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That the West seemed willing to deal with them—big time with billions of dollars—gave them credibility; the fact that others might not be able to elicit such support clearly counted against them. Our tacit support for the loans-for-share program may have quieted criticisms; after all, the IMF was the expert on transition; it had urged privatization as rapidly as possible and the loans-for-share was, if nothing else, rapid. That it was corrupt was evidently not a source of concern. The support, the policies—and the billions of dollars of IMF money—may not just have enabled the corrupt government with its corrupt policies to remain in power; they may even have reduced pressure for more meaningful reforms.

We have placed our bets on favored leaders and pushed particular strategies of transition. Some of those leaders have turned out to be incompetent, others to have been corrupt, and some both. Some of those policies have turned out to be wrong, others to have been corrupt, and some both. It makes no sense to say that the policies were right, and simply not implemented well. Economic policy must be predicated not on an ideal world but on the world as it is. Policies must be designed not for how they might be implemented in an ideal world but for how they will be implemented in the world in which we live. Judgment calls were made not to investigate more promising alternative strategies. Today, just as Russia begins to hold its leaders accountable for the consequences of their decisions, we too should hold our leaders accountable.

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CHAPTER 8

THE IMF'S OTHER AGENDA

THE INTERNATIONAL MONETARY Fund's less than successful efforts in the 1980s and 1990s raise troubling questions about the way the Fund sees the process of globalization—how it sees its objectives and how it seeks to accomplish these objectives as part of its role and mission.

The Fund believes it is fulfilling the tasks assigned to it: promoting global stability, helping developing countries in transition achieve not only stability but also growth. Until recently it debated whether it should be concerned with poverty—that was the responsibility of the World Bank—but today it has even taken that on board as well, at least rhetorically. I believe, however, that it has failed in its mission, that the failures are not just accidental but the consequences of how it has understood its mission.

Many years ago former president of General Motors and secretary of defense Charles E. Wilson's famous remark to the effect that "What's good for General Motors is good for the country" became the symbol of a particular view of American capitalism. The IMF often seems to have a similar view—"what the financial community views as good for the global economy is good for the global economy and should be done." In some instances, this is true; in many, it is not. In some instances, what the financial community may think is in its interests is actually not, because the prevalent free market ideology blurs clear thinking about how best to address an economy's ills.

Losing Intellectual Coherency: From Keynes's IMF to Today's IMF

There was a certain coherency in Keynes's (the intellectual godfather of the IMF) conception of the Fund and its role. Keynes identified a market failure—a reason why markets could not be left to themselves—that might benefit from collective action. He was concerned that markets might generate persistent unemployment. He went further. He showed why there was a need for *global* collective action, because the actions of one country spilled over to others. One country's imports are another country's exports. Cutbacks in imports by one country, for whatever reason, hurt other countries' economies.

There was another market failure: he worried that in a severe downturn, monetary policy might be ineffective, but that some countries might not be able to borrow to finance the expenditure increases or compensate for tax cuts needed to stimulate the economy. Even if a country was seemingly creditworthy, it might not be able to get money. Keynes not only identified a set of market failures; he explained why an institution like the IMF could improve matters: by putting pressure on countries to maintain their economy at full employment, and by providing liquidity for those countries facing downturns that could not afford an expansionary increase in government expenditures, *global* aggregate demand could be sustained.

Today, however, market fundamentalists dominate the IMF; they believe that markets by and large work well and that governments by and large work badly. We have an obvious problem: a public institution created to address certain failures in the market but currently run by economists who have both a high level of confidence in markets and little confidence in public institutions. The inconsistencies at the IMF appear particularly troubling when viewed from the perspective of the advances in economic theory in the last three decades.

The economics profession has developed a systematic approach to *the market failure theory of governmental action*, which attempts to identify why markets might not work well and why collective action is necessary. At the international level, the theory identifies why individual governments might fail to serve global economic welfare, and how global collective action, concerted action by governments working together, often through international institutions, would improve things. Developing an intellectually coherent view of international policy for an international agency such as the IMF thus requires identifying important instances in which markets might fail to work, and analyzing how particular policies might avert or minimize the damage done by these failures. It should go further, showing how the particular interventions are the *best* way to attack the market failures, to address problems *before* they occur, and to remedy them when they do.

As we have noted, Keynes provided such an analysis, explaining why countries might not pursue sufficiently expansionary policies on their own—they would not take into account the benefits it would bring to other countries. That was why the Fund, in its original conception, was intended to put international pressure on countries to have more expansionary policies than they would choose of their own accord. Today, the Fund has reversed course, putting pressure on countries, particularly developing ones, to implement more contractionary policies than these countries would choose of their own accord. But while seemingly rejecting Keynes's views, today's IMF has, in my judgment, not articulated a coherent theory of market failure that would justify its own existence and provide a rationale for its particular interventions in the market. As a result, as we have seen, all too often the IMF forged policies which, in addition to exacerbating the very problems they sought to address, allowed these problems to play out over and over again.

A New Role for a New Exchange Rate Regime?

Some thirty years ago, the world switched to a system of flexible exchange rates. There was a coherent theory behind the switch: exchange rates, like other prices, should be determined by market forces. Attempts by government to intervene in the determination of this price are no more successful than attempts to intervene in the determination of any other price. Yet, as we have seen, the IMF has recently undertaken massive interventions. Billions of dollars were spent trying to sustain the exchange rates of Brazil and Russia at unsustainable levels. The IMF justifies these interventions on the grounds that *sometimes* markets exhibit excessive pessimism—they "overshoot"—and the calmer hand of the international bureaucrat can ~~then~~ help stabilize markets. It struck me as curious that an institution committed to the doctrine that markets work well, if not perfectly, should decide that this one market—the exchange rate market—requires such massive intervention. The IMF has never put forward a good explanation either for why this expensive intervention is desirable in this particular market—or for why it is undesirable in other markets.

I agree with the IMF that markets may exhibit excessive pessimism. But I also believe that markets may exhibit excessive optimism, and that it is not just in the exchange rate market that these problems occur. There is a wider set of imperfections in markets, and especially capital markets, requiring a wider set of interventions.

For instance, it was excessive exuberance that led to Thailand's real estate and stock market bubble, a bubble reinforced, if not created, by hot speculative money flowing into the country. The exuberance was followed by excessive pessimism when the flow abruptly reversed. In fact, this change in the direction of speculative capital was the root cause of the excessive volatility in exchange rates. If this is a phenomenon comparable to a *disease*, it makes sense to treat the disease rather than just its manifestation, exchange rate volatility. But IMF free market ideology led the Fund to make it easier for speculative hot money to flow into and out of a country. In treating the symptoms directly, by pouring billions of dollars into the market, the IMF actually made the underlying disease worse. If speculators only made money off each other, it would be an unattractive game—a highly risky activity, which *on average* made a zero return, as the gains by some were matched by equal losses from others. What makes speculation profitable is the money coming from governments, supported by the IMF. When the IMF and the Brazilian government, for instance, spent some $50 billion maintaining the exchange rate at an overvalued level in late 1998, where did the money go? The money doesn't

disappear into thin air. It goes into somebody's pocket—much of it into the pockets of the speculators. Some speculators may win, some may lose, but speculators as a whole make an amount equal to what the government loses. In a sense, it is the IMF that keeps the speculators in business.

Contagion

There is another, equally striking example of how the IMF's lack of a coherent and reasonably complete theory can lead to policies which exacerbate the very problems the IMF is supposed to solve. Consider what happens when the Fund attempts to quarantine "contagion." In essence, the Fund argues that it must intervene, and quickly, if it determines that an ongoing crisis in one country will spill over to others, that is, the crisis will spread like an infectious, contagious disease.

If contagion is a problem, it is important to understanding the workings of the mechanism through which it occurs, just as epidemiologists, in trying hard to contain an infectious disease, work hard to understand its transmission mechanism. Keynes had a coherent theory; the downturn in one country leads that country to import less, and this hurts its neighbors. We saw in chapter 4 how the IMF, while talking about contagion, took actions in the Asian financial crisis that actually accelerated transmission of the disease, as it forced country after country to tighten their belts. The reductions in incomes led quickly to large reductions in imports, and in the closely integrated economies of the region, these led to the successive weakening of neighboring countries. As the region imploded, the declining demand for oil and other commodities led to the collapse of commodity prices, which wrought havoc in other countries, thousands of miles away, whose economies depended on the export of those commodities.

Meanwhile the IMF clung to fiscal austerity as the antidote, claiming that was essential to restore investor confidence. The East Asian crisis spread from there to Russia through the collapse of oil prices, not through any mysterious connection between "confidence" on the part of investors, foreign and domestic, in the East Asia Miracle economies and the Mafia capitalism of Russia. Because of the lack of coherent and persuasive theory of contagion, the IMF had spread the disease rather than contained it.

When Is a Trade Deficit a Problem?

Problems of coherence plague not only the IMF's remedies but also its diagnoses. IMF economists worry a lot about balance of payments deficits; such deficits are, in their calculus, a sure sign of a problem in the offing. But in railing against such deficits, they often pay little attention to what the money is actually being used for. If a government has a fiscal surplus (as Thailand did in the years before the 1997 crisis), then the balance of payments deficit essentially arises from *private* investment exceeding private savings. If a firm in the private sector borrows a million dollars at 5 percent interest and invests it in something that yields a 20 percent return, then it's not a problem for it to have borrowed the million dollars. The investment will more than pay back the borrowing. Of course, even if the firm makes a mistake in judgment, and the returns are 3 percent, or even zero, there is no problem. The borrower then goes into bankruptcy, and the creditor loses part or all of his loan. This may be a problem for the creditor, but it is not a problem that the country's government—or the IMF—need worry about.

A *coherent approach* would have recognized this. It would have also recognized that if some country imports more than it exports (i.e., it has a trade deficit), another country must be exporting more than it imports (it has a trade surplus). It is an unbreakable law of international accounting that the sum of all deficits in the world must add up to the sum of all surpluses. This means that if China and Japan insist on having a trade surplus, then some countries must have deficits. One cannot just inveigh against the deficit countries; the surplus countries are equally at fault. If Japan and China maintain their surpluses, and Korea converts its deficit into a surplus, the problem of deficit *must* appear on somebody else's doorstep.

Still, large trade deficits can be a problem. They can be a problem because they imply a country has to borrow year after year. And if those who are providing the capital change their minds and stop

making loans, the country can be in big trouble—a crisis. It is spending more to buy goods from abroad than it gets from selling its goods abroad. When others refuse to continue to finance the trade gap, the country will have to adjust quickly. In a few cases, the adjustment can be made easily: if a country is borrowing heavily to finance a binge of car buying (as was the case recently in Iceland), then if foreigners refuse to provide the financing for the cars, the binge stops, and the trade gap closes. But more typically the adjustment does not work so smoothly. And problems are even worse if the country has borrowed short term, so that creditors can demand back *now* what they have lent to finance previous years' deficits, whether they were used to finance consumption splurges or long-term investments.

Bankruptcy and Moral Hazard

Such crises occur, for instance, when a real estate bubble bursts, as it did in Thailand. Those who borrowed from abroad to finance their real estate ventures could not repay their loans. Bankruptcy became widespread. How the IMF handles bankruptcy represents still another arena where the Fund's approach is plagued with intellectual inconsistencies.

In standard market economics, if a lender makes a bad loan, he bears the consequence. The borrower may well go into bankruptcy, and countries have laws on how such bankruptcies should be worked out. This is the way market economies are supposed to work. Instead, repeatedly, the IMF programs provide funds for governments to bail out Western creditors. The creditors, anticipating an IMF bailout, have weakened incentives to ensure that the borrowers will be able to repay. This is the infamous moral hazard problem well known in the insurance industry and, now, in economics. Insurance reduces your incentive to take care, to be prudent. A bailout in the event of a crisis is like "free" insurance. If you are a lender, you take less care in screening your applicants—when you know you will be bailed out if the loans go sour. Meanwhile prudent firms that face foreign exchange volatility can insure against it in complicated but readily accessible ways. But—as we saw earlier—if borrowers in a country don't buy insurance to minimize their risk, or exposure, but they know or believe that an IMF bailout is likely, then borrowers are being encouraged to incur excess risk—and not worry about it. This is what happened in the lead-up to the ruble crisis in Russia in 1998. In that instance, even as the Wall Street creditors were making loans to Russia, they were letting it be known how large a bailout they thought was needed and, given Russia's nuclear status, they believed would get.

The IMF, focusing on the symptoms, tries to defend its interventions by saying that without them, the country will default, and as a result it will not be able to get credit in the future. A coherent approach would have recognized the fallacy in this argument. *If* capital markets work well—certainly, if they worked anywhere near as well as the IMF market fundamentalists seem to argue—then they are forward-looking; in assessing what interest rates to charge, they look at the risk *going forward*. A country that has discharged a heavy overhang of debt, even by defaulting, is in better shape to grow, and thus *more* able to repay any additional borrowing. That is part of the rationale for bankruptcy in the first place: the discharge or restructuring of debt allows firms—and countries—to move forward and grow. Eighteenth-century debtor prisons may have provided strong incentives for individuals not to go into bankruptcy, but they did not help debtors get reestablished. Not only were they inhumane, but they did not enhance overall economic efficiency.

History supports this theoretical analysis. In the most recent instance, Russia, which had a massive debt default in 1998 and was widely criticized for not even consulting creditors, was able to borrow from the market by 2001 and capital began to flow back to the country. Likewise, capital started flowing back to South Korea, even though the nation effectively forced a restructuring of its debt, giving foreign creditors a choice of rolling over loans or not being repaid.

Consider how the IMF, if it had developed a coherent model, might have approached one of the most difficult problems in East Asia: whether or not to raise interest rates in the midst of the crisis. Raising them, of course, would force thousands of firms into bankruptcy. The contention of the IMF was that failing to raise rates would lead to a collapse of the exchange rate, and the collapse of the exchange rate would lead to even more bankruptcy. Put aside, for the

moment, the question of whether raising interest rates (with the resulting exacerbation of the recession) would lead to a stronger exchange rate (in real life it did not). Put aside, too, the empirical question of whether more firms would be hurt by raising interest rates or the fall in the exchange rate (at least in Thailand, the evidence strongly suggested that the damage from a further fall in the exchange rate would be smaller). The *problem* of economic disruption caused by exchange rate devaluations is *caused* by the firms that choose not to buy insurance against the collapse of the exchange rate. A coherent analysis of the problem would have begun by asking why the seeming market failure—why do firms not buy the insurance? And any analysis would have suggested that the IMF itself was a big part of the problem: IMF interventions to support the exchange rate, as noted above, make it less necessary for firms to buy insurance, exacerbating in the future the very problem the intervention was supposed to address.

From Bailout to Bail-In

As the IMF's failures became increasingly evident, it sought new strategies, but the lack of coherency ensured that its quest for viable alternatives had little chance of success. The extensive criticism of its bailout strategy induced it to try what some have called a "bail-in" strategy. The IMF wanted the private sector institutions to be "in" on any bailouts. It began to insist that before it lent money to a country in a bailout, there had to be extensive "participation" by the private sector lenders; they would have to take a "haircut," forgiving a substantial part of the debt that was owed. Not surprisingly, this new strategy was first tried not on major countries like Brazil and Russia, but on powerless countries like Ecuador and Romania, too weak to resist the IMF. The strategy quickly proved to be both problematic in conception and flawed in implementation, with highly negative consequences for the countries targeted for the experiment.

Romania was a particularly mystifying example. It was not threatening a default; it only wanted new money from the IMF to signal that it was creditworthy, which would help to lower the interest rates it paid. But new lenders will only lend if they get an interest rate commensurate with the risk they face. New lenders cannot be forced to take a "haircut." If the IMF had based its policies on a coherent theory of well-functioning capital markets, it would have realized this.

But there was a more serious problem, which goes to the IMF's core mission. The Fund was created to deal with the liquidity crises caused by the credit market's occasional irrationality, its refusal to lend to countries that were in fact creditworthy. Now the IMF was handing power over its lending policies to the same individuals and institutions that precipitated crises. Only if they were willing to lend could it be willing to lend. These lenders quickly saw the profound implications of the change, even if the IMF did not. If creditors refuse to lend the client country money, or to go along with a settlement, the borrowing country will not be able to get funds—not just from the IMF but from the World Bank and other institutions which made their lending contingent on IMF approval. The creditors suddenly had enormous leverage. A twenty-eight-year-old man in the Bucharest branch of an international private bank, by making a loan of a few million dollars, had the power to decide whether or not the IMF, the World Bank, and the EU would provide Romania with more than a billion dollars of money. In effect, the Fund had delegated its responsibility for assessing whether to lend to the country to this twenty-eight-year-old. Not surprisingly, the twenty-eight-year-old, and other thirty- and thirty-five-year-old bankers in the branches of the other international banks in Bucharest, quickly grasped their newly granted bargaining powers. Each time the Fund lowered the amount of money it demanded that the private banks put up, the private banks lowered the amount that they were willing to offer. At one point, Romania appeared to be only $36 million of private sector loans short to receive the billion-dollar aid package. The private banks assembling the money required by the IMF demanded not only top dollar (high interest rates) but, at least in one case, some discreet relaxation of Romania's regulatory rules. This "regulatory forbearance" would allow the creditor to do things he might otherwise not be able to do—to lend more, or to make riskier, higher interest rate loans—increasing his profits, but increasing the riskiness of the banking system, and undermining the very reason for regulation. Less competent or more corrupt governments might have been tempted, but Romania did not accept the offer, partly because it was not really that desperate for money in the first place.

The issue can be seen another way. The IMF's decision to make a loan is supposed to be based on how a country is addressing its fundamental macroeconomic problems. Under the "participatory" strategy, a country could have a perfectly satisfactory set of macropolicies, but if it could not raise the amount that the IMF said it had to raise from the private banks, it might not be able to receive funds from any of the sources. The IMF is supposed to have the expertise on these questions, not the twenty-eight-year-old bank officer in Bucharest.

Eventually, at least in the case of Romania, the failings of the strategy became evident even to the IMF, and it proceeded to provide funds to the country even though the private sector had not provided the amounts the IMF had "insisted" upon.

The Best Defense Is an Offense: Expanding the Role of the IMF as "Lender of Last Resort"

In the light of increasing perceptions of the Fund's failures and growing demands that its scope be cut back, in 1999 the IMF's first deputy manager, Stanley Fischer, proposed that the Fund expand its role to make it a lender of last resort. Given that the IMF had failed to use the powers it had well, the proposal to increase its power was quite bold. It was based on an appealing analogy: Inside countries, central banks act as a lender of last resort, lending money to banks which are "solvent but not liquid," that is, which have a positive net worth, but which cannot obtain funds from elsewhere. The IMF would perform the same role for countries. Had the IMF had a coherent view of the capital market, it would have quickly seen the flaw in the idea.[1] Under the perfect market theory, if a business is solvent, it should be able to borrow money from the market; any firm that is solvent *is* liquid. Just as IMF economists, who normally seem to have such faith in markets, believe that they can judge better than the market what the exchange rate should be, so too do they seem to think that they can judge better than the market whether the borrowing country is creditworthy.

I don't believe capital markets work perfectly. Ironically, while I think they work far less well than IMF economists typically suggest, I think that they are somewhat more "rational" than the IMF seems to believe when it intervenes. There are advantages to IMF lending; often the Fund lends when the capital markets simply refuse to do so. But at the same time, I recognize that the country pays dearly for the "cheap" money it gets from the IMF. If a national economy goes sour and default looms, the IMF is the preferred creditor. It gets paid back first—even if others, such as foreign creditors, do not. These get what's left over. They might get nothing. So a rational private sector financial institution is going to insist on a risk premium—a higher interest rate to cover the higher likelihood of not getting paid back. If more of a country's money goes to the IMF, there is less to go to private sector foreign lenders, and these lenders will insist on a commensurately higher interest rate. A coherent theory of the capital market would have made the IMF more aware of this—and made it more reluctant to lend the billions and billions it has provided in bailout packages. A more coherent theory of markets would have had the IMF, in times of crisis, looking harder for alternatives, like those we discussed in chapter 4.

THE IMF'S NEW AGENDA?

The fact that a lack of coherence has led to a multitude of problems is perhaps not surprising. The question is, why the lack of coherence? Why does it persist, on issue after issue, even after the problems are pointed out? Part of the explanation is that the problems that the IMF has to confront are difficult; the world is complex; the Fund's economists are practical men striving to make hard decisions quickly, rather than academics calmly striving for intellectual coherence and consistency. But I think that there is a more fundamental reason: The IMF is pursuing not just the objectives set out in its original mandate, of enhancing global stability and ensuring that there are funds for countries facing a threat of recession to pursue expansionary policies. It is also pursuing the interests of the financial community. This means the IMF has objectives that are often in conflict with each other.

The tension is all the greater because this conflict can't be brought out into the open: if the new role of the IMF were publicly acknowledged, support for that institution might weaken, and those who have succeeded in changing the mandate almost surely knew this. Thus the new mandate had to be clothed in ways that *seemed* at least superficially consistent with the old. Simplistic free market ideology provided the curtain behind which the real business of the "new" mandate could be transacted.

The change in mandate and objectives, while it may have been quiet, was hardly subtle: from serving global *economic* interests to serving the interests of global *finance*. Capital market liberalization may not have contributed to global economic stability, but it did open up vast new markets for Wall Street.

I should be clear: the IMF never *officially* changed its mandate, nor did it ever formally set out to put the interests of the financial community over the stability of the global economy or the welfare of the poor countries they were supposed to be helping. We cannot talk meaningfully about the motivations and intentions of any institution, only of those who constitute and govern it. Even then, we often cannot ascertain true motivations—there may be a gap between what they say are their intentions and their true motivations. As social scientists, we can, however, attempt to describe the behavior of an institution in terms of what it *appears* to be doing. Looking at the IMF *as if* it were pursuing the interests of the financial community provides a way of making sense of what might otherwise seem to be contradictory and intellectually incoherent behaviors.

Moreover, the IMF's behavior should come as no surprise: it approached the problems from the perspectives and ideology of the financial community, and these naturally were closely (though not perfectly) aligned with its interests. As we have noted before, many of its key personnel came from the financial community, and many of its key personnel, having served these interests well, left to well-paying jobs in the financial community. Stan Fischer, the deputy managing director who played such a role in the episodes described in this book, went directly from the IMF to become a vice chairman at Citigroup, the vast financial firm that includes Citibank. A chairman of Citigroup (chairman of the Executive Committee) was Robert Rubin, who, as secretary of Treasury, had had a central role in IMF policies. One could only ask, Was Fischer being richly rewarded for having faithfully executed what he was told to do?

But one does not need to look for venality. The IMF (or at least many of its senior officials and staff members) believed that capital market liberalization would lead to faster growth for the developing countries, believed it so strongly that it did not need to look at any evidence and gave little credence to any evidence that suggested otherwise. The IMF never wanted to harm the poor and believed that the policies it advocated would eventually benefit them; it believed in trickle-down economics and, again, did not want to look too closely at evidence that might suggest otherwise. It believed that the discipline of the capital markets would help poor countries grow, and therefore it believed that keeping in good stead with the capital markets was of first-order importance.

LOOKING AT THE IMF policies this way, its emphasis on getting foreign creditors repaid rather than helping domestic businesses remain open becomes more understandable. The IMF may not have become the bill collector of the G-7, but it clearly worked hard (though not always successfully) to make sure that the G-7 lenders got repaid. There was an alternative to its massive interventions, as we saw in chapter 4, an alternative that would have been better for the developing nations, and in the longer run, better for global stability. The IMF could have facilitated the workout process; it could have tried to engineer a standstill (the temporary interruption of payments) that would have given the countries—and their firms—time to recoup, to restart their stalled economies. It could have tried to create an accelerated bankruptcy process.[2] But bankruptcy and standstills were not (and are still not) welcome options, for they meant that the creditors would not be repaid. Many of the loans were uncollateralized, so in the event of bankruptcy, little might be recovered.

The IMF worried that a default, by breaking the sanctity of contracts, would undermine capitalism. In this, they were wrong in several

respects. Bankruptcy is an unwritten part of every credit contract; the law provides for what will happen if the debtor cannot pay the creditor. Because bankruptcy is an implicit part of the credit contract, bankruptcy does not violate the "sanctity" of the credit contract. But there is another, equally important, *unwritten* contract, that between citizens and their society and government, what is sometimes called "the social contract." This contract requires the provision of basic social and economic protections, including reasonable opportunities for employment. While misguidingly working to preserve what it saw as the sanctity of the credit contract, the IMF was willing to tear apart the even more important social contract. In the end, it was the IMF policies which undermined the market as well as the long-run stability of the economy and society.

IT IS UNDERSTANDABLE then why the IMF and the strategies it foists on countries around the world are greeted with such hostility. The billions of dollars which it provides are used to maintain exchange rates at unsustainable levels for a short period, during which the foreigners and the rich are able to get their money out of the country at more favorable terms (through the open capital markets that the IMF has pushed on the countries). For each ruble, for each rupiah, for each cruzeiro, those in the country get more dollars as long as the exchange rates are sustained. The billions too are often used to pay back foreign creditors, even when the debt was private. What had been private liabilities were in effect in many instances nationalized.

In the Asian financial crisis, this was great for the American and European creditors, who were glad to get back the money they had lent to Thai or Korean banks and businesses or at least more of it than they otherwise would have. But it was not so great for the workers and other taxpayers of Thailand and Korea, whose tax money is used to repay the IMF loans, whether or not they got much benefit from the money. But adding insult to injury, after the billions are spent to maintain the exchange rate at an unsustainable level and to bail out the foreign creditors, after their governments have knuckled under to the pressure of the IMF to cut back on expenditures, so that the countries face a recession in which millions of workers lose their