

Top 10



TOP 10 REASONS TO STOP THE INTERNATIONAL MONETARY FUND BAILOUTS

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The American taxpayer has the largest stake in the International Monetary Fund. With the highest voting share in the Fund, the U.S. is the only nation with the power to veto all major IMF decisions. We must put pressure on Treasury Secretary Tim Geithner to veto these IMF bailouts for the first time in history.

1. The IMF is a prime example of our bailout culture.

The International Monetary Fund (IMF) has regularly put American taxpayers on the hook to bail out powerful banks and profligate foreign nations with poor economic policies. According to the Hoover Institution, "it would be difficult to devise a more regressive wealth transfer scheme than IMF financing programs. IMF loans are used to rescue wealthy, politically connected bankers, investors, and financiers at the expense of domestic taxpayers."¹ Most recently, the IMF spent \$145 billion to bailout Greece.² The nation had long been living way beyond its means. Greece's failure to cut their bloated public sector and lavish welfare programs left them bankrupt. The IMF recently announced plans to send \$130 billion to spendthrift Ireland.³ It is reported that Portugal and Spain may be next in line to seek funding followed by Italy and Belgium.

2. Cost to U.S. Taxpayers.

For years, government officials have been touting the fallacy that IMF payments are costless to American taxpayers. Former U.S. treasury secretary Robert Rubin claimed that "the IMF has not cost the taxpayer a dime."⁴ However, American taxpayers subsidize the IMF to the tune of billions of dollars annually. U.S. taxpayers contribute an estimated \$55 billion or 17.09 percent of the IMF's total funding.⁵ These hidden subsidies are not subjected to annual appropriations and they are nowhere to be found in the federal budget.⁶

3. The IMF has made global financial crises much worse.

Nearly all of the IMF's efforts have been counterproductive. Take Argentina for example. For many years, the IMF poured taxpayer-subsidized loans with an exceptionally low interest rate of 2.6 percent into the country. After receiving IMF bailout packages of more than \$40 billion, Argentina's economy collapsed in 2002. The Joint Economic Committee found that the IMF "led to moral hazard problems" and "sustained and subsidized a bankrupt Argentine economic policy."⁷ It is believed that the IMF played a major role in creating the Asian financial crisis.⁸ Even former Russian Deputy Prime Minister Boris Federov has stated: "I strongly believe that IMF money injections in 1994-1998 were detrimental to the Russian economy and interests of the Russian people. Instead of speeding up reforms, they slowed them."⁹



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4. The IMF encourages reckless behavior.

The IMF has encouraged reckless behavior by holding out the prospect of a bailout to any country and big politically connected bank that fails. In order to survive, the IMF must provide credit.¹⁰ This has inflamed what economists call moral hazard. Governments and banks are more likely to take greater risks when they believe that they will not be exposed to the full costs of their mistakes. The IMF rewards countries with poor macroeconomic policies and banks that make risky loans with taxpayer-subsidized bailouts.

5. The IMF threatens our sovereignty.

The international bureaucracy of the IMF threatens America's sovereignty. While America has the largest voting share, it is clearly unconstitutional for an intergovernmental organization to grant American taxpayer-funded bailouts to foreign nations without congressional approval. Moreover, the head of the IMF Dominique Strauss-Kahn is a member of France's socialist party.

¹¹ Self-described socialist Dominique Strauss-Kahn has proposed a global currency that would serve as an alternative to the U.S. dollar. ¹² An April IMF report reads, "A more ambitious reform option would be to build on the previous ideas and develop, over time, a global currency. Called, for example, bancor in honor of Keynes, such a currency could be used as a medium of exchange—an 'outside money' in contrast to the SDR which remains an 'inside money'."

¹³ Dominique Stratuss-Kahn has already called on European countries to cede sovereignty to the European Union. ¹⁴ He declared that "the centre must seize the initiative in all areas key to reaching the common destiny of the union, especially in financial, economic and social policy. Countries must be willing to cede more authority to the centre."¹⁵

6. The IMF does not create wealth.

It is impossible to create wealth through government to government transfers. The IMF merely diverts money away from taxpayers in the productive private sector and into the hands of international bureaucrats. These IMF officials redistribute wealth to benefit multinational corporations and banks. It's a form of corporate welfare. The IMF hands out lucrative contracts to politically connected corporations for construction projects funded by taxpayers. ¹⁶ Just as we've seen in America, these tax-funded "stimulus" programs have failed to produce economic growth.

7. IMF's policies have hurt poor countries.

IMF loans have distorted incentives in poor countries. Governments that receive generous taxpayer-subsidized loans have little incentive to advance policies that spur economic growth. Their main objective is to cater to their foreign contributors to stay in power for as long as possible. As Zambian economist Dambisa Moyo states, "foreign aid has been the biggest single inhibitor of Africa's growth."¹⁷ So far, there has been no correlation between IMF loans and growth. ¹⁸ Most of the countries that receive IMF loans are left worse off with massive debts that they cannot afford to pay which only escalates poverty and instability.



8. The IMF still lacks transparency.

Even though the IMF is funded with taxpayer dollars, it has always operated under a veil of secrecy. To design their loan packages, the IMF works exclusively with central bankers and finance ministers. Taxpayers are usually not informed on how or why the IMF puts together their “rescue” packages.¹⁹ Using extensive jargon in their reports, it is hard to tell how the IMF evaluates the success of their bailouts and loans. Russia’s former tax chief Boris Fyodorov says that “the IMF should learn a lesson from the past five years. The IMF was pretending that it was seeing a lot of reforms in Russia. Russia was pretending to conduct reforms. The Western taxpayer was paying for it.”²⁰

9. The IMF fosters a cycle of dependency.

Rather than encouraging pro-growth policies, IMF loans foster a culture of dependency among developing nations. It’s created a horde of loan addicts. More than 70 countries have relied on IMF loans for more than 20 years.²¹ The Fund has failed to help countries become self-sufficient. In virtually every case, these IMF loans become permanent. University of Virginia economics Professor Leland Yeager observes that “self-important international bureaucracies have institutional incentives to invent new functions for themselves, to expand, and to *keep client countries dependent on their aid.*”²²

10. The IMF props up authoritarian regimes.

The IMF has spent decades propping up some of the most repressive regimes in the world. Little evidence has shown that IMF loans have helped average citizens in authoritarian nations. IMF loans are a government to government transfer. Zambian economist Dr. Moyo says “a constant stream of ‘free’ money is a perfect way to keep an inefficient or simply bad government in power.”²³ Even worse, these taxpayer-subsidized loans end up in the hands of corrupt dictators.²⁴ These rulers have an incentive to reward their supporters and special interests constituents.²⁵ According to a Joint Economic Committee study, “evidence suggests that the IMF knowingly makes loans to corrupt governments while recognizing that some of its loan conditions and procedures can create circumstances promoting additional corruption...thus, IMF lending operations may be consistent with subsidizing corruption.”²⁶ Why should American taxpayers surrender their money to fuel cruel Sudanese rulers who have engaged in genocide against civilians?

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