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Book Review

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BOOK REVIEW

MEMBERSHIP AND NONMEMBERSHIP IN THE INTERNATIONAL MONETARY FUND. By Joseph Gold, Washington D.C.: International Monetary Fund (1974). Pp. 683. $10.00.

It is the purpose of the International Monetary Fund, as expressed in Article I of the Articles of Agreement, to provide a central institution to aid and support other international institutions concerned with the planning and regulation of the world's economy. Expansion of international trade was a goal of such economic planners as Keynes and H.D. White, and this goal necessitated a multilateral international agreement to establish such an organization, to provide for its funding, and to establish a system of exchange rates to make foreign currencies more liquid and more useful, thereby facilitating trade between members of the Fund.

Mr. Gold's book carefully examines the problems of law and diplomacy that have arisen with respect to membership and nonmembership in the Fund. The greater portion of the book is devoted to problems of membership and how the Fund has pragmatically approached and solved each of them on a case-to-case basis. Thus by avoiding the creation of binding rules the Fund preserves its flexibility, allowing it to pursue its stated goals with greater ease and efficiency.

Typical problems with which the Fund has been concerned in the area of membership include the meaning of "country," the existence or non-existence of domestic currencies of applicants for membership, the establishment of exchange rates and other terms of membership, and the criteria used to admit applicant countries to membership in the Fund. Each of these problems is unique, and each has been resolved by the Fund individually and in a pragmatic manner. The criteria for membership in the Fund have been interpreted liberally and construed as "minimum" requirements. For example, the requirement that the country be in formal control of its external relations (Article XX, § 2), does not mean that it must in fact control all of its external relations, but that it is enough if the country be in *formal* control, even if it is subject to restrictions by treaty or substantial influence by other countries. Similarly, the requirement that the country be willing and able to perform the obligations of membership is considered met even though the cooperation of other members is necessary to enable that country to perform.[1]

This type of interpretation gives broad discretion to the Fund in its determination of whether or not an applicant has satisfied the criteria for membership. Theoretically, the Fund has enough freedom to admit any applicant, but in fact is subject to enough constraint to require satisfaction of some criteria. Where the line between the two has been drawn in the past is the subject of the first section of the book. This section concludes with an examination of the rights of membership and the relationship of the Fund to the United Nations, the World Bank, and other institutions.

The second section of the book deals with ex-membership: cases of voluntary or compulsory withdrawal, settlement and arbitration, and some legal consequences of withdrawal. The right of voluntary withdrawal is based on a fundamental concept that "[i]f member states were free to escape from the provisions of a treaty, they might be the more willing to go on accepting the constraints it imposed."[2] The sanction of compulsory withdrawal is available to the Fund but is rarely invoked because the Fund wishes to avoid at all costs the taking of any action that would appear "censorious," and because expulsion of any member from a world society weakens the structure of the whole society.

The distinctions between findings of withdrawal, ineligibility to use certain benefits of the Fund, ineligibility to participate in the Fund, and the consequences of these findings are considered very carefully in section two, and Mr. Gold aptly uses an historical approach to illustrate how the Fund has handled these problems. This section of the book emphasizes that although the Fund and its members act in an atmosphere of total freedom, there is enough constraint that a member must either honor his obligations or withdraw. If he withdraws, any binding obligations can be pursued to settlement, but it is hoped that members will remain as members, voluntarily meeting their obligations.

The third and last section of the book deals with nonmembership and the relations of the Fund and its members with "third-party countries." The Fund is able to influence nonmembers by acting through its own members, by extending certain benefits

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[1] GOLD, MEMBERSHIP AND NONMEMBERSHIP IN THE INTERNATIONAL MONETARY FUND 41-43.

[2] *Id.* at xi.

to nonmembers who are members of other international institutions, or to nonmembers who are parties to special exchange agreements under the General Agreement on Tariffs and Trade (GATT). This type of conduct is interesting because it goes beyond the authority granted by the Articles of Agreement.

How far the Fund's authority goes is a matter of speculation. This makes it difficult to determine what role the Fund will play in the future. While the basic concept of the Fund is Keynesian, the present economy has taken an anti-Keynesian turn, giving us recession coupled with inflation and distorted balances of payments (an evil sought to be avoided by the creators of the Fund), with all of these factors weakening the system of fixed exchange rates. Unfortunately, there is no consideration of the impact of the petrodollar and current inflation on exchange rates, although as established, the Fund orginally called for fixed rates of exchange with the U.S. dollar as one reference point. The exigencies of modern economics have brought about the current system of controlled floating of exchange rates, which defeats the requirement of fixed rates. Whether the Fund is flexible enough or pragmatic enough to reinterpret these requirements is a matter to be considered by the Fund, which is already giving some attention to this area. Analysis of this type of problem does not appear in Mr. Gold's book, most probably because the approach of MEMBERSHIP AND NONMEMBERSHIP is historical rather than prophetic, and its tone is explanatory rather than analytical.

With this in mind, the value of the book becomes apparent. Although it seems in some places to be overly technical, this is because some of the problems considered are rather intricate, and because Mr. Gold has given his study exhaustive treatment. This exhaustive treatment not only means detailed and documented consideration of the rules and conduct of the Fund, but also includes a wealth of material provided in eleven appendices (including the Articles of Agreement and sample application forms), and seven indices. If this book does not answer any question one might have about the Fund, its bibliography should indicate one that will.

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