Congress stalls: last gasp for the IMF?

by Suzanne Rose

As the crisis in the Asian financial markets deepens, the International Monetary Fund is running into unexpected opposition from the U.S. Congress. On April 23, the Republican leadership of the House of Representatives failed to include an administration request for $18 billion to replenish IMF funds in an emergency supplemental spending bill for fiscal year 1998, signalling to the world a lack of confidence in this institution to deal with the crisis in the Asian markets, in particular. A debate, followed by passage of legislation authorizing the $18 billion, has been relegated to the indefinite future.

The failure of the House to act on the measure decides the issue for the time being, even though the Senate approved the additional funds before the Easter recess. This will weaken the authority of the hated institution in its victim countries, and open the door for the possibility of concerted action to reverse the monetarist austerity policies with which it is associated—and return to production-oriented financial systems.

The arguments in favor of expanding the resources available to the IMF have stressed that the crisis may widen and new emergencies develop. To the extent that there is awareness on the Hill of the increasing severity of the crisis, it seems that a growing number of Congressmen are no longer moved by the argument that if they don't support allocation of more funds for the IMF, they will be responsible for future calamities. And though obstruction of President Clinton's legislation may be one motive for Republican actions, it is also becoming obvious that the situations in Korea and Indonesia have worsened since the IMF interventions began. Therefore, the Fund's days as an enforcer for international financial interests are numbered. Looming bankruptcies of the largest of Japanese banks, the rising levels of unsustainable South Korean debt, and the stock market and derivatives bubbles in the West threatening to explode, all render the IMF's so-called remedies obsolete. The resources which the IMF can assemble are clearly inadequate to the growing levels of bad debt.

A motley group of opponents

The opposition to the IMF in the House, where it has been the most vocal and active, has been led by a coalition of right-wing conservatives and Democratic liberal activists concerned with labor and environmental issues. The latter mistakenly argue that the IMF can be reformed to protect labor and the human rights of target populations. At the other end of the spectrum, Mont Pelerinite House Majority Leader Dick Armey (R-Tex.) and others of his ideological ilk have been huffing and puffing against the IMF for preventing the "magic of the marketplace" from operating completely unchecked, even going so far as to say that the IMF caused the need for bailouts—not predatory speculators and bankrupt financial systems. Just the fact that the IMF can come in with a bailout, they say, corrupts the morality and dulls the brain of speculators who would otherwise make responsible and creative investment decisions.

On the other hand, labor-backed Democrats and some industrial spokesmen have argued against the IMF for aiding foreign governments whose subsidized industries and underpaid labor compete with U.S. workers and products.

Whatever the ideology of its opponents, it is widely perceived that the IMF is involved in economic restructuring activities for which it has no authority, and that are outside of the control of the U.S. government, and the net effect has been ever-worsening crises. The Republican leadership announced just before their April 2 recess that they would not agree to rush a debate and vote on the IMF by including it in an emergency disaster and military supplemental spending bill, because too many Congressmen had fundamental concerns about it. Just weeks earlier, the House Banking Committee had passed a carefully amended bill in support of the replenishment funding, with bipartisan support (H.R. 3114), which addressed many concerns about the IMF. By the time the recess ended on April 20, when a vote by the whole House was expected, Speaker of the House Newt Gingrich (R-Ga.) announced, during a speech in Pennsylvania on April 20, that chances for passage of the IMF refunding legislation had weakened markedly. He cited growing criticism by rank and file members of the IMF's handling of the Asia crisis.

In contrast to rabid free-trade proponents like Rep. Tom Campbell (R-Calif.), who argued that derivatives traders have made IMF interventions into currency crises obsolete, some Congressmen introduced themes of sanity into the debate. Rep. Bernard Sanders (I-Vt.) introduced an amendment to the House Banking Committee bill, which opposed an amendment the IMF is preparing to its charter, calling for the deregulation of the capital markets in its victim countries. The Sanders amendment also attacked the IMF's policy of promoting austerity against the living standards of the countries whose policy it controls. Other amendments introduced by Sanders and his allies would have required that the IMF force banks and investors to provide debt relief, roll over existing loans, and extend new credits. Others have attacked the IMF for actually creating unsustainable debt levels, promoting speculation and trade deficits, and have called for a "new architecture" for the financial system.