of 44 countries at Bretton Woods, New Hampshire. It began operations in Washington, D.C., in 1946 with 39 member states and initial resources of $7.6 billion, contributed by 35 member states in 1945.[5]

Since then, the IMF has become a large multilateral organization with 181 member states. Its financial operations have been divided into three broad accounts: the General Department,[6] Administered Accounts,[7] and the Special Drawing Rights (SDR) Department.[8] Each account has its own specified purposes. Currently, IMF members provide over $220 billion a year to fund the organization's efforts.[9]

The IMF's record of success is spotty at best. There is scant evidence, for example, that it contributed to the stabilization of exchange rates after its creation. Moreover:

- **The international financial system has changed dramatically since 1944.** The IMF's original purpose was to maintain the stability of the world monetary system. It was established to promote worldwide economic growth and prevent the destabilizing effects that rapidly fluctuating currency values could have on the global economy. This required the IMF to buy, sell, and lend currencies of member states in order to maintain a set value for currencies in relation to the value of gold.

  The Fund set, or "pegged," currency values relative to gold in a manner that allowed for slight adjustment. For example, the Mexican peso might be set at 100 pesos per ounce of gold. If, however, Mexico's economic policies devalued the currency to 150 pesos per ounce of gold, the IMF would step in to buy pesos on

4 See Scott A. Hodge, ed., *Balancing America's Budget* (Washington, D.C.: The Heritage Foundation, 1997), pp. 70–71.

5 David Driscoll, *What Is the IMF?* (Washington, D.C.: The International Monetary Fund, revised May 1995).

6 The General Department is the core of the IMF and handles the functions granted the organization in the original version of the Articles of Agreement. It includes the General Resources Account (GRA), which includes quota payments and borrowed resources such as the General Arrangements to Borrow (GAB), and the Special Disbursement Account, which administers the development funds of the IMF, known as the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF). A proposed New Arrangements to Borrow (NAB) account will be placed under the GRA.

7 Periodically, the Fund establishes independent accounts (known commonly as Administered Accounts) for such specific purposes as technical assistance.

8 The Special Drawing Right (SDR) Department tracks all transactions and operations involving the SDR and is responsible for allocating and handling related duties, such as determining interest rates on the SDR. The SDR is an international reserve, interest-bearing asset created by the IMF in 1969, and is a unit of account on all IMF transactions. For SDR value determination, see Appendix, Table 2, "Number of Years Countries Received IMF Aid." Typically, an SDR is equivalent to about $1.50.

9 International Monetary Fund, *1996 IMF Annual Report*.

world financial markets, coordinating this action with instructions to Mexico on how to alter its economic policies accordingly. The IMF would increase the value of the peso artificially until it reached the 100 pesos per ounce of gold mark.[10] This system, called the gold standard, operated from the end of World War II until 1971, at which time the United States led the world in abandoning the gold standard.[11]

After 1971, instead of using a commodity like gold to "fix" exchange rates, the world allowed currencies to fluctuate in value when measured against other currencies. This process is known as a floating exchange rate system. With the gold standard eliminated, the IMF no longer had to maintain currency value in relation to gold. The main reason for its existence had disappeared.

- **The speed and growth of private currency transactions marginalize the effectiveness of institutions like the IMF.** Currently, unlike the period immediately following World War II in which private currency transactions were minimal, total foreign exchange transactions exceed $2 trillion a day.[12] Most of these transactions occur in the private sector outside the influence of the IMF. The Fund has about $220 billion at its disposal, but only part of this amount is readily available for financial transactions. Thus, its ability to influence exchange rate stability is negligible when compared to the sheer volume of financial transactions taking place throughout the world market.

  Moreover, not only are IMF resources dwarfed by those of the private sector, the IMF also lacks the ability to make the rapid responses necessary to affect exchange rate fluctuations. World currency values adjust on a minute-by-minute basis; the IMF's reaction time is measured in days, weeks, or even months. In many cases, by the time the IMF reacts, a country already will have suffered the consequences of its currency's collapse—a collapse caused by the government's own financial mismanagement. In some cases, the country actually may be recovering by the time the IMF acts. For example, the Mexican bailout of 1994 went into effect months after the fact, by which time Mexico's economy already was adjusting to the crisis and beginning to recover.

- **Private direct foreign investment eliminates the need for the IMF.** When the IMF and the World Bank were founded, little private investment flowed to the developing world. The delegates at Bretton Woods decided that multilateral institutions could change this by investing in less developed countries. The investment market has changed dramatically since 1944, however. According to the World Bank, private investment dwarfs public investment in developing countries and "account[s] for more than 80 percent [of $285 billion] of net long-term flows" in less developed countries. Private investment grew by 60 percent ($60 billion) in

10 The IMF generally allowed a slight fluctuation in the determined value of a currency and its worth in gold.

11 Kim R. Holmes and Thomas G. Moore, eds., *Restoring American Leadership: A U.S. Foreign and Defense Policy Blueprint* (Washington, D.C.: The Heritage Foundation, 1996), p. 121.

12 *OECD Letter*, Vol. 6, No. 2 (March 1997), p. 7.

1996, while public investment in the form of development assistance shrank by 23 percent ($12 billion).[13]

Although private investment is growing and investors are eager to enter less developed countries, they are experiencing competition for investment opportunities from public investment sources like the IMF. Directly following the collapse of the Soviet Union, the IMF and World Bank rushed into many newly free countries in Eastern and Central Europe, and private investors often found themselves competing with these large institutions for investment opportunities. In other words, the IMF and other public sources of public investment crowd out private investment.

WHY THE IMF IS INEFFECTIVE

Much about the international economy has changed since the end of World War II. In addition, much of what the IMF has done has resulted in failure. The IMF remains ineffective because:

- **IMF lending is more likely to create long-term dependency than to act as short-term assistance.** IMF lending, as defined by its articles, is supposed to be short-term. But according to economist Doug Bandow, most countries actually become long-term users of IMF loans.[14] A review of IMF lending activities reveals an increasing reliance on the Fund by less developed countries.

  For example, between 1965 and 1995, 137 countries received loans from the IMF. For 81 of these countries, the number of times they borrowed from the IMF between 1981 and 1995 increased an average of nearly 50 percent over the number of times they borrowed between 1965 and 1980. Only 44 countries reduced the number of times they borrowed during the same periods; 12 maintained activities at similar levels.[15] This means the IMF is extending loans to more countries with greater frequency than it has in the past, thereby involving greater total amounts of assistance than was the case before 1980.[16] Thus, the IMF has not been able to ensure that its loans to less developed countries are indeed in the short term. Instead, these loans have been more likely to create long-term dependence.

- **The IMF fails to encourage economic growth policies.** One of the IMF's goals was to encourage countries to adopt policies that foster economic growth. To accomplish this, the Fund recommends specific economic policies to which the recipient must adhere. This trade-off between policy change and assistance is called "conditionality."[17]

13 David Wessel, "Flow of Capital to Developing Nations Surges Even as Aid to Poorest Shrinks," *The Wall Street Journal*, March 24, 1997, p. A5.

14 Doug Bandow, "A Record of Addiction and Failure," in *Perpetuating Poverty: The World Bank, the IMF, and the Developing World* (Washington, D.C.: Cato Institute, 1994), p. 19.

15 *Ibid.*

16 See Appendix, Table 2, "Number of Years Countries Received IMF Aid."

For example, in order to receive an IMF loan, a recipient country may be required to impose a host of specific economic policies, such as balancing its budget, devaluing its currency, maintaining tariff levels, or keeping tax rates high. Unfortunately, such requirements can prevent less developed countries from achieving significant, long-term economic reform. For example, the governments of many less developed countries maintain high levels of spending on unprofitable state-owned businesses, and this spending often creates huge budget deficits (as was the case in many Latin American economies during the 1980s). To qualify for loans from the IMF, therefore, a country may be required to reduce its budget deficit. The problem is that this country may try to comply by raising taxes, raising tariffs to increase revenues, or devaluing its currency by printing more money, thereby causing more inflation.

These policies seldom result in lower budget deficits or reduced international debt. Rather, they drive economies further into stagnation. Bolivia, for example, has received loans from the IMF every year except three between 1985 and 1995. Each time, it was supposed to reduce its budget deficit; instead, its budget deficit grew by over 8,000 percent from 1985 to 1993.[18] Moreover, Bolivia's external debt also soared.[19] Bolivia received its first IMF loan in 1968. In 1970, it had a total external debt of only $497 million; by 1993, that debt had swelled to over $4 billion.[20]

- **The IMF fails to enforce the requirements it imposes.** Even when the IMF is specific and actually manages to recommend economic policies that might encourage long-term growth, it is ineffective in holding countries accountable for violating these agreements. The IMF repeatedly has entered into agreements with countries that have a history of violating their contracts. Even when the Fund has established that a country violated reforms outlined in the loan agreement, it often will negotiate with that same country for a new or altered contract, and the loans continue.

  For example, Peru entered into 17 different arrangements with the IMF between 1971 and 1977, and continues to receive money from the IMF today.[21] During the same period, Peru failed to meet the conditions for most of these agreements. Instead, the government continued its self-destructive economic policies. For example, in 1971, Peru's external debt was $2.7 billion; by 1977, Peru had signed 17 agreements with the IMF, yet its external debt had soared to over $9 billion.[22] Even though Peru failed to meet the conditions for these agreements, it continued to receive IMF funding.

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17 Due to the IMF's secretive nature, it is impossible to determine the exact conditions of a specific IMF agreement with a given country. The IMF, however, is often frank about its requirement that recipients reduce the size of their budget deficits. See International Monetary Fund, "Ten Common Misconceptions About the IMF," 1988.

18 World Bank, *World Tables 1995*, Washington, D.C., 1995.

19 Total external debt includes debt to both public and private lenders.

20 World Bank, *World Tables 1995*.

21 Bandow, "A Record of Addiction and Failure."

22 World Bank, *World Tables 1989–90*, Washington, D.C., 1990.

- **The IMF has failed to help less developed countries improve economically.** In addition to weakening much of the world economy generally, IMF lending has hurt less developed countries specifically. For example, a review of IMF loan recipients indicates that most are no better off economically today (measured in per capita wealth) than they were before receiving these loans. In fact, many are poorer.[23] As noted earlier, 48 of the 89 less developed countries that received IMF money between 1965 and 1995 are no better off economically than they were before; 32 of these 48 countries are poorer than before; and 14 of these 32 countries have economies that are at least 15 percent smaller than they were before their first IMF loan or purchase.[24]

- **The economies of some recipient countries have performed especially poorly.** For example:

  ❶ From 1968 to 1995, Nicaragua received approximately $185 million in IMF loans. In 1968, per capita gross domestic product (GDP), measured in constant 1987 U.S. dollars, was $1,821; in 1993, it was only $816, or 55 percent less than it had been before Nicaragua received any loans.

  ❷ From 1972 to 1995, Zaire received approximately $1.8 billion in IMF loans. In 1972, per capita GDP, measured in constant 1987 U.S. dollars, was $683; in 1993, it was only $317, or some 54 percent less than it had been before Zaire received any loans.

  The inescapable conclusion is that IMF efforts to encourage economic growth have been dismal failures. Whether this has been caused by the recipient countries' poor adherence to IMF policy prescriptions or by flaws within these prescriptions themselves does nothing to alter this conclusion. Harvard economist Jeffrey Sachs believes both may be at fault: "Countries that comply with IMF/WB [World Bank] programs seem to outperform countries that do not. At the same time, however, even countries in compliance with IMF/WB programs experience poor to mediocre growth performance."[25]

WHY THE IMF IS UNNECESSARY

Even those who agree that the IMF is outdated and recognize its ineffectiveness may claim that there remains a need for an organization like the IMF. This is not the case. The Fund duplicates the duties and functions of other major international organizations, in addition to engaging in activities that are unnecessary:

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23 This calculation is based on comparisons of the gross domestic products (GDPs) of IMF recipients during their first year as recipients and the per capita GDPs of these countries in 1993. All figures are expressed in constant 1987 dollars. This figure includes countries whose economies grew less that 1 percent a year, expressed in per capita terms, for the period measured.

24 See Appendix, Table 1.

25 Jeffrey Sachs, "External Debt, Structural Adjustment, and Economic Growth," September 10, 1996, p. 2; paper presented at G–24 Research Group meeting in Washington, D.C., September 18, 1996.

- **The IMF duplicates many of the activities of other organizations.** One IMF mission is to help establish a multilateral finance and trading system. For example, if countries are to trade internationally, borrow and lend money, and repay debt, there must be a formal, mutually agreed-upon system for these transactions. This system of exchange is increasingly important to all countries as international lending, borrowing, and trading become the cornerstones of economic prosperity. Indeed, these transactions are becoming greater sources of income for all countries involved. Since 1988, almost 70 percent of the growth in the U.S. economy has been caused by exports of goods and services. Total international trade—exports plus imports—accounted for 23.1 percent of U.S. gross domestic product in 1995, and the Office of the U.S. Trade Representative estimates that trade will represent 36 percent of GDP by 2010.[26]

  The IMF no longer is needed (if it ever was) to establish this kind of multilateral system. A system of multilateral currency exchange has existed in one form or another since the onset of international trade; it has existed formally since the end of World War II. There is no evidence that the IMF has had any impact in forcing less developed countries to comply with the established multilateral system of exchange. In fact, the most compelling reason for these countries to abide by the conditions of the current multilateral system is that failure to do so will render them unable to borrow money from private and public sources, attract foreign investment, or trade with other countries.

  Moreover, even if one assumes that the IMF played a marginal role in getting countries to subscribe to international standards for the global currency exchange and trading system in the past, the World Trade Organization now is responsible for overseeing and maintaining the system of international trade. The WTO provides a forum within which countries can seek to reduce current and future barriers to trade and investment, discuss problems in the system, and recommend solutions to those problems.

- **The IMF duplicates some functions of the World Bank.** Originally, the IMF was intended to be more of an advisory institution than one that lends money. Before the collapse of the gold standard in 1971, it seldom was engaged in lending money to countries; that activity was left to the World Bank. Instead, the IMF acted as an economic policy advisory institution that attempted to stabilize exchange rates by buying and selling foreign currencies, neither of which functions involved lending money. With the end of the gold standard, however, the IMF became increasingly involved in providing loans to less developed countries, thereby duplicating functions of the World Bank.

  Moreover, the IMF both judges the creditworthiness of members and approves new loans to those same members. This encourages low-income member states to overlook the failure of other less developed countries to repay their loans. If the

26 John Sweeney, Bryan T. Johnson, and Robert O'Quinn, "Building Support for Free Trade and Investment," in Stuart M. Butler and Kim R. Holmes, eds., *Mandate for Leadership IV: Turning Ideas Into Actions* (Washington, D.C.: The Heritage Foundation, 1997), pp. 629–668.

IMF deems a country unworthy of credit, it is likely that private lenders also will deem that country a credit risk and refuse to lend it the requested funds. In addition, the World Bank—the largest multilateral source of development assistance—is forbidden by its Articles of Agreement to extend loans to countries that do not meet IMF approval. Thus, IMF disapproval severely limits access to credit. Developing countries therefore refuse to sanction other countries because they fear the same thing could happen to them.

The IMF system, in other words, is based on an inherent conflict of interest. It is like allowing borrowers who have defaulted on their car loans to approve their own applications for new home mortgages.

A STRATEGY FOR TERMINATING U.S. FUNDING FOR THE IMF

The facts show that the IMF has failed to fulfill many of the goals for which it was created. In particular, it has failed at its newest mission: promoting economic development. There is no justification for continuing to support any organization that lacks a viable purpose, especially when that organization costs the U.S. taxpayer as much as the IMF does.

Like many other international programs, the IMF is able to avoid having to rely on annual congressional appropriations. Instead, it relies on occasional "replenishments" from donors. The last time the IMF was replenished by Congress was in 1992. Although the replenishment issue may not come before Congress this year or next, some new initiatives will. One such initiative currently being considered is the NAB program. The IMF claims this is a supplemental fund, to be used on a short-term basis. In reality, however, it is another way for the IMF to ask the United States to fund more of its activities before the next replenishment. Proponents—primarily the IMF and the Clinton Administration—argue that such a program is needed to prevent international financial crisis. The IMF recently argued that its experience with the Mexican peso crisis in 1994 demonstrates that it should act as a global police officer to keep such situations from occurring.

Yet the IMF conveniently overlooks the fact that Mexico has received billions from the World Bank and from the IMF since the 1970s, including some $24 billion from the IMF alone. The Fund also overlooks the fact that it has bailed out Mexico four times since 1976, with each bailout corresponding to a national election. This leads to an obvious question: If the IMF is needed to prevent such economic crises as the collapse of the peso, why was it unable to prevent the previous four economic crises in Mexico? Clearly, the IMF overlooked the Mexican government's self-destructive economic policies. Lending more money to Mexico without enforcing the conditions established in the agreements merely allows Mexico to keep pursuing its faulty policies.

Policymakers should develop a legislative strategy to achieve the goal of withdrawing all U.S. financial support from the IMF. This will draw criticism from those who seek to preserve such programs because they benefit from them politically. Thus, policymakers who seek to eliminate U.S. funding for the IMF should be prepared to meet these criticisms head-on, emphasizing the fact that the IMF does more harm than good in less developed countries. Specifically, they should:

- **Refrain from funding any new IMF programs.** The IMF and the Clinton Administration have proposed a NAB program as a new way to supplement existing IMF accounts in case of fiscal crises that threaten the world economy. In reality, the NAB is nothing more than an IMF attempt to get additional U.S. funds before Congress is asked to approve the next funding replenishment.[27] Congress should refuse to fund the NAB.

- **Seek a General Accounting Office audit of IMF lending practices.** The GAO has performed intensive analyses of such programs as foreign aid. Many of these audits have concluded that the U.S. foreign aid program is fraught with waste, fraud, and abuse; in some cases, they have discovered that programs simply do not work. The GAO has conducted no audits of the IMF, however, in recent times. The last GAO report that mentioned the IMF was issued in 1996, and it focused primarily on the World Bank. Congress should call on the GAO to launch a new study of IMF lending that focuses directly on:

  ❶ The economic performance of IMF loan recipients;

  ❷ The effectiveness and efficiency of IMF programs in meeting the organization's stated goals;

  ❸ The effectiveness of the IMF in getting recipient countries to adopt specific economic policies; and

  ❹ The need to conduct an audit of the IMF's financial records.

- **Insist that the IMF be more open with its internal operations.** The IMF is very secretive about its loan agreements and negotiations. It is difficult to obtain detailed information on the recipients of IMF loans, the conditions imposed on loan recipients, and the number and aggregate amount of loans in default. This secrecy makes it very difficult to determine how IMF actions and policy affect stated goals. Although the IMF is an international organization, it is funded to a significant degree by U.S. tax revenues—and America's taxpayers have a right to know how their money is being spent. The IMF should allow more transparency and make all its financial records and information public. Congress then would be able to assess more precisely the effectiveness of IMF policies and programs.

- **Require that the Administration report to Congress on the level of economic freedom in IMF recipient countries.** Although the IMF continues to lend money to countries with little chance of growing economically, there is no accounting of the economic conditions in many of these countries. Congress should require that the U.S. delegate to the IMF Executive Board, Karin Lissakers, provide it with a report detailing the economic conditions that exist in all countries that receive IMF funding. Specifically, this report should include information on the level of economic freedom that exists in the following areas: trade, taxation,

27 The last time the U.S. Congress voted to renew or "replenish" funding for the IMF was in 1992. The next date for replenishment is uncertain.

government intervention in the economy, monetary policy, banking, foreign investment, regulation, wage and price controls, and property rights.

- **Terminate all U.S. funding for the IMF after its current replenishment is completed.** The United States is the largest contributor to the IMF: When the current funding cycle is over, it will have committed almost $47 billion. Moreover, like many other international programs, it does not have to rely on annual appropriations from Congress for its operations. Instead, it relies on occasional "replenishments" from donors. The last IMF replenishment was in 1992, and reviews of the need for replenishment take place every four to five years. Because the IMF has asked for a funding increase in 7 of the last 11 reviews,[28] additional replenishment probably will be requested sometime in the near future. When this happens, Congress should refuse to appropriate any additional funds for this outdated, ineffective, and unnecessary organization.

CONCLUSION

Since 1965, the International Monetary Fund has spent $170 billion to achieve its stated goals.[29] Although the question of whether the IMF was needed in the first place may be debatable, the fact that it is outdated, ineffective, and unnecessary today is not. The IMF lost its primary mission when the international financial system moved away from the gold standard to a floating exchange rate system. It also is clear that the IMF's approach to economic development has been a colossal failure. Most countries that have received IMF loans since 1965 are no better off economically than they were before these loans. In fact, most are poorer today. Much of what the IMF has done over the past several decades has been unnecessary at best and destructive at worst.

Despite the overwhelming evidence of the futility of IMF practices, however, the Clinton Administration continues to ask for U.S. tax dollars to subsidize the Fund's operations. U.S. policymakers should admit that the IMF has failed. Congress should refuse to appropriate any new money for the IMF after its current replenishment expires. Not only would this save U.S. taxpayers billions of dollars, but it could force countries in the less developed world to break the economic chains that keep them impoverished, thereby improving their economies—and the global economy—for decades to come.

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28 International Monetary Fund, "Financial Organization and Operations of the IMF," *Pamphlet Series* No. 45, 4th ed., September 1995, p. 27. This does not include either creation of or increases in the Administered Accounts.

29 Total purchases and loan disbursements between 1965 and 1995 for all countries receiving SDRs from the IMF were added to arrive at this figure; International Monetary Fund, *International Financial Statistics Yearbook 1996*.

30 The authors wish to thank Research Assistant Kate Dwyer for her valuable help in developing the information used in this study.

APPENDIX

Table 1

Economic Growth Rates of Recipients of IMF Loans and Purchases

	First Year Receiving Loans/ Purchases*	Total IMF Loans & Purchases Through 1995 Millions US $	Total IMF Loans & Purchases per Capita Through 1995	GDP per Capita, First Year Receiving Loans (1987 US $)	GDP per Capita, 1993 (1987 US $)	% Change in GDP per Capita, First Year - 1993
Algeria	1989	2227.1	81.5	2755	2436	-12%
Argentina	1966	12065.7	353.0	3013	3721	23
Bangladesh	1972	2309	19.6	131	193	47
Barbados	1977	107.4	411.5	4618	5557	20
Belize	1983	11.4	54.3	1459	2161	48
Benin	1978	99	18.9	334	363	9
Bolivia	1968	699.7	96.7	771	767	-1
Brazil	1965	5250.8	33.0	884	1931	118
Burkina Faso	1978	89.3	8.9	215	242	13
Burundi	1965	123.9	20.0	124	211	70
Cameroon	1974	252	19.6	650	714	10
Central African Rep.	1974	131.1	40.5	457	330	-28
Chad	1970	93.5	15.1	198	174	-12
Chile	1965	2737	194.9	1236	2302	86
China, People's Rep.	1981	1596.8	1.3	138	367	166
Colombia	1966	236.7	6.5	707	1277	81
Congo	1977	70.4	28.0	696	1031	48
Costa Rica	1965	407.6	120.3	1128	1863	65
Cote d'Ivoire	1974	1660.7	120.5	1152	726	-37
Dominica	1979	18.9	266.2	958	2171	127
Dominican Republic	1965	693.1	90.2	372	816	119
Ecuador	1965	837.8	74.7	626	1215	94
Egypt	1965	1188.6	20.7	300	712	137
El Salvador	1966	239.6	42.5	943	984	4
Ethiopia	1978	290.3	5.4	333 *	309 *	-7
Fiji	1974	27.7	35.9	1702	1990	17
Gabon	1978	286.6	276.9	5008	4499	-10
The Gambia	1977	105.3	97.4	317	287	-9
Ghana	1966	1772	104.6	467	402	-14
Guatemala	1966	258.3	25.0	708	890	26
Guinea	1969	203.2	31.3	549 *	788 *	44
Guinea-Bissau	1979	12.9	12.3	189	206	9
Guyana	1971	364.9	442.3	553	482	-13
Haiti	1965	212.7	30.2	360	257	-29
Honduras	1966	357.1	65.0	763	982	29
Hungary	1982	2696	265.3	2198	2227	1
India	1965	11548	12.6	217	386	78
Indonesia	1968	1207.6	6.4	203	595	193
Iraq	1967	20	1.0	4141 *	1545 *	-63
Israel	1969	726.2	134.0	5613	9887	76
Jamaica	1973	1716.7	687.8	1701	1466	-14
Jordan	1971	406.8	96.5	2182 *	3630 *	66
Kenya	1974	1417.9	54.5	339	368	9

Note: This table does not include the following IMF loan/purchase recipients: Afghanistan, Cambodia, Cyprus, Equatorial Guinea, Grenada, Laos, St. Lucia, Sudan, Vietnam, Western Samoa, The People's Democratic Republic of Yemen, and the Yemen Arab Republic because reliable GDP data were not available for one of the years measured. Additionally, OECD members prior to 1993 are excluded. **GDP Per Capita** figures listed are first for the first year the recipient received IMF loans/purchases, and second for 1993, except that the GDP figures for Ethiopia, Guinea, Iraq, Jordan, Somalia, Syria, and Uganda are for 1995; GDP figures for Liberia, Romania, and Zaire are for 1994; GDP per capita data for the Solomon Islands are for 1992; Yugoslavia GDP data are for 1990. **Purchases** refers to IMF member states' acquisition of Special Drawing Rights (SDRs) or other members' currencies in exchange for the member's domestic currency. **Total IMF Loans and Purchases** includes purchases and loan disbursements made by the IMF to the listed countries since 1965. For each year, data expressed in SDRs were converted to U.S. dollars using the U.S. dollar/SDR exchange rate (period average for each year); this figure was then converted to constant 1987 U.S. dollars.

Sources: International Monetary Fund, *International Financial Statistics Yearbook 1996* (Vol. XLIX) and *International Financial Statistics Yearbook 1994* (Vol. XLVII); Central Intelligence Agency, *The 1996 World Factbook* and *The Handbook of International Economic Statistics* (1995); National Bureau of Economic Research, The Penn World Tables, Mark 5.6 (Summers-Heston data) accessible online.

Table I (con't)

Economic Growth Rates of Recipients of IMF Loans and Purchases

	First Year Receiving Loans/ Purchases*	Total IMF Loans & Purchases Through '95 (Millions US $)	Total IMF Loans & Purchases per Capita Through 1995	GDP per Capita, First Year Receiving Loans (1987 US $)	GDP per Capita, 1993 (1987 US $)	% Change in GDP per Capita, First Year - 1993
Korea, Republic of	1974	$2870.1	$64.4	$1337	$4859	263%
Lesotho	1977	45.5	22.8	219	279	27
Liberia	1965	342.8	116.6	871 *	609 *	-30
Madagascar	1974	471.7	36.0	329	216	-34
Malawi	1975	367.9	33.9	155	134	-14
Malaysia	1971	523.9	26.9	1025	2749	168
Mali	1965	326.5	34.3	227	249	10
Mauritania	1976	243.3	109.7	540	482	-11
Mauritius	1969	331.1	299.9	884	2325	163
Mexico	1976	23710.1	258.1	1624	1826	12
Morocco	1968	2539.7	95.9	528	857	62
Mozambique	1987	217.1	13.1	96	125	30
Myanmar	1967	334.7	7.3	180	256	42
Nepal	1976	127.3	6.0	153	190	24
Nicaragua	1968	185.6	43.4	1821	816	-55
Niger	1978	173.3	19.6	436	270	-38
Nigeria	1972	1.6	0.01	372	361	-3
Pakistan	1965	4697.1	37.2	169	371	120
Panama	1968	610.6	236.2	1570	2330	48
Papua New Guinea	1976	215.4	51.2	892	1090	22
Peru	1968	2331.2	99.9	1170	996	-15
Philippines	1968	4341	65.6	487	610	25
Romania	1973	3374.1	148.4	1088 *	2137 *	96
Rwanda	1966	51.2	6.6	237	280	18
St. Vincent & Gren.	1980	2.1	18.9	939	1783	90
Sao Tome & Principe	1989	1	8	518	488	-6
Senegal	1975	910.8	112.4	712	630	-12
Sierra Leone	1967	352.8	76.9	138	139	1
Solomon Islands	1979	6.7	18.3	479 *	611 *	28
Somalia	1965	225.1	24.8	1014 *	386 *	-62
South Africa	1976	2375	57.1	2499	2083	-17
Sri Lanka	1965	1772	97.8	213	492	131
Swaziland	1979	16.4	18.1	737	755	2
Syrian Arab Republic	1966	39.9	2.8	1906 *	4557 *	139
Tanzania	1974	546.7	19.0	172	166	-3
Thailand	1972	1840.6	31.3	503	1565	211
Togo	1976	249.4	62.2	408	297	-27
Trinidad & Tobago	1988	359.1	277.9	3827	3608	-6
Tunisia	1965	611.4	69.4	638	1405	120
Uganda	1971	1024.5	55.1	708 *	695 *	-2
Uruguay	1966	775.1	244.7	1965	2664	36
Venezuela	1989	3132.1	146.5	2436	2742	13
Yugoslavia, S.F.R.	1965	4169.1	389.4	2545 *	4808 *	89
Zaire	1972	1813.7	42.6	683 *	317 *	-54
Zambia	1971	3806.6	413.9	430	271	-37
Zimbabwe	1981	733	66.6	658	605	-8

See note on previous page.

Table 2

Countries Increasing Their Activity with the IMF

	Total IMF Loans and Purchases* 1965 - 1995 (Millions 1987$)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1995)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1980)	Number of Years Receiving Assistance Through Loans and Purchases (1981 - 1995)	Difference in Number of Years Receiving Aid Later - Earlier Period
Albania	$50.7	4	0	4	4
Algeria	1854.2	4	0	4	4
Argentina	11865.2	16	4	12	8
Armenia	54.8	2	0	2	2
Azerbaijan	79.2	1	0	1	1
Bangladesh	2860.9	20	8	12	4
Barbados	111.7	5	1	4	3
Belarus	220	2	0	2	2
Belize	12.3	4	0	4	4
Benin	91.7	8	2	6	4
Bolivia	812.2	19	8	11	3
Bosnia & Herzegovina	35.5	1	0	1	1
Brazil	5941.6	6	1	5	4
Bulgaria	870.9	4	0	4	4
Burkina Faso	82.8	8	3	5	2
Cambodia	90.3	5	2	3	1
Central African Rep.	156.4	15	5	10	5
Chad	110.2	11	4	7	3
China, People's Rep.	1848.9	2	0	2	2
Comoros	2.6	2	0	2	2
Cote d'Ivoire	1788.4	16	4	12	8
Croatia	165.6	2	0	2	2
Czech Republic	79.1	1	0	1	1
Czechoslovakia	1351.8	2	0	2	2
Dominica	22.8	9	1	8	7
Ecuador	943.9	16	6	10	4
Equatorial Guinea	57.9	7	1	6	5
Estonia	72.2	3	0	3	3
Ethiopia	342.9	9	3	6	3
Gabon	267.2	10	2	8	6
Georgia	90.1	2	0	2	2
Ghana	2050.9	20	8	12	4
Guinea	238.8	16	7	9	2
Guinea-Bissau	13.4	6	1	5	4
Guyana	417.8	15	7	8	1
Honduras	401.2	12	4	8	4
Hungary	2613.3	9	0	9	9
India	13910.7	13	6	7	1
Jamaica	2030.8	21	6	15	9
Jordan	361.9	8	2	6	4
Kazakstan	333	3	0	3	3

Notes: * Purchases refers to IMF member states' acquisition of Special Drawing Rights (SDRs) or other members' currencies in exchange for the member's domestic currency. Total IMF Loans and Purchases includes purchases and loan disbursements made by the IMF to the listed countries since 1965.
For each year, data expressed in SDRs were converted to U.S. dollars using the U.S. dollar/SDR exchange rate (period average for each year); this figure was then converted to constant 1987 U.S. dollars. **SDR:** Special Drawing Right: an international reserve, interest-bearing asset created by the IMF in 1969; also, a unit of account on all IMF transactions. SDR value is determined by a basket of the currencies of the five largest exporters in the five years previous to the valuation.
Sources: International Monetary Fund, *International Financial Statistics Yearbook 1996* (Vol. XLIX) and *International Financial Statistics Yearbook 1994* (Vol. XLVII).

Table 2 (con't)

Countries Increasing Their Activity with the IMF

	Total IMF Loans and Purchases* 1965 - 1995 (Millions 1987 $)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1995)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1980)	Number of Years Receiving Assistance Through Loans and Purchases (1981 - 1995)	Difference in Number of Years Receiving Aid Later - Earlier Period
Kenya	$1685.2	18	7	11	4
Korea Republic of	3779.8	10	4	6	2
Kyrgyz Republic	95.9	3	0	3	3
Lao People's Dem. Rep.	122.2	12	5	7	2
Latvia	125.2	3	0	3	3
Lesotho	43.1	11	4	7	3
Lithuania	201.5	4	0	4	4
Macedonia	43.1	2	0	2	2
Madagascar	556.3	16	5	11	6
Malawi	417.8	17	6	11	5
Malaysia	714	5	2	3	1
Mauritania	267.9	17	5	12	7
Mauritius	424.7	11	5	6	1
Mexico	20845.8	14	2	12	10
Moldova	177	3	0	3	3
Mongolia	43.3	4	0	4	4
Morocco	3149.9	20	9	11	2
Mozambique	188.3	8	0	8	8
Nepal	148.8	13	5	9	4
Niger	183.1	12	2	10	8
Panama	701.7	15	5	10	5
Poland	1435.5	3	0	3	3
Romania	3749.1	15	7	8	1
Russian Federation	7493.8	4	0	4	4
Sao Tome & Principe	0.9	1	0	1	1
Senegal	996.8	17	4	13	9
Slovak Republic	182.2	2	0	2	2
Solomon Islands	8.2	5	1	4	3
Somalia	287.8	11	5	6	1
The Gambia	123.7	13	4	9	5
Togo	263.8	15	4	11	7
Trinidad & Tobago	329.4	4	0	4	4
Uganda	1128.2	18	6	12	6
Ukraine	1205.7	2	0	2	2
Uzbekistan	124.2	1	0	1	1
Venezuela	2807.6	3	0	3	3
Vietnam	545.3	6	2	4	2
Yemen Arab Republic	11.9	1	0	1	1
Zaire	2306.8	15	7	8	1
Zimbabwe	690.3	7	0	7	7
Average for Above Countries	**1386.56**	**8.64**	**2.49**	**6.16**	**3.67**
Average for All Countries	**1491.55**	**9.23**	**4.18**	**5.06**	**0.88**

See note on previous page.

Countries Decreasing Their Activity with the IMF

	Total IMF Loans and Purchases* 1965 - 1995 (Millions 1987$)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1995)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1980)	Number of Years Receiving Assistance Through Loans and Purchases (1981 - 1995)	Difference in Number of Years Receiving Aid Later - Earlier Period
Afghanistan	$157.9	9	9	0	-9
Australia	803.9	3	2	1	-1
Burundi	181.9	19	13	6	-7
Chile	3781	17	10	7	-3
Colombia	702.6	6	6	0	-6
Costa Rica	553.6	13	8	5	-3
Cyprus	130.5	5	5	0	-5
Egypt	1946.4	16	12	4	-8
El Salvador	413.7	11	8	3	-5
Finland	613.4	3	3	0	-3
France	2752.2	2	2	0	-2
Greece	585.8	3	3	0	-3
Grenada	16.9	8	6	2	-4
Haiti	285.9	19	11	8	-3
Iceland	194.4	7	6	1	-5
Indonesia	1555.9	7	5	2	-3
Iraq	62.5	1	1	0	-1
Ireland	37.2	1	1	0	-1
Israel	1143.9	7	6	1	-5
Italy	6336.1	3	3	0	-3
Liberia	475.2	16	12	4	-8
Mali	379.1	27	14	13	-1
Myanmar	564.4	13	10	3	-7
New Zealand	1321.7	6	6	0	-6
Nicaragua	324.2	11	9	2	-7
Nigeria	4	1	1	0	-1
Pakistan	5936.9	22	13	9	-4
Peru	2913.7	14	10	4	-6
Rwanda	77.1	9	6	3	-3
Sierra Leone	401.5	14	8	6	-2
Spain	1551.6	3	3	0	-3
Sri Lanka	2483.2	27	16	11	-5
Sudan	1871	17	13	4	-9
Swaziland	20.4	3	2	1	-1
Syrian Arab Republic	107.6	3	3	0	-3
Thailand	2319.3	11	6	5	-1
Tunisia	694.9	13	8	5	-3
Turkey	4758.1	17	11	6	-5
United Kingdom	20345.4	7	7	0	-7
Uruguay	1163.4	16	9	7	-2
Western Samoa	26.7	10	6	4	-2
Yemen P.D. Rep.	161.8	9	7	2	-5
Yugoslavia, SFR	5728.1	18	10	8	-2
Zambia	3897.6	15	9	6	-3
Average for Above Countries	**1813.24**	10.5	**7**	**3**	**-4**
Average for All Countries	**1491.55**	9.23	**4.18**	**5.06**	**0.88**

See note on previous page.

Table 2 (con't)

Countries Maintaining Their Level of Activity with the IMF

	Total IMF Loans and Purchases* 1965 - 1995 (Millions 1987$)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1995)	Number of Years Receiving Assistance Through Loans and Purchases (1965 - 1980)	Number of Years Receiving Assistance Through Loans and Purchases (1981 - 1995)	Difference in Number of Years Receiving Aid Later - Earlier Period
Cameroon	$296	12	6	6	0
Congo	88.4	8	4	4	0
Dominican Republic	844.8	14	7	7	0
Fiji	37	4	2	2	0
Guatemala	343.9	8	4	4	0
Papua New Guinea	247.8	6	3	3	0
Philippines	5569.7	24	12	12	0
Portugal	1201.8	4	2	2	0
South Africa	2903.7	4	2	2	0
St. Lucia	7.2	2	1	1	0
St. Vincent & Gren.	2.6	2	1	1	0
Tanzania	704.8	14	7	7	0
Average for Above Countries	**1020.64**	8.5	**4.25**	**4.25**	**0**
Average for All Countries	1491.55	9.23	4.18	5.06	0.88

See note on previous page.

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