LONGWAVE GROUP

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Those who cannot remember the past are condemned to repeat it. Santayana

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RESORTING TO THE LAST LENDER

Last weekend's G20 economic summit in London provided several world leaders with a unique opportunity, not only to perform some political grandstanding, but also, to be perceived to be doing something concrete about the current global economic depression. Assuredly, anyone who expected the London summit to solve the world's economic crises wears a naïve and gullible mantle. In sooth, the current global economic problems, i.e. declining production, international trade and credit availability; together with soaring unemployment, business bankruptcies and budget deficits, will not be solved overnight. They are rebalancing components of the long term business cycle and must work their way through the natural course of economic events. As enormous as the world appears to us, it is still a finite place, so to expect endless economic growth year after year and decade upon decade is simply unrealistic.

Be that as it may, several member countries saw fit to pledge a total of $1.1 trillion (U.S.) to refinance the Washington, D.C. based International Monetary Fund (IMF). Indeed, the European Union and Japan will increase their quotas by $100 billion (U.S.) each; China by $40 billion (U.S.); Canada by $12 billion (U.S.) and so on. Created in 1945 to promote the health of the world economy through international monetary co-operation, the IMF is governed by and accountable to the governments of the 185 countries which comprise its global membership. Specifically, the IMF's Articles of Agreement outline its mandate:

To facilitate the expansion and balanced growth of international trade

To promote exchange stability

To assist in the establishment of a multilateral system of payments

To make its resources available to members experiencing balance of payments difficulties

The Board of Governors is the highest decision making body of the IMF, but this Board may delegate to the Executive Board all, except certain reserve, powers. Accordingly, it is the Executive Board which is responsible for conducting the day-to-day business of the IMF. The Board is comprised of a Managing Director and 24 directors who are appointed or elected by member countries, or, by groups of countries. Mr. Dominique Strauss-Kahn of France, began his current 5-year term as IMF Managing Director and Chairman of the Executive Board on November 1, 2007.

Together, 5 major Executive Board members; the United States, Japan, Germany, France and the United Kingdom control almost 40% of the total voting power within the Fund. Indeed,

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Germany and Japan each possess twice the voting power of Canada; while the American multiple is almost fivefold. In general, the IMF is responsible for promoting the stability of the international monetary and financial system. In point of fact, it is supposed to work to prevent crises and help resolve them when they arise, thereby, promoting growth and alleviating poverty. It seems suffice to say that the Fund's recent performance has been somewhat less than stellar. Moreover, reviewing the recent, pitiful economic track records of the 5 major Executive Board member countries cited above, prithee, from whence will come the change in which we can believe?

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