OPINION

Congress Can Help the U.S. By Reforming The IMF

The past few years are a stark reminder why we need an international 'first responder' backed by ample resources.

By CHRISTINE LAGARDE

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From its founding in 1945, the International Monetary Fund has had a unique role in the global economy. Again and again it has provided vital financing and economic support in times of crisis—from the postwar reconstruction of Europe, to the transformation of the countries of the former Soviet Union into free market economies, to the resolution of the financial crises in Asia and Latin America to the current recovery from the great recession.

The IMF's lending, policy advice and capacity building has promoted economic growth and economic stability across the globe thanks to its almost universal membership. That includes the steadfast support and leadership from the United States—a founding member of the Fund and host of its headquarters in Washington, D.C.

But to meet tomorrow's challenges, the IMF needs to adapt. A large majority of the member countries have approved reforms to strengthen the resources and governance of the IMF. These reforms await approval by the U.S. Congress. The IMF's continued ability to fight economic and financial crises rests on its approval.

The past few years are a stark reminder that countries need an international "first responder" backed by significant resources. Liquidity needs can be so large, and movement of financial flows so rapid, that even stronger economies can be affected by a breakdown in global confidence.

The IMF's 188 member countries recognized this and, at the onset of the financial crisis, increased its resources to about $700 billion from about $250 billion on a temporary basis. This enabled the Fund to play a leading role in stabilizing the world economy. Now these resources need to be made more secure to fight other potential crisis situations in Ukraine and elsewhere, especially to counter potential spillover to other countries.

It's also necessary to shift some of the voting power among the member nations. Emerging market and developing countries are contributing more to global economic growth, and the IMF needs to take account of these changes. Increasing the voting power of countries such as Brazil, Mexico, Korea, China and Turkey also means their financial contributions to the Fund will increase. Overall, the reforms will broaden the IMF's funding base and make it more reflective of its global membership—all of which will help to strengthen its effectiveness.

The United States is the shareholder with the largest voting power (16.75%) and has its own seat on the IMF board. That will not change.

A stronger IMF and a strong U.S. economy go hand in hand. U.S. economic growth depends on trade and investment ties with the rest of the world—and some 95% of the world's consumers live outside the U.S. The IMF—as the primary institution for international economic cooperation—supports those ties by promoting reliable statistics and numbers, responsible economic policies, trade and open markets.

The IMF reforms come at no additional cost or risk to the American taxpayer. Money that Congress already appropriated five years ago will simply be transferred from a temporary fund at the IMF into its permanent resources.

That is important because the U.S. alone does not control access to the temporary resources; other countries who contributed to them could vote to make them inaccessible. An IMF that is permanently funded, with sufficient resources and always ready to respond, is the best proposition for America and for the world.

Every U.S. president since World War II has supported strong U.S. engagement with the IMF. Three of them— Ronald Reagan, George H.W. Bush and Bill Clinton —specifically backed legislation to increase the Fund's resources. Just days ago, a group of high-level policy makers including Henry Kissinger, Madeleine Albright, James Baker and Condoleezza Rice issued a statement strongly in support of the current IMF reforms.

The United States, our 187 other member countries, and the International Monetary Fund have had a strong relationship that has been a powerful force for global good. The reforms now being considered by the U.S. Congress will strengthen this relationship even further—and promote global economic stability and prosperity into the future.

The IMF is tasked with big responsibilities for maintaining global economic stability. If the IMF is asked to go big, it needs to be strong. And if the solutions must have multilateral ownership, all partners need to endorse the multilateral institution.

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