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Cleaver - Freeze

CHRONOLOGY OF INTERNATIONAL MONETARY AFFAIRS

By
Harry Cleaver and Joshua Freeze

1940s

1944 July 1-22: The International Monetary and Financial Conference at Bretton Woods, New Hampshire produces the Articles of Agreement of the IMF.

1946 March 8-18: First meeting of the Fund's Board of Governors.

1947 March 1: The Fund begins operations.

May 8: The first drawing on the Fund takes place.

1960s

1962 January 5: The Fund's Executive Board adopts the terms and conditions of the General Agreements to borrow, i.e., an arrangement that allows the fund to borrow, under certain circumstances, from the United States, Germany, Jpan, the United Kingdom, France, Italy, Canada, the Netherlands, Belgium, Sweden and, after 1964, Switzerland. Given that these are the major members of the Fund, this is an arrangement by them to facilitate the strengthening of Fund resources when necessary.

1967 September 29: First Amendment to the Articles of agreement creates Special Drawing Account and Special Drawing Rights (SDR's). SDRs constituted reserves but not really money; they could be held and used to purchase foreign exchange but not gold and could be used only by central banks. The SDRs were valued as a package of currencies to stabilize the value.

The SDRs were allocated according to country contributions. At first they constituted an insignificant percentage of reserves; but were nevertheless an important first step toward an international monetary unit independent of national currencies.

1969 June 25: The Buffer Stock financing facility is established.

1970s

1971 April: Due to heavy demands for dollars the Treasury issued notes to foreigners to absorb dollars being dumped by others.

(At this time John Connally was the Secretary of Treasury, Paul Volcker was Under Secretary for Monetary Affairs at the Treasury, and Arthur Burns was Chairman of the FED.)

May: Despite the Treasury measures the rush out of dollars accelerated. The United States balance of trade went into deficit for the first time in the Twentieth Century.

June: In the face of these mounting difficulties Nixon calls an economic summit of his advisors at Camp David.

August: The English demand a major swap, obviously wanting to drastically reduce their exposure in dollars.

August 14: An emergency meeting is called at Camp David. Mainly Nixon. Connally, Volcker and Burns gather to discuss what to do. A plan is worked out.

August 15: Nixon goes on TV on Sunday to announce the plan worked out that weekend. It is a major turning point in the history of the international monetary system and a direct slap at American allies reasserting American power.

The basic outlines of the plan include:

1.an end to the convertability of the dollar into gold.
2.a 10% surcharge on imports.
3.domestic wage and price controls.
4.cuts in government spending.
5.tax cuts to spur investment.

December: A meeting is held at the Smithsonian Museum in Washington, D.C. to reach agreement on new monetary relations. Out of the bargaining came:

1.the dollar price of gold would rise to $38/oz.
2.there would be no general float but fixed rates would be changed, generally the dollar would be devalued.

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Some of the new exchange rate changes included: NF would rise 8.6% against the dollar, the DM would rise 13.6%, the lire would rise 7.5%, the Yen 16.9% and the pound would rise 8.6%.

These adjustments were seen as temporary pending major reform of the system. Although the US got what it wanted it later turned out that the devaluations were inadequate and the dollar would have to be devalued again.

At this point the major issues of reform, besides the devaluation of the dollar, were those of liquidity (e.g. that of how liquidity would be provided, the role of the dollar, of gold and of SDRs) and of the role of the IMR, for which there was growing pressure for its expansion.

1972 June: The pound is floated.

July 26: The IMF creates the Committee on Reform (the Committee of Twenty) to explore the exchange rate system, the liquidity problem, and the question of a substitution account.

1973 February: By this time the strains on the Atlantic and Pacific alliances were such that the *NYT* (Feb. 7th) was writing about the "possibility of a dissolution of the partnership between the United States, Europe and Japan."

It was against this background that David Rockefeller floated the idea of a Trilateral Commission, first at a Chase Mahattan board meeting where it bombed and then at the Bilderberg group where it flew. He and Zibigniew Brzezinski went ahead to set up a group including American, European and Japanese businessmen and policy makers. Its first area of focus was international monetary affairs.

March: Continuing pressures on exchange rates force a general float and widespread adoption of flexible exchange rates.

June-September: During this period the Trilateral Commission meets to work out recommendations for international monetary reorganization. At the end of this period it issues the results: *Towards a Renovated World Monetary System* by Richard Cooper, Motoo Kaji and Claudo Segre. The report's major recommendations were:

1.smaller and more frequent changes in exchange rates.
2.the creation of an international reserve unit to be called bancor (after Keynes).
3.creation of a new facility in the IMF to counter speculation.
4.creation of a substitution account.
5.strengthened role for the IMF.
6.increased global coordination of monetary policy.

October-December: The October War, the oil boycott and the tripling of crude oil prices.

1974 As a result of oil price increase, 50% increase in holdings of dollars as reserves

New IMF report: "Outline of Reform", basically same as report of the Committee of 20. But reform is abandoned due to pressing crisis caused by oil price increases. The pressing need is to deal with this, so the Committee of 20 becomes the Interim Committee.

The Oil Facility is created to help cope with recycling problems. Borrows from oil exporting countries to lend to oil importing countries. Most of the money went to Italy and to England.

September 13: The Fund sets up the Extended Facility

1974-1975: THE GREAT RECESSION, characterized by very uneven levels of inflation (e.g. 6-7% in Germany, 25% in Italy) which puts continuing pressure on exchange rates.

1975 November: Rambouillet Agreement between the United States and France, the US wins legalization of flexible rates.

August: Sequoia Agreements to abolish the official gold price, for the IMF to sell gold and create a trust fund. Gold is abandoned partly because the instability of prices have rendered it unusable as a monetary asset. Partly as a result of the emergence of the dollar standard and the US refusal to accept dollars in exchange for gold.

December: First major meeting of the Council on Foreign Relations' Working Group on Macroeconomic Policies and International Monetary Relations (part of the 1980s Project). Chaired by Harold van B. Cleveland, who is vice president, Economics Department, Citibank, the working group met several times over the period Dec. 1975 to June 1976 with a variety of specialists presenting papers on various aspects of the international monetary crisis and the issue of the possible coordination of national macroeconomic policies. According to the CFR *Annual Report* the group "focused intensively upon ways in which the Western states should in the future coordinate their domestic macroeconomic policies. The group also gave sustained attention to options for the future evolution of the international monetary system..." (*Annual Report*, Sept. 1975-Aug. 1976, p. 36).

One of the results of the meetings of the working group was the publication of a 1980s Project book *Alternatives to Monetary Disorder* (1977) by Fred Hirsch (Univ of Warwick), Michael Doyle (Princeton) and Edward Morse (CFR). Hirsch and Morse had both given papers and led discussions in the group.

1976 January 7-8: Jamaica Agreement of the Interim Committee of the IMF on the amendment of the IMF Articles of Agreement. These agreements essentially legalized what had been done since 1971. One immediate effect was to increase the power of the Fund. Major agreements were:

1.The IMF got power for "binding guidance" in surveillance of exchange rate policies.
2.Fund resources would be increased some 32.5% (Fund resources as percent of world trade had fallen from 15% in 1948 to only 4% in 1977).
3.Liberalization of compensatory financing facility for those primary product producers whose prices had fallen dramatically.

June: Puerto Rico Summit: commitment to radify Jamaica accords.

June-July: Uprisings in Poland in reaction to government attempts to raise food prices and impose austerity. Communist party headquarters burned and food stores looted. Government is forced to reduce food prices. Basically repeat of same experience as in 1970 -- the last time the government tried to impose austerity.

November: Jimmy Carter (Trilateral Commission member) elected President.

IMF shifts policy emphasis from financing deficits to adjustment emphasis, that is imposition of austerity. Also increased use of Stand-By Agreements.

Failure of Fund and Arab Fund to impose austerity in Egypt. Sadat forced to reinstate food subsidies, gets money anyway.

Fall: As part of its internal discussions of international monetary policy the Council on Foreign Relations invited three speakers to its closed door sessions in the fall of 1976: Robert Triffin (Yale) Oct. 14th, Bruce Maclaury (Minneapolis FED) Nov. 18th and John Petty (Marine Midland) Dec. 14th.

1977 January: Carter sworn in. Carter presidency begins. Some twenty top positions in the Carter cabinet and State Department filled by Trilateral Commission people, e.g. Carter (Pres.), Mondale (V. Pres.), H. Brown (Sec. Defence), C. Vance (Sec. of State), R. Cooper (Under Sec. of State for International Economic Affairs).

March: H. J. Witteveen, head of IMF, speaks to closed door session of Council on Foreign Relations on "The IMFs Role in Minimizing International Monetary Conflict."

On March 23rd Harold Van B. Cleveland led discussion on the international debt problem at a CFR review group. Two other meetings on this issue were held in May.

July: The July issue of *Foreign Affairs* carried three related articles on the debt crisis, including one by Harold Van B. Cleveland.

August: IMF *Annual Report,* 1977 (covering 1976-77): the Fund notes that the increased exchange rate flexibility had not led to much correction in balance of payments. Partly this is due to a number of offsetting factors including the failure to impose domestic austerity in deficit countries and the ability of governments to borrow in the private market thus escaping IMF conditionality.

Fund also emphasized the low level of investment and the failure of investment to rebound with the recovery after 1975.

As a result of the two previous observations the Fund called for fighting inflation via attacks on aggregate demand, esp. consumer demand and the adoption of incomes policies to improve business' share of the pie. To quote:

"The first step in preventing the vicious circle is to institute adequate restraint on the increase in nominal demand; such restraint should be coupled with efforts to minimize the feedback from the exchange rate to wages and other domestic costs so as to hold down unemployment. This may be helped, for example, by an income policy, negotiated among the government, labor unions and industry, governing price and wage developments." (p. 35)

Finally the IMF worried openly about the expanding role of private banks and their failure to impose conditionality: "institutions in the private sector do not normally make a practice of applying comprehensive policy conditions when making balance of payments loans to governments. Access to private sources of balance of payments finance may, therefore, in some cases permit countries to postpone the adoption of adequate domestic stabilization measures. This can exacerbate the problem of correcting payments imbalances, and can lead to adjustments that are politically and socially disruptive when the introduction of stabilization measure becomes unavoidable." (pp. 40-41).

August 29: The Fund establishes the supplementary financing facility.

1978 March 8: G. William Miller replaces Arthur Burns as FED Chairman.

March 31: Dollar plunges as US reports largest monthly trade deficit in history.

April 1: 2nd Amendment takes effect, most important legal step since 1968 creation of SDRs.

April 7-8: EEC leaders agree to create EMS.

April 29-30: IMF Interim Committee meets and appoints Jacques de Larosiere to replace Johannes Witteveen as Managing Director of IMF.

May: European League for Economic Cooperation proposed a "European parallel currency". This is step toward creation of a European monetary union.

July 6-7: Bremem Summit leads to the creation of a European Monetary System (EMS) to escape the vagaries of the dollar and, in the words of Triffen: "to promote domestic policies combating inflation," (see his *Foreign Affairs* article Winter 1978/79) EMS agreements keep currencies fixed within narrow band. Creates the ECU or European Currency Unit, a basket of values like the SDR.

July 16-17: Carter attends Bonn Economic Summit Conference of seven industrial countries.

August: IMF *Annual Report* (covering financial year ending April 1978).
The Fund's summary of the world economy continues to complain about "the disappointing behavior of private fixed investment." It agrees with those that attribute this lack of a profit squeeze: "data.... clearly suggest a squeeze on profits from the middle or late 1960s to the mid-1970s, only partially relieved in more recent years." (p. 4) This attributes in part to wage increases and the productivity crisis: "As measured by real GNP per person employed, the overall gain productivity for the seven major industrial countries dropped to slightly less than 1 and 1/2 per cent per annum from 1973 to 1977 compared with an average increase of 3 and 3/4 per cent for the period 1960-1973." (p. 7) In regard to the policy implications, the *Annual Report* repeats the recommendations of the Interim Committee that "noted the utility of policies appropriate to counter the predominance of cost-push factors in the current inflation. The committee suggested that, for countries where such factors were strong, fiscal stimulus provided through tax reductions might often be more appropriate than equivalent stimulus applied through domestic government spending unless such spending was investment oriented." (p. 32) In other words, government policies should be oriented toward holding down wages and stimulating investment.

Once again the Fund lamented the lack of conditionality of private lending and pointed to the special role of the Fund in providing just such discipline. (pp. 48-49)

October: Major currency crisis caused by speculative moves against the dollar.

November 1: US moves to bolster the dollar including 9.5% increase in rediscount rate, more gold sales and the creation of a $30 billion intervention fund. The fund is to bolster an agreement between the US, Germany, Japan and Switzerland to intervene in currency markets to offset speculative waves unrelated to any fundamental problems.

November 8: First meeting of a CFR study group on Latin American debt crisis. The group has a series of meetings through June 1979 in which IMF and private bankers discuss the debt of Peru, Brazil and other Latin American countries.

November 13: C. Fred Bergsten presented a talk on "International Economic and Monetary Outlook" to a CFR roundtable dinner presided over by Peter Kenen.

November 14: The next evening, Robert Triffin addressed another roundtable dinner at the CFR on "Gold and the Dollar Crisis", this time presided by Robert Roosa.

December 4-5: EEC Summit meeting approves EMS, to start Jan. 1, 1979.

1979 January 1: Oil strikes that began in October completely shut down Iranian oil production.

January 4-6: Carter, d'Estaing, Callaghan, and Schmidt hold summit meeting in Guadeloupe.

January 10: Felix Rohatyn addresses General Meeting of the CFR on "Statesmanship: The Key to Our Economic Problems."

January 16th: After months of rioting and strikes the Shah finally leaves Iran. Khomeini will arrive on Feb. 1st.

March 13th: EMS, after delays, takes effect.

March 26-27: The Second Oil Shock begins with OPEC decision to raise prices 9% from $13.34 to $14.55 a barrel. The second phase of the shock will come on June 26-28 with a 16% increase in a two tier system with a price range of $18-$23.50 a barrel.

The oil price increases will raise the current account surpluses of the OPEC countries from some $5 billion in 1978 to $68 billion in 1979 to some $115 billion in 1980. At the same time and for the same reasons the industrial countries will go from a joint $33 billion surplus to a $10 billion deficit in 1979 and over $50 billion in 1980. (Most of the shift was in the accounts of Germany, Italy and Japan. The non-oil developing countries would also see their combined deficit rise from a some $36 billion in 1978 to $53 in 1979 to about $70 billion in 1980. (the above figures from the 1980 IMF *Annual Report*, p. 3)

Carter attends fifth annual economic summit of seven industrial nations in Tokyo.

April 7th: Italian government arrests large number of intellectuals including prominent university professors under the rubric of anti-terrorism. In the months and years to follow no evidence is produced and most charges are dropped but most of those arrested are kept in jail. Trial will not begin until March 1983. The real reasons for the arrest are the actions taken, especially writings, against government imposed austerity (imposed with the cooperation of the Italian Communist Party).

August: IMF *Annual Report* (on financial year ending April 1979). The Fund calls for more attention to supply problems and complains that "rising labor costs and high inflation have impeded the restoration of satisfactory levels of profitability and cash flow of business firms and depressed incentives for additions to capital stock." (p. 1) Later it comments that "a primary issue for policy -- particularly in the United State... -- is to .... prevent the present surge in inflation from adding to the strength of price expectations and thus being built into wage and profit behavior." (pp. 5-6) In other words, make the workers accept reductions in real wages.

The Fund again comments on the productivity crisis and calls for measures to stimulate investment and productivity growth, (pp. 6-7) and also for "increased emphasis on measures to effect structural adjustments and improve supply capabilities." (p. 30).

In a general assessment of the adjustment process over the period 1976-1979 the Fund concludes that the "gradualism" it had previously recommended had in fact been far too gradual and not enough was being done to cut back on excess demand, wages, etc. "The overall rate of monetary expansion in the industrial countries has not come down, but has remained about 10 per cent in every year since 1975." (p. 7) As a result it recommended the reduction in the rate of monetary expansion and cites Volcker's policy changes in November 1978 as an example of the right direction (p. 8) (also see the Cleveland/Bhagavatula article in *Foreign Affairs* 59 (3) 1981 for another attack on "gradualism" (pp. 604-609).

The fund also returned to its preoccupation with incomes policies: "Throughout the 1970s the Fund has called attention to this point and has advocated increased consideration of the use of income policy.... Of particular importance in this regard are measures that would exclude oil prices from the mechanism of wage indexation and thus serve to limit self defeating wage-price spirals." (p. 9) Again the object is to make sure the oil price increases succeed in transferring value from revenue to profit by undercutting real wages.

August 17th: Carter decontrols crude oil prices, dollar rises sharply.

October 6th: Volcker announces anti-inflation package including rise in rediscount rate from 11% to 12%.

November 5th: Volcker addresses a general meeeting of the CFR on "The Dollar at Home and Abroad."

November 29th: Robert Roosa (Brown Bros. Harriman) addresses a general meeting of the CFR on "The Dollar in a Multipolar Currency System."

1980s

1980 February 4th,: Beginning of the meetings of the CFR Study Group on The Internationalization of American Banking. Meetins ran till May.

February 27th: Beginning o fthe meetings of the CFR Study Group on International Financial Institutions. (Group included C. Fred Bergsten, then Assistant Secretary of the Treasury for International Affairs).

March 14th: Volcker announces first peacetime credit controls, attacked consumer credit.

April 17th: People's Republic of China joins the IMF.

May 14th: Saudi Arabia raises oil price to $28/barrel.

May 16th: Johannes Witteveen (IMF) addressed a CFR roundtable luncheon on "Energy and Money Relationships."

June 18th: IMF approves $1.6 billion loan to Turkey, largest in IMF history.

July 2-4: Strikes sweep Poland in response to government austerity announcement.

August 13th: 70,000 workers seize shipyards at Gdansk in Poland demanding less work, more money and independent organizations.

September 4th: G. William Miller (Sec. Treasury) addressed a general meeting of the CFR on "International Financial Institutions: The US Role".

September 15-17: OPEC agrees on $30 a barrel oil price.

September 22: Solidarity formed in Poland.

October 2nd: Givanni Magnifico (Central Director, Bank of Italy) addressed a CFR roundtable luncheon on "The EMS and the Dollar in Retrospect and Prospect."

November 4th: Ronald Reagan elected President.

November 5th: C. Fred Bergsten addressed a general meeting of the CFR on "The Future Agenda for US International Economic Policy."

December 19th: US prime rate reaches 21 1/2% as a result of tight money policies.

December 15-16: OPEC agrees to allow oil prices to rise to $41. Average price in last quarter of 1980 was $33. This led to almost all industrial country governments tightening money supplies and producing the second synchronized recession in 5 years. (the first was 1974-75).

1981 January 7th: Solidarity defies Party, demands 5-day work week.

January 20, : Reagan inaugurated as 40th President. (Iranian Hostages freed at same time.)

January 28th: Robert Roosa addressed a general meeting of the CFR on "The Dollar and the World Economy: Imperatives for the New Administration."

February: FED ceases intervention into foreign exchange markets following Reagan free market philosophy. Europeans unhappy about the refusal to help stabilize exchange rates. They are more dependent than the US on foreign trade and need stability more.

February 18th: Reagan's first State of Union address in which he presents his Program for Economic Recovery. Four parts: 1. Cuts in Federal spending especially in social programs; 2. Tax breaks for business -- Accelerated Cost Recovery Program; 3. Three year income tax cut aimed at reducing marginal tax rates of rich most; 4. Tight money. Budget includes vast increase in military spending. Direct attack on such social programs as food stamps and job adjustment assistance. These attacks are explicitly aimed at increasing pressures for people to work, even if at lower wages.

March 12th: Meeting of CFR study group on International Banking and Finance, chaired by Anthony Solomon of the New York FED.

March 16th: British austerity budget approved.

April 19-23: Widespread rioting in England in reaction to austerity measures. Both young immigrants and young British prominent.

April 20th: Haig tells Trilateral Commission US should favor "authoritarian" regimes over "totalitarian" ones, concern with "human rights" should not be allowed to undermine our alliances.

May 4th: FED raises rediscount rate to record 14%.

May 21: Mitterand sworn in as President of France, elected on socialist platform of decreased work, decreased unemployment and higher wages. The socialist expansionist economic program is in stark contrast with US and most Western European programs.

May 28th: James Greene of American Express addressed a general meeting of the CFR on "LDC Debt: The Problem that won't go Away."

June 14th: Bank for International Settlements warns that US tight money policies could lead to breakdown of economic cooperation.

June 22nd: Reagan names Commission, headed by Donald Reagan, to study role of gold in world monetary system.

July 3: Massive riots sweep England and Scotland, called worst civil unrest since 1930s. Reaction to government austerity measures.

July 12-13: Mitterand and Schmidt meet in Bonn and agree to oppose US tight money policies at Ottawa Summit.

July 20-21: Ottawa Summit, 7th annual meeting of seven industrial nations.

July 27th: Thatcher announces $1 billion youth jobs program in reaction to rioting.

August 8th: Reagan orders production of neutron bomb.

September 3rd: Bonn votes austerity budget.

September 11th: IMF *Annual Report* (covering financial year ending April 1981). A major preoccupation of the Fund report is with the results of tight monetary policies in North Atlantic countries, especially the US. The high interest rates, together with downturns in terms of trade had raised debt servicing costs to non-oil developing countries substantially. The onset of global recession after the 2nd oil shock and then again in 1981, especially in the United States by reducing markets undermined ability of debt ridden countries to earn foreign exchange to meet debt repayment requirements. This is the first IMF annual report to not only praise the recycling mechanism but also to begin to have forbodings about the implications of high interest and the drop in world trade.

At the same time the Fund noted that "some three fourths of the Fund's large new lending commitments currently involve high conditionality -- that is, commitments by the members concerned to rigorous adjustment policies." (p.3)

With respect to the industrial countries, the Fund's major focus is an analysis of the tight money policies that raised interest rates and cut the growth of money supply.

It is also content with the success in holding down wage increases: "Indeed average real wages in the industrial countries declined for the first time in at least twenty years in the second half of 1979 and fell further in the first half of 1980... The bulk of the outright losses of real wages occurred in the United States..." (p. 7)

Finally, the Fund notes that unlike the sequence in 1974-75, gross nonresidential fixed investment expanded after the 2nd oil shock rather than contracted. Although content with this rebound by business the Fund continued to push policies to favor the expansion of profits. It worried that there had been "a sharp decline in the share of national income going to profits during the 1970s...." This it attributed to the increase in "social transfers, wage increases and indexation." (p. 38) Parallel to this it lamented the fact that "improvement and extension of unemployment compensation benefits.. (however desirable from a social or political standpoint) have reduced the private opportunity cost of unemployment in some industrial countries.." (p. 36) The implications, of course, were that such unwaged income supports should be cut to increase incentives for workers to look for and accept jobs.

September 29-October 2: 36th IMF annual meetings. Reagan opening address pushes "the magic of the market place" and stiffer loan conditions.

October 4th: EEC realigns EMS currencies.

November 10th: Poland applies for entry to IMF.

November 17th: Bruce MacLaury, President of Brookings Institution addressed the CFR on "Domestic Economic Policy and the Dollar."

November 23rd: The International Banking and Finance Study Group of the CFR met to discuss "Economic Nationalism and International Banking: the implications for US policy."

December 10th: Roundtable luncheon at the CFR on "Petrodollars, Chapter 2 -- Making Haste Slowly."

December 13th: Polish government declares martial law arrest Solidarity leaders.

1982 January: Eastern European debt problems grow: Polish debt of $22.6 billion is greatest, annual debt service takes 91% of hard currency export earnings; the USSR has about $19 billion; Yugoslavia is next with $17.9 at Czech. $3.4; and Bulgaria with $2.0.

April 22nd: State Department meets with 11 banks to push easier aid to Yugoslavia and Hungary to support independence from Moscow. US banks hold $2.6 billion exposure in Yugoslavia. Yugoslavs owe the West some $18 billion in all and austerity programs in last two years have reduced personal income by 12.3% while the Yugoslav dinar has depreciated nearly 50% during the same period.

April 24th: At presummit meeting in Rambouillet, France, the United States pushes credit curbs against USSR. The Europeans resist because of their trade interests. The USSR has about $19.5 billion in outstanding debt whose repayment absorbs about 7% of soviet hard currency earnings. (*BW*, 5/10/82, p.71).

April 26th: The International Banking and Financial Study Group of the CFR met to discuss the International Monetary System, meeting chaired by William Diebold.

May 26th: The International Baning and Financial Study Group of the CFR met to discuss "Rescheduling Sovereign Debt: Is There a Better Approach?"

June 4th: Versailes Summit

June 8th: Jacques de Larosiere of the IMF addressed a general meeting of the CFR on "The Role of the IMF in Todays World Economy."

June 10th: Mass demonstrations in Bonn against US nuclear policy during President Reagan's visit to Germany.

August 5th: Mexico announces 2nd 30% devaluation oft he peso in 6 months. (Peso will fall from 26/$ in 1981 to 125/$ by August 27th). Two-tiered currency system with cheaper exchange rates for imports like food and interest payments. The impact is expected to cut growth, employment and real wages. In anticipation of social unrest the government moved troops into major cities.

August 12th: Mexico freezes $12 billion in hard currency bank accounts, total embargo of dollars crossing border. Freeze followed secret meeting with IMF to discuss Mexico's rescheduling its $60 billion public sector debt. (It also has $18-20 billion private debt.)

August 20th: 115 international bank executives meet with Mexican Finance Minister in New York City. He announces that Mexico cannot repay its debt without rescheduling and new loans. This rocks international financial community and is the beginning of the "debt crisis". From 1973 to 1981 LDC debt jumped from $97.3 billion to $425 billion, an average growth rate of 20%. By 1982 Western commercial banks held $327 billion or 65% of total LDC and Eastern European debt. (By the end of 1982 total LDC debt climbed to $626 billion). This debt explosion was partly the result of increases in real interest rates. It was also partly due to a shift from long to short term loans so that by the end of 1981 49% of Mexico's debt was due within one year. (BW, 9/6/82, p.81)

August 24th: Argentine Minister of the economy resigns after a wave of strikes protesting austerity. The unrest worries bankers who hold $40 billion of Argentine international debt.

August 30th: The United States and the Group of Ten agree to loan Mexico $1.85 billion to help with debt crisis -- and to help save their banks.

September 1st: Mexican president Portillo nationalizes Mexican banks.

September 6-9: Annual IMF meeting in Toronto. The international debt crisis forces Reagan ad-ministration to accept an increase in IMF quotas and lending ability -- a move it had previously resisted for ideological reasons. The US asked for a new emergency fund and a 25% increase in quotas. But later, as things got worse by November it would accept a 50% increase from $65.9 billion to $98.9 billion.

September 13th: *Business Week* story on Mexican crises worries about political unrest: "rumors of impending military coups and social unrest are proliferating." "Labor turmoil and social tensions could polarize Mexican society, it is feared, and ultimately trigger a violent lurch to the right or left." "To reduce the cost of subsidies the debt ridden government recently raised the price of staples, including tortillas and bread, by 50 to 100%." Union leaders "may not be able to keep their rank and file in line. Strikes and street demonstrations are widely predicted." Mexico's masses could be roused by armed repression -- such as the killing of several workers in a brutal attack by strike breakers at a bottling factory in Mexico City a few weeks ago. Angry slum dwellers storming into the city from the squalid shanty town of 2 million near the airport is the stuff of nightmares.." (9/13/82, pp. 104, 106)

October 8th: The newly elected socialist government of Sweden devalues the krona by 16%. Finland responds immediately with 9.5% devaluation. This sets off fears of competitive devaluations (Sweden not a member of EMS).

November 1st: Citibank report points out appreciating dollar has undermined competitiveness of US exports. The strength of the dollars, despite the recent decline of interest rate differentials between the US and Europe, is attributed to the relative security of investment in the US in times of trouble. The US trade balance is dropping rapidly, might be over 40% in 1982.

December 1: Miquel de la Madrid replaces Portillo as president of Mexico.

December: The IMF agrees to loan Mexico $3.8 billion (SDR 3.6b) over three years. Conditions, as usual, call for reductions in government spending, wages and consumption subsidies and efforts to increase savings and private investment. The IMF also tells private bankers to come up with $6.5 billion in new loans by December 1st 1983 and to reschedule $15.5 billion of Mexican short term debt.

December 8th: Brazil fails to meet payments on its debt. Bankers line up $500 million by 4 pm. Brazil heads for the IMF for help.

December 20: OPEC agrees to freeze oil prices at $34/barrel.

1983 January 10: Greece devalues drachma by 15.5%. Feeds fears of competitive devaluation.

January 10: IMF announces that its Central Banking Department will begin collection of detailed debt statistics and help national governments to do the same.

January 11: 35 commercial banks establish the Institute of International Finance to collect and disseminate information on debtor country "financial situation, development plans, economic policies, and existing and prospective foreign exchange obligations." This in order to help member banks "assess the credit standing" of the countries involved.

January 16th: Treasury Under Secretary Beryl Sprinkel in Paris offers to coordinate US recovery with Germany, British and Japan.

January 19th: Group of Ten meet in Paris and decide to increase the General Agreements to Borrow (GAB) from SDR 6.4 billion to SDR 17 billion and to make the GAB available to non-members.

January 24th: Following debt rescheduling and a new $1.1 billion commercial bank loan, Argentina borrows SDR 2 billion (SDR = 1.1 US$) from the IMF under tough austerity conditions.

February 7th: *WSJ* report on IMF imposed austerity in Hungary (3-4% imposed drop in consumption). Imposition reported as welcomed by Hungarian government: It quotes an Hungarian official: "The austerity program forced by the IMF is a help because it would have been necessary anyhow... It's our chance to have these unpopular measures implemented." (Fund agreed to SDR 547 million loan Dec. 8th, 1982).

February 10th: Brandt Commission issues *Common Crisis — North South: Cooperation for World Recovery*, a memorandum calling for doubling Fund quotas, increasing SDR allocations, and increasing foreign aid. They argue that IMF conditionally is too tight. Dangers of further drops in world trade and increased political instability.

February 10th: Interim Committee votes to increase Fund quotas from SDR 61.03 billion to SDR 90 billion under Eight General Review of Quotas. De Larosiere says Fund is "bailing the banks in," not out because it is helping them lend more not less. He claims increase in quotas together with increase in GAB will double Fund lending ability.

February 15th: Donald Reagan tells Senate Banking Subcommittee that the administration supports increased limitations on US banks overseas lending.

February 16th: Secretary of State Shultz in testimony before the Senate Foreign Relations Committee attacks banks for cutting back international lending too much. He said cuts will retard economic recovery in United States by cutting out exports.

February 18th: *Business International Money Report* warns multinational corporate lobbyists that administration pressure on Congress to support increases in IMF resources by $8.4 billion (amount of increase of US contribution) is producing a backlash: demands for "much tighter" controls over banks. These controls it warns "could have a detrimental impact on growth" in MNC business.

February 21st: *Business Week* runs an article warning of dangers of too much austerity: "the IMF's austerity plan will be self-defeating, leading not to growth and manageable debt but to sharp contraction in both developing countries and in industrial nations." "The drag on growth has already hit the US. Last year Mexico ... cut its imports from the US by nearly $6 billion." Moreover, "austerity could ignite a political explosion." (p. 111-112)

February 28th: Rohatyn article in *Business Week* (pp.15, 18) calls for global MAC: internationalization of his solution to the New York City fiscal crisis. He would have the IMF or some other body convert LDC short term debt into long term debt and to "help those debtor countries establish a revenue stream tied to sales of their commodities or other kinds of income in a way that would service their long term bonds in an orderly and credible manner." The taxpayers, of course, would help pay the costs.

February 28th: The fund announces an agreement with Brazil for major new drawings to deal with the Brazilian debt crisis. Total financing is some SDR 4.955 billion or 425 per cent of Brazil's quota. Conditionality calls for a program of cutting government expenditure, halving public financing twice in two years, income policies, and restrictive monetary policy.

February: General Agreement to Borrow substantially expanded, amount of credit expanded to SDR 17 billion "available under under an associated agreement with Saudi Arabia". GAB rate of interest raised from below market rate to SDR rate of interest. (On GAB see 1962 above)

March 7-9: Nonaligned country summit meeting in New Delhi.

March 14th: OPEC, after a ten day crisis meeting in London, announces a price reduction from $34-barrel to $29/b and also the intention to establish a production ceiling. The meeting was critical to prevent a price cutting war that would have meant the end of OPEC. The results of the meeting were still seen as fragile especially since England has refused to cooperate and still might cut prices further.

April 6th: Richard D. Erb, U.S. Executive Director of the International Monetary Fund led a CFR discussion meeting on "The Fund in the International Economy of the Future."

- April 13th: R.T. McNamar, Deputy Secretary of the Treas., speaks to the general meeting of the CFR in Washington, D.C. on "Global Debt Management: Challenge and Opportunities."

June 8th: William R. Cline, of the Inst. for International Economics leads a discussion on "Prospects for Latin American Debt," at a breakfast meeting of CFR's Latin America Project.

May 31st: The IMF refuses to deliver $411m of a $4.9 loan to Brazil because of its failure to meet austerity objectives.

July 4th: French government announces austerity measures introduced in early 1983 will be extended until the end of 1984.

July 11th: The Bank for International Settlements demands repayment of $400 million owed by Brazil. According to BW, 8/1/83, p. 21, this demand plus IMF refusal to continue loan on May 31st forced Brazil to come up with acceptable austerity measures, including limitation of indexation of wages to 80% of inflation and agreement to cut spending on state enterprises.

July 21st: Brazilian workers stage major work stoppages to protest IMF/government austerity measures. The strikes are met with widespread arrests and teargassings. Businesses are also protesting IMF imposed cap on interest rates that has cut bank lending to the private sector.

August 11th: Argentina announces freeze on prices and wages together with other austerity measures.

September 11th: *Annual Report* of the IMF released.

September 25th: IMF's Interim Committee decides to put a ceiling on the Enlarged Access Facility established in March 1981. This ceiling is reported to be a compromise between demands by the US for a more rapid reduction of the program (limit of 102% of quota) and Third World desires for its extension. The new limits are 125% of quota per year (instead of 150), up to 375% of quota over three years (instead of 450%), with a cumulative limit of 500% of quota (instead of 600%).

September 26th: IMF and commercial banks decide to arrange a new $11 billion credit package for Brazil. Private banks are to provide $6.5 b, governments are to provide $2.5 b plus the refinancing of another $2.0 b. Brazil is currently under a three year, $4.9b standby loan payments of which were stopped in May when Brazil failed to meet agreed austerity conditions -- especially failed to pass a law constraining wage growth. The future of the present package will hinge on the implementation of the military governments July '83 "Decree 2045" that would index wages at only 80% of inflation when it goes into effect in mid-November. Consideration of the decree is expected to come before the Brazilian Congress in late October and *Business Week* (Oct. 17th 1983, ct of 2045. The decree also imposes more progressive income taxes and increases corporate taxes. The Congress won't be able to kill the measure, which goes into effect immediately until next March. Whether the new decree will satisfy IMF demands for austerity remains to be seen. Separately, the government announced a 2.88% devaluation of the cruzeiro, bring total devaluation in last 12 months to 72.83%.

October 26th: Mexico and bankers agree to reschedule $22.5b in debt.

October 30th: Argentines elect Radical Party candidate Raul Alfonsin president.

November 1st: International bankers give Venezuela another 90 day deferral on principal payments on debt. This is the fourth deferral since March. Venezuela has refused to go to the IMF because of difficult conditionality.

November 2nd: *WSJ* reports that Brazil's central bank president will meet with bankers in the US to "explain Brazil's latest salary law."

November 7th: Spokesman for president elect Alfonsin in Argentina says new government will want to begin negotiations with foreign banks from scratch.

November 8th: WSJ reports that De Larosiere has told western bankers that the IMF will approve Brazil's austerity program despite skepticism of its ability to control wages.

November 10th: Bolivian government considering new austerity measures including price increases for basic food items but such moves are being resisted by the Bolivian Labor Confederation which has threatened a general strike.

The Brazilian Congress approved the governments wage law #2065.

WSJ reports unrest in Yugoslavia in reaction to an austerity program "forged in a pact with the IMF and Western commercial banks." (p. 34) The program includes "cutting subsidies on staples like flour and bread, launching a major drive for production gains and sharply limiting imports."

November 11th: Tens of thousands of auto workers struck for higher pay -- above that allowed by the new law -- in Brazil.

November 16th: Talks between IMF and Brazil end. IMF expected to approve Brazil's austerity program and clear the way for new loans of some $6.5 billion.

November 17th: IMF approves new $630M loan to the Phillippines -- conditioned on new "belt-tightening" of course.

November 23rd: IMF formally approves Brazil's austerity plan and agrees to resume lending.

November 25th: WSJ article surveying current state of debt crisis notes that 20 of 31 Latin American countries have imposed austerity programs.

December 5th : International banks support new loans for the Phillipines but Marcos was warned, according to the *WSJ* to put his "economic and political houses in order or face a cutoff of loans." The bankers also insisted on adherence to tough IMF austerity program.

BW runs an article on "Why Venezuela is the new Sick Man of Latin America" exploring how this OPEC country got into debt by borrowing against expected oil revenues which have not materialized because of declining oil prices. Since the country declared a moritorium on its debt last spring it has refused to go to the IMF for help and talks with some 450 bankers have "degenerated into stalemate". Talks are now expected to remain stalled until after the new post-election government gets going.

December 7th: Commercial banks to begin releasing $1.8 billion in delayed loans to Brazil.

December 12th: Commercial bankers back off on an agreement with Manila over loans while awaiting report of IMF study. While waiting, it is discovered that the Philippines has been overstating its foreign reserves by as much as $600 million to win new loans. According to the WSJ the discovery of this bit of dishonesty was kept secret by the 12 foreign banks negotiating the new loans.

December 13th: The new Argentine government imposes price controls.

December 26th: *Business Week* reports (p.24) on growing debt problems of weaker OPEC countries including Venezuela (see Dec. 5th above), Nigeria, Indonesia, and Algeria. All have gone into debt partly because of declining oil exports and revenues during the current glut.

December 30th: Nigerian president Shagari announced new austerity measures and said he would seek more money from the IMF and the World Bank.

December 31st: A military coup in Nigeria overthrows the Shagari government. The new military governing council, under the leadership of Maj. Gen. Mohammed Buhari, is expected to carry out Shagari's announced austerity measures in order to get help dealing with the country's some $14 billion debt. Buhari was a regional administrator under a previous military government and was oil minister from 1976 to 1978 and head of the state-owned Nigerian National Petroleum Corp.

1984 April: IMF to get $6 billion infusion from Saudi Arabia to fill gap between promised lending and IMF resources. The process was begun a year earlier, but Saudi demanded "gold guarantees" against possible losses on the loans. The IMF refused, but eventually gave some guarantees, details of which were kept secret.

April: IMF Interim Committee meets and emphasizes determination to resist protectionism.

May: OECD also expresses grave concern over rising protectionism.

May 1: IMF creditor interest rate raised to 88.33% from 85% of SDR loan rate. Plans to raise rate to 91.66% in 1985.

July 29: To promote the role of the SDR as an international reserve asset, the IMF begins charging interest weekly instead of quarterly and making payments on SDR holdings quarterly instead of annually.

August 2: US tells Poland it will stop blocking IMF membership as well as ease economic and scientific sanctions if Poland gives amnesty to political prisoners.

September: IMF *Annual Report* covering FY ending April 30, 1984:

Pleased with higher growth than previous several years. Price inflation in major industrial countries at lowest rate in 15 years. The Board expressed concern with excessive expectations and consumer demand. They rued the increase in labor cost as a percentage of value added costs to levels higher than in the 1960s and 1970s. They encouraged tight monetary and fiscal policy to limit business' ability to accede to wage increases and to curb demand. Fund continues to see major danger in "structural rigidities" of labor markets, especially in Europe. They are refering to the difficulty of firing workers —which makes business afraid of hiring. Fund calls for "increased flexibilty in labor contract negotiations" to lower working class expectations, decrease unemployment, and lower wage settlements. Fund applauds some countries' successes in adjusting wage-price indexation and social transfer programs. Finally, IMF expresses concern over rising pressures for protectionism.

December 17: Poland releases two famous Solidarity activists and in spite of a crackdown two days earlier, US promises to allow it into IMF (but abtains on actual vote). (Poland was a founding member, but withdrew in 1950 under pressure from USSR.)

1985 September: IMF *Annual Report* covering FY ending April 30, 1985: Fund posts first net deficit (SDR 30 million) in a decade. The red ink is due to lack of payments by Cambodia, Vietnam, Guyana, and an unidentified African Country. Fund notes growth was greatest in almost a decade, but also points to these problems: high unemployment; protectionism; fiscal deficits in major industrial countries; low growth in developing countries; and heavy debt in developing countries. It did note increases in employment in a few countries, but again criticized Europe for "structural rigidities" in the labor market. Another problem noted was the uneveness of recovery in developing countries which the Fund attributed to differences in ability and willingness to implement adjustment programs in a timely and efficient manner. It recommends wage caps and lower public consumption in the developing world to encourage internal investment. The Fund applauded the US for gains in employment and investment but had two criticisms: the large fiscal deficit; and the deficit in the current balence of payments.

September: Plaza Accords between US, Britain, France, Japan and West Germany launch a coordinated program to drive the dollar down in relation to other currencies.

1986 March: IMF establishes Structural Adjustment Facility (SAF) "to provide concessional balence of payments assistence to low income countries facing protracted balence of payments problems and undertaking comprehensive efforts to strengthen their balence of payments position".

April 7: First major realignment of currencies of EMS in three years (there had been seven such realignments in first four year between 1979 and 1983). At the request of France, its franc was devalued 3%. Simultaneously the deutchmark and the Netherland guilder were raised 3%. The Belgian franc and the Danish krone were raised 1%.

May: US passes Balanced Budget and Emergency Deficit Control Act (Graham-Rudman-Hollings legislation) to force reduction in US fiscal deficit.

May 31: Poland readmitted to IMF. The government had already begun to implement austerity pressures by raising food prices and lowering subsidies on other basic goods. Poland is the third COMECON country to join the IMF, following Rumania and Hungary.

May: Tokyo Summit with leaders at Plaza plus Canada and Italy (G-7) pledge to increase the coordination of their economic policies and gauge their economic performance against a set of indicators. The immediate goal is to help reduce the volatility of exchange rates.

September: Uruguay round of GATT talks begin at Punta del Este.

September: IMF *Annual Report* covering FY ending April 30, 1986:
Notes improved exchange rates due to Grahm-Rudman-Hollings legislation and the Plaza accord. Inflation rates are lower as are interest rates, also due to Grahm-Rudman-Hollings legislation, Plaza accords, and the large drop in oil prices (down over 40%/barrel) in the first half of 1986. The Fund lauded continued deregulation, privatization, and "improved" functioning of labor markets. It especially noted deregulation in US and the changes in the wage index systems in Europe which cut worker real wages. However, it wanted more change in Europe. The Fund celebrates lowering of labor cost as a percentage of manufacturing to 5.2% in 1985 from 11.5% in 1980. The Fund notes decreasing deflation in many developing countries, but warns of danger in Argentina, Bolivia, Brazil, Israel, and Peru which averaged 300% in 1985. The Groups of 10 and 24 call for giving greater weight to international considerations when determining domestic policies. The Group of 24 calls for IMF to make greater loans for longer terms (foreshadowing IMF-World Bank conflict in 1989).

December: Michel Camdessus, head of the French central bank, succeeds Jacques de Larosière as managing director of the IMF after a heated contest with H. Onno Rudding, finance minister of The Netherlands. Camdessus is tied to the French Socialist Party, and is perceived to be more flexible in his approach than Rudding.

October 6: Perceiving that it had "some problems with image and public relations", the IMF opens a visitor center in Washington D.C. Included is a film with the managing director Jacques de Larosière, who explains to viewers that the Fund "lends money to member countries that agree to policies designed to get them out of economic difficulties".

1987 Spring: C. Fred Bergsten in *Foreign Affairs* suggests two possible solutions for solving economic crisis. The most promising, according to Bergsten, is a framewotk of target zones for currency exchange rates. As long as currencies remain inside the zones, they would float. Only when they aproached the borders of the zone would governments intervene. His other major suggestion is the creation of The Group of Two (G-2) of Japan and the US. Bergsten advocated a " 'bigemony' between the United States and Japan — to replace American hegemony". His argues that these two countries are the two largest economies in the world, and have the greatest two way trade in the world as well. He suggested this G-2 could find a solution to Japan's large surplus and the US' larger trade deficit.

February: Louvre Accord between US and its allies declare the dollar has fallen enough (40% drop from 1985 peak). They agree to stabilize the dollar within a range but do not announce that range. They also call on countries with trade surpluses to lower them and to increase domestic demand.

April: G-7 meet to reaffirm Louvre and pledge to adjust economic policies to reduce trade imbalances.

June: Venice Summit with the heads of G-7 to endorse Louvre and approve specific plans for policy coordination based on economic indicators.

September: IMF *Anual Report* covering FY ending April 30, 1987:
Notes growth is down. Real commodity prices are as well. Continues warning of dangers of protectionism. On their positive side, they note that manufacturing wage growth grew at 30% less in 1986 than in 1985. Early in 1987, several currencies of the EMS are adjusted: Irish pound down 8%; Netherlands guilder up 3%; Luxemburg/ Belgian franc up 2%.

September: US Treasury Secretary James Baker suggests the major industrial powers base their joint economic policy in part on "the relationship among our currencies and a basket of commodities including gold". This results in an instant opposition to the reintroduction of anything resembling the gold standard.

October 18: After threatening Germany to cease raising interest rates, Treasury Sec. Baker and US abandon Louvre and let dollar decline against the Deutchmark.

November 11: Germany offers to cut one key interest rate.

December 23: G-7 decides dollar has fallen enough. They reintroduce the Louvre decision, stating that they may intervene to prevent a further fall, and again set a range for the dollar without releasing that range.

1988 April 13: G-7 meeting results in decision to create a commodity price indicator to add the the toolbox of economic indicators.

June: IMF creates Extended Structural Adjustment Facility (ESAF) which has similar purposes as the SAF, but is triple the size and allows up to three times the ammounts withdrawn.

June 21: Toronto Summit participants resolve to: resist calls for protectionism; address debt burdens; and address the world agricultural problem. They pledge to "persue structural reforms by removing barriers, increasing competition, and removing disincentives to work, save, and invest."

August 23: IMF established the Compensatory and Contingency Financing Facility (CCFF). It supercedes the Compensatory Financing Facility (CFF). The primary goals are: help stabilize earnings in primary commodity exporting countries; provide contingency financing for countries who have entered adjustment programs under the IMF; help deal with short term drops in export earnings or rises in cereal import costs.

September: IMF *Annual Report* covering FY ending April 30, 1988:
Notes increased growth in industrial countries, but decreased in developing world. Also expresses concern over a lack of credit worthiness in debtors. Fund advocates "cooperative approach" including "better" domestic policies, a favorable external environment, and sufficient external financing. Gleefully notes that manufcturing wage growth dropped again to 3% in industrial countries and that unit labor costs fell 0.25% in 1987 after a 1.5% rise in 1986.
IMF Board and Interim Committee both agree that further exchange rate adjustments would be counterproductive in solving disequilibrium problems. They call instead for increased coordination of domestic economic policies including lowering domestic demand in countries with high trade deficits and raising it in countries with trade surpluses.

September: The IMF and the World Bank hold their congress in West Berlin. The G-7 endorses the current level of the dollar after a drop since the 1985 Plaza Accords. Japan expresses an interest in substantially increasing its quota in the IMF. Camdessus calls for a 50% to 100% increase in members subscription rates. US Treasury Secretary Nicholas Brady criticizes this plan. The US government is skeptical of the need for more revenue. A group of representatives of developing countries tell the IMF that austerity programs can do

no more without growth. They call for decreased trade surpluses in the developed world and lower interest rates to aid growth and ameliorate the debt burden.
The congress is marked by many and varied protests against the organizations. A West German state secretary in the Finance Ministry is shot at on the 20th. There are arsons and assaults against participants in the congress. The German Autonomen call the IMF and the World Bank "the front line of capitalist imperialism" and the "cutting edge of exploitation in the third world". Various groups hold a counter-congress on the 24th and a massive protest rally on the 25th. Hundreds are arrested in this protest and other demonstrations on the 28th. Throughout the whole event, German police systematically harass demonstrators, particularly the Autonomen.

October 19-20: Stock markets crash world wide (including US, UK, Germany, and Japan) dropping stock market indicators about 25% and leading to interest rate drops worldwide.

1989 February: Intramural conflict between IMF and the World Bank, traditionally in short/medium and long term lending respectively. The IMF complains that the World Bank is treading in the IMF's territory by engaging in short term lending. The World Bank retorts that the IMF has been dealing in long term development finance.

March: Joint meeting between IMF and the World Bank to better define the responsibilities of each. They agree to exchange information on policy concerns, mission plans, and research. They also agree to collaborate on debt strategy, especially with regard to overdue debt.

September: G-7 decide that recent rise in dollar is excessive and "inconsistent with long-term economic fundamentals". They follow with concerted action to reduce the dollar.

September: IMF *Annual Report* covering FY ending April 30, 1989:
Industrial ouput at highest level in a decade due to high demand in industrial countries. There were some trade imbalence adjustments including the US regaining most of share lost between 1980-85. To fight inflation from the 1987 crash, most countries persue tight monetary policy driving up interest rates.
The Fund continued its call for reduced consumption in the public sector in both industrial and developing countries. Despite the high trade figures, the Fund is particularly concerned with protectionism caused by the Fund's arch-enemy, "rigidities in the labor market". Besides tariffs, it also pointed to quotas, health codes, customs complications, and advertisement restrictions. It praised the US—Canada free trade pact and the EC proposal for a common market by 1992.

September 21: Camdessus declares that 19 of the IMF Executive Board's 22 members (70% of the weighted vote) support an increase of at least 67% in the current pool of $120 billion in gold and various currencies that the Fund holds. To pass, the proposal requires the consensus of all members. The US, along with Britain and Saudi Arabia dissent.

September 28: USSR gives state bank (Gosbank) the authority to issue foreign exchange licenses to domestic banks.

1990 This year marked the rapid decline of the state capitalist regimes in Eastern Europe. One by one, the Communist countries admitted defeat of their means of control and turned to the IMF for help. As Western politicos gloated over their success in winning the cold war, the international market capitalists —represented by the IMF— prescribed several basic "cures".
— Replace controlled planning and regulation at the micro level with macro management and controls. Create markets and end price controls.
— Develop financial market including introduction of market determined interest rates.
— Reduce public sector through privatizing and streamlining
— Change laws to allow wider private sector and to create a social safety net of unemployment insurance, transfers to poor, and improved pensions.
— End the state monopoly on foreign trade

January 1: France finishes process begun in 1986 of removing all currency exchange controls.

January 5: Italian lira devalued *within* EMS, first reallignment in 3 years

January 9-10: Conference in Sofia, Bulgaria of USSR and nine allies agree to begin the process of dismantling the Council for Mutual Economic Assistance (CMEA), which was the barter system between the

COMECON countries. The participants agree to start using dollars as soon as 1991.

February 5: US changes position and says it will accept up to a 50% increase in IMF quota.

April 7: Meeting of economic ministers of G7, discuss increase in IMF capital

May: IMF meeting expects to increase quotas by 50%. Japan insists that new arrangements be made to put it in in the #2 position (after #1 US) in the weighted vote hierarchy in the Fund, displacing Britain. The G-7 work out the voting scheme: Japan and West Germany share the #2 spot and Britain and France share the #3 position.

May 14: Italy finishes process of removing all currency exchange controls.

May 16: Soviet Union gains observer status in GATT

June 10: Bush and Salinas annouce NAFTA

June 27: Bush proposes Enterprise for the Americas Initiative, includes debt reduction and hemispheric free trade zone.

July: Monetary Union between East and West Germany.

August 2: Iraq invates Kuwait; oil prices rise to $23.11 per barrel

August 8: The government of the USSR makes clear for the first time its interest in joining the IMF as Foreign Minister Eduard Shevardnadze tells Camdessus, "Our country regards membership of the IMF as a logical continuation of its policy of wider involvement in global economic cooperation".

September 25: IMF *Annual Report* covering FY ending April 30, 1990:
Notes moderate growth. Signs of inflation lead to restrictive monetary policies in industrial countries. The IMF criticized several debtor countries for having too expansive monetary and fiscal policies that could fuel inflation. It mentioned in particular Argentina, Brazil, Poland, and Yugoslavia. At the same time, the Fund heaped praise on Mexico for its anti-inflationary measures [that cut real wages in half]. Fund commends US for tight money and low inflation, but criticizes for high deficits. Calls for lower expenditures and possibly more taxes.

In response to developing countries' call for more growth before austerity can work, IMF responds: "A reduction in external debt, in conjunction with strong policies would contribute to a resumption of growth." That is to say, no way, Jack. The Fund calls instead for lower public sector wages and employment and cutbacks on transfers to public industry.

September 25: USSR is invited to IMF and World Bank meetings for the first time.

October: Britain enters the pound into the exchange rate mechanism of the EMS.

October: Uncontrollable immigration from East to West forces political unification of East and West Germany.

November 5: 30,000 students protest in Paris, demand increase in education spending

November 12: 100,000 students protest in Paris, demand increase in education spending

November 15: Rocard government in Paris agrees to increase education spending

December 14: EC summit in Rome announces $1 billion emergency food and medical aid to Moscow and additional $1.4 billion in technical assistance.

1991 January: Italy enters Lira into exchange rate mechanism of the EMS.

January 16: Persian Gulf war begins.

June: The G-7 in a mass coordinated selling, devalue the dollar by 2.4%. This is seen as a quid pro quo for

Germany's decision not to raise interest rates.

July: Democrats in US Congress holding back on increases to IMF. They want IMF loans to be tied to environmental improvements and alleviation of poverty.

September: IMF *Annual Report:*
Notes economic growth down to 2% in 1990 from 3.25% in 1989. World entered into recession due to long term effects of tight money supply in North America and UK, the temporary rise in oil prices from the gulf crisis, and uncertainty about future Middle Eastern oil markets. Also notes reduction of current account deficits of US, Japan, and Germany. Commended Poland and Yugoslavia for instituting tight monetary policy to combat inflation.

Fund is concerned that US might not make the fiscal cuts called for under the Graham-Rudman-Hollings legislation for fear of deepening the recession. The Fund was still concerned with the large current accounts deficit. Some Board members believed that it would be dangerous to make too deep cuts, and recommended a combination of spending cuts and taxes. Suggested were energy taxes and consumption taxes such as a value added tax. The Board believed that the US trade deficit was due more to low national savings rate than to investment difficulties. So at the same time, they also suggested removing tax disincentives to saving.

The Fund saw a major challenge in the Gulf crisis and had several responses to aid members:
— Modify or rephase ammounts available to members.
— Suspend until the end of 1991 three-year and cumulative borrowing limits under Enlarged Access Policy.
— Increase ESAF funding
— Add fourth year of ESAF support for countries that would complete current ESAF agreements before November 1992
— Introduce until end of 1991 an oil import element into CCFF
— Increase CCFF coverage to include losses from lower receipts from pipeline, canals, shipping, transportation, construction and insurance.

December: The Maastricht Treat is signed. The EC agrees to create a single currency and a regional central bank by the year 1999. Britain's Prime Minister John Majors refuses to promise to give up the Pound Sterling, but does not block consensus. The British also refuses to allow a central body to define social domestic policy. This refusal to join the EC "social compact" amounts to a refusal to give up the victories of the Thatcher period and its victories over workers. Those victories in reduced wages and social benefits are drawing direct investors out of continental Europe and into the UK. Europeans will begin to attack this as "social dumping" —making an analogy to trade dumping wherein countries sell their goods at below cost (thus no profit) to gain market share.

1992 February 7: Treaty on European Union signed at Maastricht by EC Foreign and Finance Ministers
February 20: Bundesbank board member Otmar Issing calls Germany's 4% inflation "highly unsatisfactory" (double the desired 2% level) and attacks recent 6.4% wage deal in the steel industry as contributing not only to inflation but also to unemployment. He called for "cuts in social spending" saying that there is a need for "unpopular and courageous decisions".

April 1: The US Congress passes a foreign aid resolution that excludes the additional money for the US increased quota in the IMF.

April 7: European Parliament endorses Maastricht Treat by 226 votes to 62 with 31 abstentions
April 8: Spanish government mandates cuts in unemployment benefits to meet "convergence" requirements for entrance to European monetary union planned for 1997.

April 27: Russia and the states of the ex-USSR are offered membership in the IMF and the World Bank.

May 28: Half-day general strike in Spain to protest reductions of unemployment benefits during period of 15% unemployment (effective April 8). General strike in Spain follows similar strike waves in France and the Netherlands.

June 1: Russia is formally admitted to the IMF.

June 2: Danes narrowly (50.7 to 49.3 %) reject Maastricht Treaty in referendum vote. Rejection rocks EC policy makers.

July 8: The first IMF loan ($1 billion) to Russia is cleared.

July 10: OECD two year report on Belgium calls for reduction of "generous social spending, particularly unemployment benefits". This reports buttresses austerity plans of Belgium government "to ensure the country is ready for entry into the European Economic and Monetary Union (EMU) by 1996. OECD calls for reducing social security payments to the European Community average. Also calls for reduction in unemployment benefits (as in Spain —see above) "One of the main options possible would be to reduce the degree of generosity of normal unemployment payments and above all to limit their length and to make them more degressive," the OECD said.

July (mid): Germany's Bundesbank raises discount rate to a record high of 8.75%.

August 6: The US Congress passes a foreign aid package the includes the increased IMF quota, along with aid for Russia and the CIS members.

September 13: Lira devalued by 7%

September 16-17: unable to defend the pound by raising interest rates, Britain pulls out of Exchange Rate Mechanism (ERM) of European Monetary System and the pound dropped sharply in value. By mid-April 1993, the pound will depreciate by 14%. Italy also withdraws the lira and the Spanish peseta is devalued by 5%.

September 17: EC Employment Report predicts a sharp rise in unemployment in Europe this year: from 8.5% last year to 9.5% this year, might level off in 1993 at 9.7%

September 19: Frankenstein's Goldbug — Bush proposes linking world currencies to a basket of commodities including gold to guide currency adjustments and monetary policy. Most G-7 ministers see plan as unworkable, but IMF managing director Camdessus approves of plan in conjunction with other indicators.

September 20: French narrowly endorse the Maastricht Treaty (51.05 to 48.95%)

October 27: European wide strike by railroad workers.

November 9-11: European Trade Union Confederation meeting in Athens calls for revision of EMU convergence rules to "include criteria which are socially acceptable and are based on a negotiated economic and social compromise.

November 20: EC and US settle conflict over farm subsidies, allows settlement of Uruguay Round

November 23: Spanish Peseta and Portuguese escudo devalued by 6%.

1993 January 27: Britain cuts interest rates by 5% to lowest level since 1977. France is angered, seeing that lower interest rates, and the growth stimulated by it, are pulling direct investors out of France and into the UK.

February 4: Japan's central bank cuts key interest rate to fight recession in growth.

February 5: Bundesbank cuts two key interest rates by 0.5% and 0.25%. The cuts are generally seen as too small to have any long range impact.

April: Interim Committee of Fund issues declaration calling for "global cooperative effort", conclusion of Uruguay Round of GATT and "underscored the Fund's vital role as the central international monetary institution" (IMF, *Annual Report*, p. 1)

April: Fund establishes a temporary Systemic Tranformation Facility (STF) to support switch to market in ex-socialist countries. Kyrgyzstan gets first loan in May.

April: Fund's Executive Board' Spring Discussion: (from summary vis a vis Europe): "the lack of adequate structural reform of labor markets had led to the high levels of unemployment in anumber of indsutrial countries, particularly in Europe. Rigidities in labor markets in Europe had kept unemployment high and had contributed to subdued consumer confidence, demands for industrial subsidies, and pressures on government trade policies. . . They stressed that there should be less emphasis on income maintenance policies and more on incentives for greater labor mobility, better training and retraining programs and more flexible wage structures."

May 3: (East) German industrial industrial workers begin a massive strike for the first time since 1932 near the end of the Weimar Republic. They are protesting broken promises by business. In order to gain the support of German workers for reunification business promised that within two years, they would bring East German wages up to levels in the West. When business unilaterally broke the deal, complaining that productivity was too low in the East, the workers walked out.

November: major increase in Fund quotas. This, plus new member quotas, raises total Fund quotas by almost 60 percent from SDR 91.2b to 144.6b.