

Reader's Letter from Ferdinand Lips, Küssnacht

Federal Referendum of 17 May 1992

Your article in the NZZ no. 91 from 18/19.4.92, "Shared Values with Bretton Woods," is misleading, unsound and dangerous, both in terms of its title as well as content, given that the reader and voting citizen is reliant upon the views of such a respected newspaper as the NZZ. Your newspaper has already published far better articles on this topic.

The article begins properly with a description of the original goal of the IMF: "The IMF promotes stable currency conditions, free trade and an open payments system worldwide." You then posed the question, "Does Switzerland act any differently?" My answer reads, Switzerland and Germany are the only countries which have pursued such a policy since the war; the IMF has not, at least not since 15 August 1971, the day on which the Bretton Woods system collapsed. At that time, the loose monetary policy which had been pursued by the USA in the 1960's and the beginning of the 1970's had resulted in the dollar's overvaluation relative to gold and several other currencies, thus leading to President Nixon's decision to halt gold convertibility. As a consequence, the original purpose of the IMF also came to an end, but nobody managed to propose its closure. Instead, the bureaucrats of what had meanwhile grown into a bloated organization searched for a new mission and realm of responsibility. In order to conjure up this new justification for existence, the statutes were thus simply changed. For this reason, the newly expanded role was geared more towards the recommendation of rehabilitation programs for countries which experienced payment difficulties: programs whose conditions – the so-called conditionality – these countries were forced to accept. As a rule, the main remedy prescribed for these countries was the IMF's devaluation theory. But the package included yet other means, such as tax increases, new taxes, wage and price controls and, perhaps, increased tariffs: all measures which led inevitably to a deterioration of the patient's condition.

In a notable study published in March 1992 by the Hudson Institute, Indianapolis, entitled, "The IMF's Fatal Prescription of Devaluation and Austerity," the author points out that practically every rehabilitation program decreed by the IMF for individual countries to date has ended in a disaster. The result has inevitably been stagflation, increased inflation, the printing of more money and a series of devaluations without end. Professor S. Edwards of the university of California has analyzed all 34 programs which the IMF authorized in 1983. Nearly all of these programs required the developing country concerned to initially devalue their currency, allegedly to increase competitiveness. Each and every one of these countries had to later adjust to even higher inflation in the absence of having attained enhanced competitiveness. Monetary manipulation substitutes for lasting structural reforms and currency restoration. If Japan had pursued such a policy in the early 1960's, it would never have become the economic force it is today. Turkey's economic growth first began to speed up

in 1984, as the country switched over to a free market economic policy. The decade of the 1920's provides many examples of how stabilization programs can be successfully implemented: for example, those of Schacht or Poincaré. In not one instance would the theories of the IMF have led to success. Since the Swiss franc is recognized as the soundest currency after gold, it is therefore difficult to understand why the author of your article speaks of shared values. Either the Bundesrat has not sufficiently studied this program, or it wants to personally erect its own inglorious monument. Furthermore, if the Bundesrat deludes itself into believing that besides paying we will also have a voice, then it is wrong once again. Only one nation is at the helm in this matter – the USA. In any event, the informational literature relating to the referendum proposal and the recommendations of the Bundesrat contained in said literature are such an absurdity that the Swiss populous should not tolerate it and will hopefully provide its promoters with a clear rebuff on May 17th. The current policy of the Bundesrat only leads away from freedom. Switzerland should enhance awareness of its true values and significance and try to offer something of itself to the world. Instead of simply following the lead of others, Switzerland could for once distinguish itself; for example, by seizing the initiative for a world currency reform and providing the backdrop for a world currency conference. That is, namely, the fundamental problem. In any event, it will sooner or later come to this. However, through such an initiative for the promotion of a better world, Switzerland, as a financial center and a country with a marked humanitarian history, could face the future with strengthened self-confidence.

28 April 1992

A handwritten signature in cursive script, appearing to read 'M. Müller', written in dark ink on a white background.