The function of the IMF is to provide relatively short-term assistance to take care of temporary deficits in the balance of payments. But countries often need longer term assistance to enable them, in effect, to fund their short-term commercial obligations and to maintain a volume of essential imports for both current consumption and investment until the new financial reform measures have had time to effect a balance in their current account (aside from imports financed by long-term development credits or by grants).

U.S. experience with stabilization or balance-of-payments assistance to less developed countries has not been altogether satisfactory. In several instances, particularly in Latin America, the Export-Import Bank has made emergency loans principally to bail out United States and other foreign creditors that have extended excessive short- and medium-term export credits to these countries. While promises of financial reforms were made, financial mismanagement continued and in a few years the countries receiving the emergency credits were in the same or frequently in a worse condition than before. Between 1955 and the middle of 1961 the Export-Import Bank alone has made available in loans (or refinancing of old ones) well over a billion dollars in the form of general purpose or balance-of-payments assistance, most of it going to a few Latin American countries. Where such assistance has not been accompanied by genuine stabilization programs, it has not promoted sound development but rather enabled the receiving country to continue to live beyond its means and get further into debt.

On the other hand, recent experience with several stabilization loans has been generally satisfactory and has undoubtedly provided a foundation for successful development planning and growth. For example, when the Frondizi government came into power in 1958, the cost of living in Argentina was rising at an annual rate of over 100 percent and foreign exchange reserves were melting away fast as a consequence of stagnating exports and rising imports. In December 1958 Argentina signed an agreement with the IMF providing for a number of financial reforms. These reforms included the termination of deficit financing through the central bank, a limitation on the amount of central bank credit available to the commercial banks, and the substitution of a free unitary exchange rate in place of multiple exchange rates and a complex of import restrictions. To assist this process of stabilization, a package aid program totaling $329 million was provided by the IMF, the Export-Import Bank, the U.S. exchange stabilization fund, and a group of private banks. Subsequently additional amounts were provided by external agencies. In accordance with the 1958 agreement, the Argentine Government undertook a substantial reduction of federal expenditures and succeeded in limiting wage rises in the face of a continued rise in the cost of living resulting from the removal of subsidies and the devaluation of the peso. In spite of substantial opposition, including strikes in various industries and the political unpopularity of the Government's economy measure, the Argentine Government stood firm and the stabilization program appears to have paid off. The external value of the peso has held steady for almost 2 years; the cost of living rose by only 6 percent during the year ended March 1961; and between the end of 1958 and the first quarter of 1961 Argentina's official gold and exchange reserves rose by some $560 million. In addition, the value of