

WHY THE SOVIETS DO NOT BELONG AT THE WORLD BANK

World Bank President Barber Conable recently declared his willingness to consider allowing the Soviet Union to join the 151-member international body. Before Moscow could join the Bank, it would have to be admitted to the International Monetary Fund (IMF). Permitting Soviet membership in either organization would be a serious mistake for the West, and it would make a mockery of the World Bank's and the IMF's purposes. As important, the Kremlin's economic philosophy is completely contrary to the free market goals that the U.S. should promote through the IMF and the World Bank. Soviet membership would funnel U.S. taxpayers' money, which accounts for 20 percent of the budgets of these organizations, to finance Soviet bloc subversion of the free world and to bail out the Russian economy--hamstrung by the fallacies of the Marxist system. Moreover, Soviet membership would give Moscow yet another U.S.-based institution to fill with espionage agents thinly disguised as technocrats.

Much controversy surrounds the proper role of the IMF and the World Bank. But one thing is certain: the U.S. must use these organizations to promote free markets between countries and within countries. Any other function for the IMF and the World Bank would be contrary to basic U.S. interests and justly call into question continuing U.S. support for and participation in these bodies.

Under Soviet communism, the totalitarian state plans the entire economy, dictating wages, prices, and all production and distribution decisions. Private ownership of the means of production and independent labor unions are banned. A major IMF function, however, is to keep economic data on member countries, and since supply and demand do not determine wages and prices in the USSR, most Soviet economic data are worthless. Further, the Soviet system poses a fundamental contradiction for the World Bank and the IMF. These organizations are supposed to make lending decisions based solely on economic considerations. Yet in the USSR, politics and economics are inseparable.

Over many years the Kremlin has denounced the IMF and the World Bank as tools of U.S. economic policy. Some supporters of Soviet membership suggest that the recent Soviet interest in world economic organizations stems from a genuine desire to trigger Soviet economic growth and raise Soviet living standards by working with the free economies. But there is absolutely no evidence that the Kremlin intends to liberalize the Soviet economy. By contrast, the People's Republic of China has begun to move away from communism by encouraging enterprise and allowing the market to set many prices. The Soviets have taken no such steps. And it is unlikely that the World Bank and the IMF would have any more luck reforming the Soviet economy than they have had in changing the economies of such member states as Romania or Poland.

The real reason for Moscow's interest in the IMF probably is the drop in Soviet foreign currency earnings from \$32 billion in 1985 to \$26 billion this year, thanks to the fall in oil prices. Moscow needs this hard currency to support its numerous client states, such as Cuba and Nicaragua, and to foot the bill for terrorist activities around the globe. Soviet membership in the IMF and the World Bank would force U.S. taxpayers, through their massive contribution to these organizations, to fund activities directed specifically against U.S. interests. Money would go directly to improving the Soviet's military capacity by building roads, airports, or truck factories. Meanwhile, scarce World Bank and IMF funds would be diverted from such deserving Latin American and Asian countries as Argentina and the Philippines.

Soviet membership in the IMF and the World Bank thus would frustrate U.S. attempts to promote a prosperous world through free enterprise. Future progress in this direction would have to be bought every step of the way with special favors and concessions to the Soviets. And just as the United Nations in New York City serves as a base for Soviet spying against the U.S., the IMF and the World Bank would give the Kremlin a critically important new espionage outpost in Washington, where they have their headquarters.

The Soviet Union gives no indication of desiring to liberalize its society or to reform its economy. Soviet membership in the IMF and the World Bank would harm U.S. interests and erect new obstacles to the achievement of U.S. goals. Even discussions with the USSR on this matter would no doubt put pressure on the U.S. to make various economic concessions. Rather than putting out the welcome mat for the Soviets, World Bank President Barber Conable should reexamine the membership in that body of such countries as Afghanistan, Ethiopia, Iran, Libya, Poland, Romania, and Vietnam. The Reagan Administration should voice its strong determination to block any consideration of Soviet membership in the World Bank or the IMF.

Edward L. Hudgins, Ph.D.
Walker Fellow in Economics