

THE INTERNATIONAL
MONETARY FUND

THE INTERNATIONAL MONETARY FUND

Retrospect and Prospect

BY

SHIGEO HORIE

President of the Bank of Tokyo

With a Foreword by

SIR ROY HARROD

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TO THE MEMORY
OF MY WIFE
MONICA AYAKO

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FOREWORD

BY

SIR ROY HARROD

IT is with great pleasure that I write a foreword to this book by my friend, Mr. Shigeo Horie, President of the Bank of Tokyo, a man of great experience and learning, and of subtle intelligence.

From a purely utilitarian point of view I believe that this book will have an important part to play. As a tutor, I have found difficulty in advising adequate and up-to-date reading on the subject of the International Monetary Fund. I am sure that this volume will be welcomed on that account in many universities.

Mr. Horie opens with a retrospect of monetary history. There is much originality in his definition and analysis of the nature of the old gold standard system, which was centred upon London, and in the way in which he traces the stages in the decline of that system. He gives a very clear account of the genesis and development of the International Monetary Fund.

Japan has now been drawn into closer monetary relations with the western world by its membership of the 'Paris Club' and of the OECD; but until quite recently a Japanese observer necessarily viewed developments in these parts of the world with a certain detachment. This adds substantially to the value of Mr. Horie's work. He is well equipped with a scholarly knowledge of the progress of events. When assessing motives and in giving weight to various happenings, he sometimes makes points that will be novel to many English-speaking readers. Their interest in the book will thereby be kept lively.

At the time of writing, intensive study is being made of possibilities of reform in the world's monetary system. It is of interest that Mr. Horie, bringing his finely attuned mind to bear upon the present situation, is of the opinion that what I would describe as a rather far-reaching reform is needed. Thus his book is very timely.

AUTHOR'S PREFACE

SINCE the term 'crisis' was first used to describe the state of the world monetary system, there have been heated discussions in various quarters about the reform of the present International Monetary Fund system.

For many years I have been keenly interested in the Fund's organization, its character and operations, from both the practical and academic standpoints. I have availed myself of every opportunity to study it and I have been fortunate in having opportunities to absorb the atmosphere of international debate at the Fund's annual meetings. For this reason and others, I decided to publish my studies in book form with various data, new and old, and my experiences, as basic materials.

The idea of the Fund did not arise suddenly in the minds of those who took part in drafting and establishing it. As has been the case with all social phenomena, a very long time elapsed and tremendous efforts were exerted before the way was opened for its birth. The present system has its origin in the international gold standard system which was the first to embody an international monetary system. Further, the lessons learned in the field of international finance during the inter-war period and the experience gained in solving complex problems led up to its establishment.

In this book I first analyse the international gold standard system, and then trace the development and changes in it during the inter-war period. In this way I endeavour to help readers to grasp the process by which the Fund system was established. On the basis of my experience of what has gone before and an analysis of the present Fund arrangements, I survey various plans for reform and set out my views on its future prospects.

My conclusion, which may sound commonplace, is that currency should always be rigidly controlled, both internally and internationally, and that international control should be exclusively by an international institution. Fortunately, a

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trend toward closer international economic co-operation has been strengthening in recent years, and circumstances necessitate closer co-operation in future. I believe that this trend will increase and eventually lead to the establishment of as near an ideal system of international currency control as we can hope to get.

Since this work has been done in the little time I could spare from my busy bank life, I fear there may be some defects in my analysis; if so, I hope to remedy them with the help of my readers.

It is my pleasant duty to express my thanks for assistance of various kinds to my predecessors, and to fellow lecturers and professors, in the Economics Department of Tokyo University, my Alma Mater, at which I have been a lecturer for more than ten years. In fact it can be said that this work sees the light of day partly through my academic association with the University.

I owe a particular debt of gratitude to Professor Yoshitaro Wakimura, who helped me with much understanding and patience in the completion of my work. I am also grateful to Sir Roy Harrod, an outstanding economist, whom I always regard as my teacher, for his invaluable help in publishing my studies.

SHIGEO HORIE

10 September 1963