The IMF Story

The IMF was created in response to the Great Depression and World War II as a way to promote monetary cooperation, financial stability, and economic growth for all countries.

1919 After World War I, the Versailles peace treaty imposes reparations on Germany.

1920s Countries begin to adopt "beggar thy neighbor" policies—for example, competitive currency depreciations; U.S. Smoot-Hawley Tariff Act increases protection for U.S. farmers against agricultural imports.

1922–23 Assuming victory in the war, Germany had borrowed large amounts of money. Unable to pay reparations, it prints massive amounts of currency. Hyperinflation rages.

Papering a wall with German currency notes

1930s The Great Depression has ruinous economic impact. Countries struggle to balance their budgets. Trade breaks down.

1931 Hard hit by depression, Japan invades Manchuria—rich in minerals, forestry, and farmland—to resolve its domestic problems.

Japanese troops enter Manchuria

1936 The Tripartite Agreement (France, United Kingdom, and United States), whose goal is to avoid competitive exchange depreciations, takes effect.

1939 World War II begins.

1944 IMF and World Bank Articles of Agreement formulated at International Monetary and Financial Conference, Bretton Woods, New Hampshire, United States. Forty-four countries participate.

Bretton Woods architects John Maynard Keynes and Harry Dexter White

1945 World War II ends.

1947 IMF begins operations, with France as its first borrower ($25 million). The General Agreement on Tariffs and Trade—an international trade organization—is established.

1952 IMF approves proposals for Stand-By Arrangements to help countries address short-term balance of payments problems.

1963 IMF creates Compensatory Financing Facility to help countries hurt by fluctuations in world commodity prices.

1967 IMF approves plan to create SDRs (Special Drawing Rights)—a new international reserve asset—to support fixed exchange rates. Plan is implemented in 1969, in First Amendment of IMF Articles of Agreement.

1971 United States says it will no longer buy and sell gold to settle international transactions. Par values and dollar convertibility—key features of the Bretton Woods system—cease to exist. Industrial country currencies are realigned, and gold price increases. IMF establishes temporary regime of central rates and wider margins.

1973 Generalized floating begins among major currencies. First global oil crisis.

1974 Committee of Twenty (C-20) on Reform of the International Monetary System agrees on program to help monetary system evolve. Guidelines to manage floating exchange rates are adopted. Extended Fund Facility is introduced on C-20's recommendation, enabling IMF to support medium-term policy programs.

1976–78 Stand-By Arrangements with the United Kindom, Italy, and Spain; there have been no subsequent arrangements with industrial countries.

1978 Second Amendment of IMF Articles of Agreement establishes members' right to choose their own exchange rate arrangements. The IMF is charged with exercising "firm surveillance" over its members' policies.

1979 Second oil crisis.

Los Angeles motorists line up for gasoline

1982 Mexico's difficulties servicing its foreign debt trigger debt crisis.

1985 IMF and World Bank support debt initiative calling for adjustment by debtors, greater and more effective lending by multilateral development banks, and more lending by commercial banks.

1986 IMF creates Structural Adjustment Facility to provide concessional balance of payments assistance to poor countries, reflecting the shift in lending from industrial to developing countries that began late in the previous decade. In wake of Plaza Agreement of 1985 among the G-7, IMF calls for greater policy coordination to improve functioning of floating exchange rate system.

Harvesting in Tanzania

1987 IMF creates Enhanced Structural Adjustment Facility (ESAF).

1989 Berlin Wall falls. IMF strengthens strategy for dealing with developing country debt, with debt reduction as a key feature.

Bringing down the Berlin Wall

1990s New era of globalization is established as economies and societies around the world become more integrated through trade and financial flows and movement of people and technology across borders.

1991 Soviet Union and Yugoslavia break up.

1992 First of the former centrally planned economies are approved for IMF membership.

1995 World Trade Organization succeeds the General Agreement on Tariffs and Trade.

1996 Joint IMF–World Bank Heavily Indebted Poor Countries Initiative is endorsed.

1997 Financial crisis erupts in Thailand and spreads to other Asian economies.

1998 Russia is hit by financial crisis.

1999 Brazil succumbs to financial crisis. IMF and World Bank establish new approach to support low-income countries, emphasizing homegrown poverty reduction strategies. ESAF is replaced by Poverty Reduction and Growth Facility.

2000 Argentina and Turkey experience financial crises.

2001 In response to the terrorist attacks of September 11, IMF expands efforts to combat money laundering and financing of terrorism.

2003 A joint IMF–World Bank project to monitor policies and actions needed to achieve Millennium Development Goals (including poverty reduction, universal primary education, and lower child mortality) by 2015 is endorsed.

A classroom in Tanzania