

Presidential candidate LaRouche replies to the IMF's de Larosière

by Lyndon H. LaRouche, Jr.

The following statement was released by Independent Democrats for LaRouche on Oct. 3, 1984 and is reprinted by permission of IDL.

Among the pieces of literature recently passed out to the press by the International Monetary Fund (IMF) was a flier printed in a feminine hue of lavender ink, entitled, "Does The Fund Impose Austerity." The putative author is the IMF's managing director, J. de Larosière. The flier is devoted to a pathetic attempt to refute the accusations circulated widely by my associates and myself, that the "IMF conditionalities" constitute a degree of savage austerity which in some instances constitutes the outlawed practice of genocide.

M. de Larosière begins this lavender masterpiece with the statement: "The International Monetary Fund is often charged with imposing austerity. This is a misconception for a number of reasons." The number of reasons he lists are six, of which the third is: "While these programs do entail sacrifices, the austerity born of adjustment must be compared to the alternatives." Perhaps, M. de Larosière has a very short memory, so that by the time he has reached point three, he admits that the IMF does impose "austerity," freely admitting what he set out to ridicule as a "misconception."

As for the flier as a whole, by M. de Larosière's logic, Adolf Hitler did not practice "slave labor," but rather merely provided work to persons who might otherwise have wasted away through idleness in the barracks of his concentration camps.

His six points are as follows:

"First, economic adjustment is inescapable. . . . We now know that the debt crisis has worsened their [the developing-sector nations'] already difficult situations and that they must live up to the consequences." In other words, savage austerity dictated by the IMF.

"Second, adjustment as perceived by the International

Monetary Fund is not synonymous with lower growth or economic retrogression." The fact is, under approximately two years of IMF conditionalities in Ibero-America, an estimated \$400 billion in productive investments has been shut down, and the growth rate in the continent has been driven down to such levels of negative growth that most of these nations will collapse if IMF policies are continued. M. de Larosière knows this very well, and is, in short, a liar.

"Third, while these programs do entail sacrifices, the austerity born of adjustment must be compared to the alternatives." On this point, as we noted above, M. de Larosière now admits completely what he announced he would deny.

"Fourth, with regard to the social costs of the adjustment programs, by definition any action to restore balance of payments equilibrium entails costs, since it tends to reduce the absorption of external resources." There are bottomless depths to M. de Larosière's propensity for sheer gobbledygook: only such a bureaucrat would say "absorption of external resources," where an honest man would say "cut their imports savagely."

Under this same point, M. de Larosière states that the Fund does not order nations to transmit the cruelest impact of IMF-imposed austerity to the "least-favored segments of the population." ("least-favored segments of the population": more of de Larosière's bureaucratic gobbledygook!) In fact, the IMF has repeatedly ordered nations to raise savagely the prices of food charged to the poorest strata of the population. When the IMF forced the government of Morocco to do just that, the result was riots in Morocco which threatened the stability of that government. This week, IMF dictates set off similar riots in Alexandria, Egypt. These cases are typical. Again, M. de Larosière is a liar.

"Fifth, as to the impact of exchange rate adjustments on the least-favored segments of the population, the effects vary

depending on the case." In plain language, M. de Larosière is referring the IMF policies of forcing nations to lower the price of the currency to a level many times below the value of that currency in terms of its relative purchasing-power within that nation. This reduces savagely the ability of that nation to pay its current debts, while permitting foreign corporations to buy up the product and assets of that nation at a fraction of their true value. What the IMF does is force nations to turn their economy and people over to outright looting by foreign bankers and multinational corporations.

"Finally, Fund programs must be supported and extended by longer-term structural efforts to promote durable growth in these economies." M. de Larosière's imagination broke down at the point he wrote those words; the remainder of the flier is devoted to nothing but reference to close cooperation between the Fund and the World Bank, and insisting, for unspecified reasons, that this close cooperation will lead somehow to a cure for "endemic unemployment." We are left to imagine that his cure for such "endemic unemployment" consists of nothing but IMF-induced acceleration of the death rates among the unemployed.

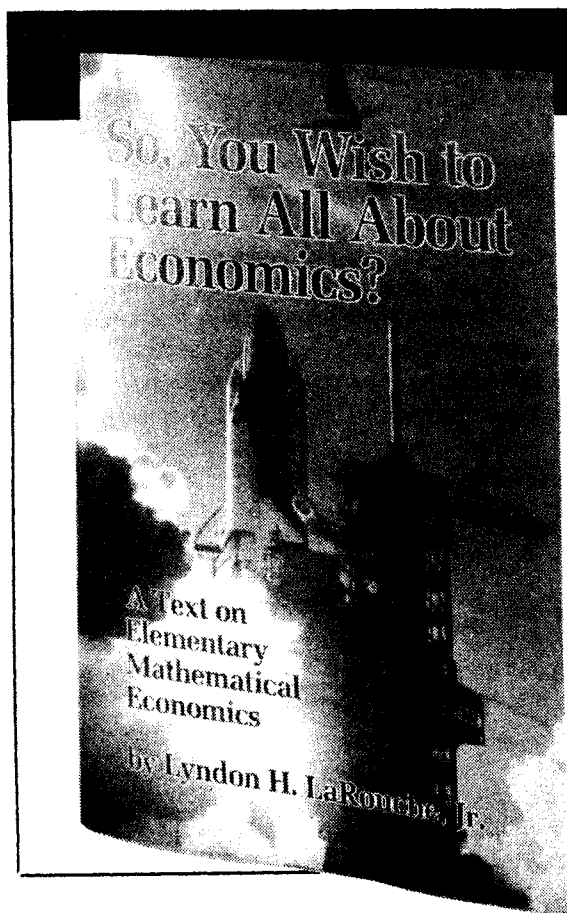
The question posed by this IMF propaganda-piece is whether M. de Larosière's pathetic incompetence in attempt-

ing to refute the arguments of my associates and myself is a reflection of some defect in M. de Larosière's mental composition, or that the IMF's case is so morally indefensible that even so brilliant a bureaucrat as he might profess to be could produce nothing better than this bit of lavender?

When the present policies of the IMF and Federal Reserve System were described in the 1976 edition of the New York Council on Foreign Relations' *1980s Project*, the phrase used to describe these policies was "controlled disintegration of the world economy." This was the phrase employed by Mr. Paul A. Volcker, in an address he made in Britain during the period of 1979 he was campaigning for his appointment by the Carter-Mondale administration to head the Federal Reserve. In other words, these policies were devised with the intent that they should promote the collapse of the economies to which they were applied. So far, they have worked quite successfully, ruining every economy upon which they were imposed.

The argument of the IMF and its supporters is, that there is no alternative to the IMF's methods of looting and austerity. This is a lie; the IMF officials know this argument to be untrue.

Adjustment is necessary. In the case of the economies of



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Ibero-America (Mexico, Colombia, Panama, Ecuador, Peru, Venezuela, Brazil, and Argentina, most notably) the following measures are necessary.

1. National emergency fiscal measures

1. (a) Capital and Exchange Controls regulating movements of currency into and out of the national economy.

1. (b) Credit Controls, giving priority to investments in three areas of capital investments: basic economic infrastructure, agriculture, and goods-producing industry.

1. (c) Agreements covering mutual defense of currencies and promotion of trade among some or all of these nations.

1. (d) Policies restricting imports to both essential food supplies plus needed capital goods and spare parts for investments in the three priority categories of investment.

2. Economic measures

2. (a) National productivity must be increased through, first, increasing the percentile of the national labor force employed in goods-producing workplaces of agriculture, industry, and creation of basic economic infrastructure, and, second, increasing productivity of such employed labor through technologically progressive, capital-intensive investments.

2. (b) Where priorities must be selected among these three categories of investments, the most essential infrastructure and agriculture must have relative emphasis, and industrial development attuned to the expanding needs of most essential basic infrastructure and agriculture.

The principles are not much different than those we would have applied to the case of an insolvent but potentially profitable bankrupt industrial firm during the 1950s and 1960s. Cut out the unessential overhead (in this case, labor-intensive retail services, reselling, and clerical categories), increase output of product and productivity, by channeling priorities for investment into these areas, and stressing technological improvements in production of goods.

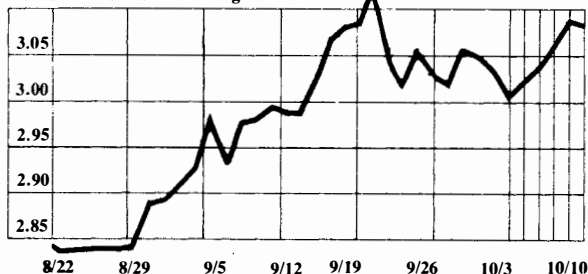
The IMF's austerity programs do exactly the opposite. They cut the country's prices of exports below true value (by forcing down the price of the national currency), reduce levels of productive employment and output, and increase the percentile of employment and expenditure devoted to overhead categories of expenditure. The IMF says, in effect, "Lay off your production workers, stop increasing employment in all categories but the most technologically backward aspects of production, and increase the overhead costs for financing charges." Any accountant or banker who proposed such "adjustments" to any sane corporate official during the 1950s or 1960s would have been put into a straitjacket and hustled off to the funny-farm instantly.

Perhaps that is what we should do with the present officials of the IMF and Federal Reserve System. What can you expect of a French bureaucrat who prints gobbledygook in lavender ink?

Currency Rates

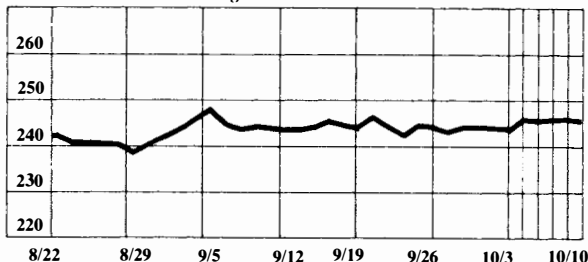
The dollar in deutschemarks

New York late afternoon fixing



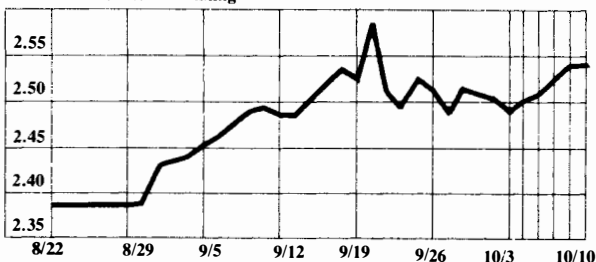
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

