INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) originated at a United Nations (UN) conference in Bretton Woods, New Hampshire, in July 1944. The IMF is thus known as a Bretton Woods institution. The forty-five governments represented at that conference decided to build an institution to facilitate economic cooperation. They hoped the existence of such an institution would help countries avoid a recurrence of the disastrous, self-interested economic policies that led to the Great Depression that began in the United States around 1929 and spread throughout the world. The principal architects of the IMF were the British economist John Maynard Keynes (1883–1946), the author of *The General Theory of Employment, Interest, and Money* (1936), a work that revolutionized economic theory, and the chief international economist at the U.S. Treasury Department, Harry Dexter White (1892–1948). The IMF actually came into existence in December 1945 when the first twenty-nine countries signed its Articles of Agreement. The goals of the IMF were to encourage international monetary cooperation, remove foreign-exchange restrictions, stabilize exchange rates, and facilitate a multilateral payments system between member countries.

The IMF acts as an umpire in the international market and takes action to ensure the stability of the world's financial system. Its main role in its first years was to supervise the newly established fixed exchange-rate system initiated in Bretton Woods. After the collapse of the fixed exchange rate in February 1973 and the adoption of flexible exchange rates, the IMF became more involved with member countries' economic policies by providing advice. In the 1980s the IMF had to confront the problem of mounting foreign debt in developing countries. In the 1990s the IMF addressed the transition of former socialist countries to market capitalism, and more recently it had to assist countries facing currency crises.

The main goal of the IMF is to promote a healthy world economy. The organization's responsibilities include: (1) promoting international monetary cooperation; (2) facilitating the expansion and balanced growth of international trade; (3) promoting exchange-rate stability; (4) assisting in the establishment of a multilateral system of payments; (5) fostering economic growth and high levels of employment; and (6) providing temporary financial assistance to countries experiencing balance-of-payments problems. The IMF also strives to reduce poverty in countries around the globe, independently and in collaboration with the World Bank and other international organizations.

The IMF had 184 member countries in 2007. With the exception of North Korea, Cuba, Liechtenstein, Andorra, Monaco, Tuvalu, and Nauru, all UN member states are members of the IMF or are represented by other member states. The IMF is headquartered in Washington, D.C., with an international staff of more than 2,500. As of March 2006, the IMF's total quotas were $308 billion, with loans outstanding of $34 billion to seventy-five countries, of which $6 billion to fifty-six countries was on concessional terms.

The IMF is financed by quota subscriptions, the share of each member in the IMF's total funds. The quota allocated to each IMF member determines that country's voting power, the amount of gold or international currency or its own currency that the country initially subscribes, and its access to various borrowing facilities. A large quota offers an IMF member prestige and borrowing power because a large initial subscription provides liability to extend credit to countries that need to borrow. National quotas are periodically revised.

The IMF strives to prevent economic crises by encouraging countries to adopt what IMF directors perceive to be appropriate economic policies. The organization meets these objectives primarily through surveillance, technical assistance, and lending. Surveillance is the regular policy advice that the IMF offers once a year to each of its members. The fund conducts an in-depth analysis of each member country's economic state of affairs. Members usually allow the publication of their IMF evaluation, supplying the information to the public. Technical assistance and training are offered, mostly free of charge, to help member countries strengthen their capacity to design and implement effective policies. Technical assistance is also offered in several economic areas, including fiscal policy, monetary and exchange-rate policies, banking, financial system supervision and regulation, and statistical collection and analysis. Financial assistance is available to help member countries correct balance-of-payments problems. Countries under financial distress are required to develop a policy program supported by IMF financing, and continued financial support is conditional on the effective implementation of the program.

Major controversies surround the role and practices of the IMF in the world economy, especially concerning the conditionality of financial support, which is provided only if recipient countries implement IMF-approved economic reforms. Indeed, in a world of mostly floating exchange rates, in contrast to the fixed exchange rates in existence when the IMF was established, it is even questionable why this institution remains in existence. The IMF has received extensive criticism from people representing the entire political spectrum, including grassroots protestors and activists objecting to IMF policies in countries subjected to "structural adjustment." Even the Austrian economist Friedrich Hayek (1899–1992) was deeply troubled by the global "statism" practiced by the

IMF. IMF policies are implemented under the principle of "one-size-fits-all" (Stiglitz 2002, p. 141). Jeffrey Sachs, the economic advisor who encouraged transitioning economies to implement shock therapy programs, argued that "the International Monetary Fund's view, all too often, is … based on a misunderstanding of what its own role should be" (1994, p. 504).

The principles behind IMF policies are based on what John Williamson (1990) referred to as the "Washington Consensus." *Washington*, for Williamson, encompassed the World Bank and the U.S. Treasury, in addition to the IMF. Williamson identified ten policy instruments for which Washington-based institutions could muster a reasonable degree of consensus, and he summarized the content of the Washington Consensus as macroeconomic prudence, outward orientation, domestic liberalization, and free market policies. The Washington Consensus, as the set of economic policies implemented by the administrations of U.S. president Ronald Reagan (1911–2004) and British prime minister Margaret Thatcher, has been labeled a "neoliberal manifesto." The program involves devaluation of the exchange rate, liberalization of markets where prices are regulated, privatization of public sector enterprises, contraction of public sector expenditure, and the implementation of restrictive monetary policy. There is an obvious hostility to inflation, which is strongly influenced by the effect of inflation on foreign investors (Payer 1974, p. 37). The IMF imposes these economic policies on countries in financial distress that request assistance through conditionality. Countries facing a crisis often have little alternative but to accept the terms stipulated by the IMF in order to receive assistance. Thus IMF financial support of a government program concurrently ensures obedient behavior (Payer 1974, p. 31).

Proponents of the IMF's conditionality policy argue that the fund should not give money away for free. The IMF is a financial institution, and, like any financial institution, when it lends out money it requires borrowers to guarantee the loan that they have signed by accepting IMF-approved policies. Proponents insist that it is reasonable to stipulate that further financial support will only be released after the successful implementation of reforms. At the same time, it is not clear whether the policies enforced by the IMF have been successful. Lance Taylor argues that "a fair assessment would say that the outcomes of orthodox packages ranged to moderately successful to disastrous" (1988, p. 147). Nevertheless, the success or failure of IMF programs should not be measured by monetary criteria alone; qualitative criteria, such as socioeconomic improvements and social reforms, should also be considered in any evaluation of the IMF (Körner et al. 1986, p. 4).

SEE ALSO *World Bank, The*

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INTERNATIONAL NONGOVERNMENTAL ORGANIZATIONS (INGOs)

International nongovernmental organizations (INGOs) are not-for-profit voluntary associations operating at the international, transnational, or global level, with members or participants from many countries. They bring together like-minded individuals or associations of individuals to conduct a wide variety of activities across virtually all social domains, from astronomy to football to plant biology to zoo management. Although the best-known INGOs focus on human rights (for example, Amnesty International), the environment (Friends of the Earth), disaster relief (the Red Cross), and the like, most INGOs are found in scientific, technical, business and industry, medical, and professional domains. Sizable numbers are also active in domains such as sports and recreation, development, education, women's rights, and many others. As of 2006, more than 7,000 "conventional" INGOs were in operation, along with about 20,000 internationally oriented nongovernmental organizations of more limited scope (Union of International Associations 2006).