

IIIA. INTERNATIONAL MONETARY FUND—IMF

International Monetary Fund (IMF) was created in December 1945 with its Headquarters at Washington. It was formed for promoting international monetary cooperation, trade and exchange rate stability, and to give financial assistance to the states in need.

All the UN members automatically become members of IMF. As such, its present membership is 193. Each country is a shareholder and shares its contribution in 25% gold and the balance in currencies.

IMF is governed by the objective of promoting monetary cooperation, problem solving, financial security, facilitating international trade, increasing employment, ensuring sustainable growth, reduction of poverty, stability of foreign exchange system and end of foreign exchange restrictions.

IMF has been assigned several functions :

- (i) To act as a watch dog of international economic relations.**
- (ii) To monitor the policies and activities of major economic powers and trading nations as these are always the determinators of international economic relations.**
- (iii) To monitor budgetary deficits and fiscal deficits of states as these together indicate the health/weakness of their economies.**
- (iv) To grant loans to nations.**
- (v) To sell foreign exchange to nations.**
- (vi) To monitor currency valuation and devaluation.**
- (vii) To check the breakdown of economies.**
- (viii) To ensure that nations must spend at least one half of their gains.**

In other words, the IMF operates for monitoring international economy, for helping the nations in preventing and overcoming economic crises and for making available loans and credits for helping the nations to meet their needs. It creates revolving funds and gains. It acts as an international economic institution for guiding and assisting the nations in respect of their monetary needs, assets and liabilities. It provides guidelines to the nations for helping them both for overcoming their financial problems as well as for strengthening their financial healths.

IMF : A Rich Dominated Body ! The IMF has, however, remained dominated by the rich, powerful and developed nations, particularly, by the USA which initially enjoyed 33% voting power in IMF (It now stands reduced to 17%). The IMF decisions are always guided by the wishes, decisions and policies of the rich capitalists and very often it suggests to the developing countries such measures as are really in the interests of the rich and dominating capitalist countries. It acts as a toothless tiger before the capitalists and tries to compel the developing countries to follow its directions/suggestions which are issued in the name of macro economic adjustments or measures capable of strengthening the economic health of the developing countries.

Consequently, IMF has been virtually behaving as an agent of neo-colonialism and as an institution inadequately equipped for arresting global inflation, rich power dominance, global financial and trade imbalances, balance of payment problems, arresting increasing gaps between developed and developing countries, economic inequalities, emerging economic dependencies, recurring monetary crisis, problems of lowly developed countries, particularly, it is alleged, their mounting debt burden, technological imbalances, and the like.

In this era of globalisation which is being guided by a strong movement in favour of free flow of goods, services, knowledge and manpower across national frontiers, the IMF appears to be an outdated institution. The critics of the IMF, and their number is quite large, advocate the need for changing/reforming this international economic institution for making it serve the new global financial and trade needs of the nations. They want :

- (i) Restructuring of voting rights/powers in the IMF,
- (ii) more role for emerging economies like India and China,
- (iii) reduced role for the developed European countries, and
- (iv) end of the US domination of the IMF.

The IMF should itself come forward to serve the global need for making relations between the developed and developing countries, equitable, fair and more productive for the development of the developing countries. It must either serve as a global reservoir for real, balanced, just and equitable economic transformations or get replaced by a new global monetary institution. **The time is now ripe, at least for creating an Asian Monetary Fund, may be alongwith a reformed and restructured IMF.**