them or by succeeding governments, because of their political unpopularity. It could be argued, therefore, that a country must learn the lessons of financial discipline the hard way and not to expect to be bailed out by the U.S. Government following a period of financial mismanagement. Under this policy the United States would simply announce that except for stabilization assistance from the IMF, it is interested only in providing funds to finance imports for development projects and not for assisting countries with balance-of-payments problems of their own making.

While recognizing the dangers involved in stabilization assistance of this type, it would not seem desirable to take a doctrinaire position on this issue. We must recognize that in Latin America as well as elsewhere we are by and large dealing with middle-of-the-road governments, most of which are currently dedicated to sound principles of finance and development policy. Responsible fiscal and monetary management constitutes a relatively new conviction in a number of countries such as Argentina, Chile, and Brazil, where for many years inflation has become a way of life. Halting an inflation inevitably means taking measures which may for a time affect adversely the relative economic welfare of certain groups, while improving the lot of others. For example, stemming the rise in wages and reducing swollen government payrolls, either by pay cuts or discharging workers, alienates industrial workers and an important section of the middle class. At the same time that wages are curtailed, the cost of living inevitably continues to rise for a time, as price controls are lifted, subsidies removed, and exchange rates and import prices allowed to find equilibrium levels. Although the farmers may be benefited from these measures, the benefits of increased prices of agricultural commodities may not be immediately passed on to tenants or farm laborers. Thus leftwing groups make a great deal of political capital over the dissatisfaction engendered by stabilization programs. The burden of the stabilization measures must be tempered by maintaining imports, and popular dissatisfaction must be overcome by soundly based social reforms which will improve the lot of both the urban worker and the peasant. Otherwise, in the next elections, leftwing extremists may overthrow progressive, middle-of-the-road governments. Thus it is important that stabilization measures be accompanied by social reforms which not only offset hardships felt by the lower income groups, but also give them the feeling that the United States and the Western Powers, which largely determine the policies of the IMF, are not simply concerned with "orthodox" finance for the benefit of the rich. Of major importance in this connection is a change in the tax system in favor of a progressive income tax and higher taxes on large landholdings. It might be well, for example, for the IMF to include financial reforms of this type in its agreements with countries in need of stabilization assistance.

Before leaving the topic of stabilization assistance, special mention should be made of the use of an international agency such as the IMF in the negotiation of agreements with the recipient countries for financial and economic reforms which constitute, in effect, the conditions under which the larger amounts of aid from the U.S. Government and other sources, private and governmental, are made available. In this particular field the IMF has special responsibilities stemming from the provisions of its articles of agreement which state the conditions