Who Will Oversee The Death of the IMF?

by Mike Billington

A squabble has broken out among the financial elite of the world, over who will become the next managing director of the International Monetary Fund (IMF). Unfortunately, the several parties to the debate are either oblivious to the fact that the institution they are fussing over is utterly bankrupt, or they have chosen to obscure that self-evident fact in order to continue the aura of power surrounding the august institution. While the IMF has been bankrupt for a number of years, the reality of that fact was made abundantly clear in March, when Argentina, threatened with ghastly global ostracism if they failed to accept a list of deadly IMF demands, chose instead to call the IMF's bluff—and the IMF blinked. The supposedly all-powerful international financial institution could not afford to swallow another default, or face the likely explosion of the entire $400 trillion global bubble in financial aggregates. So, they rolled over the debt—without conditions. It is the IMF and the international financial system it represents which is bankrupt, more so than those nations it has bankrupted!

Imagine a ship whose captain has just jumped overboard, perhaps noticing that the ship is irreversibly accelerating towards a waterfall. As the ship plunges over the precipice, various members of the crew are arguing over command of the ship's controls!

It is not certain that Horst Köhler quit his post as IMF Managing Director in March due to the phase-shift marked by the Argentine crisis. He may well have simply wished to run for President of Germany, as he claimed. In any case, the squabble which has arisen has to do with the tradition that the IMF is always headed by a European (while the World Bank chief, and the IMF #2 spot, always go to the United States, with Japan getting some juicy secondary positions). The Europeans have thus far been unnable to choose between Frenchman Jean Lemierre, head of the European Bank of Reconstruction and Development, and Spain's outgoing Finance Minister Rodrigo Rato.

But the biggest irony of this drama is that those who have been trapped on this doomed ship—those developing-sector nations which have been looted and destroyed by the conditionalities of the IMF and the international financial institutions it represents—have chosen this moment to demand what they have been denied all along, but which no longer has any meaning: a say in the policies of the IMF, and an equal shot at the captain's seat. The representatives to the IMF from over 100 countries, mostly from the developing sector, but including Russia, issued a public statement in March asking that the tradition be dumped, and that nationality not be a criterion in selecting the next managing director. If they get their wish, they may well live to regret it.

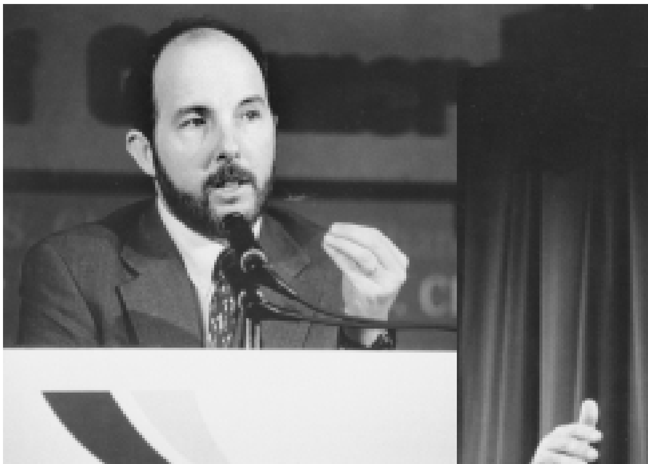
Soros Boy

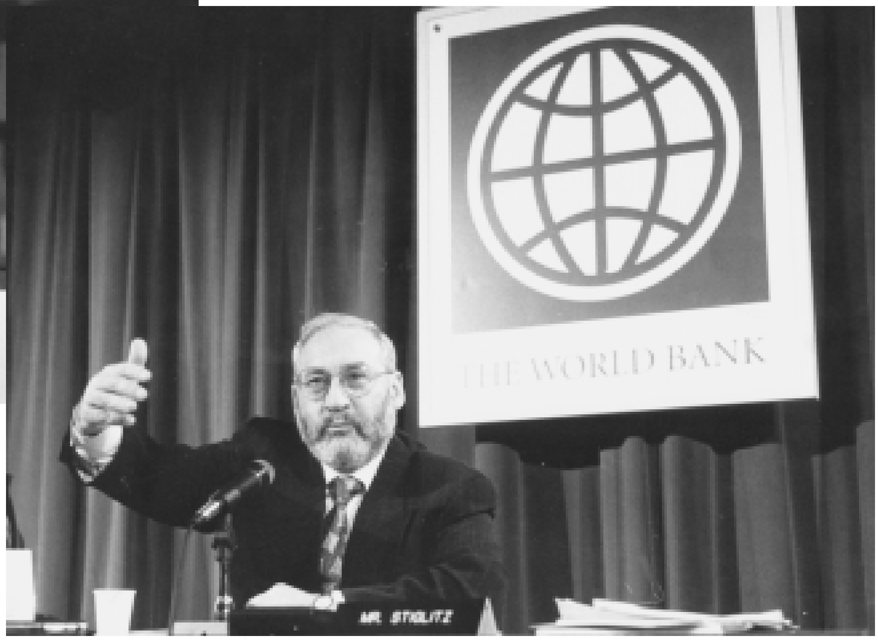
The Europeans are quite aware of the pressure from the developing nations. When a meeting of the European Union finance ministers on April 4 failed to choose a consensus candidate among themselves, Luxembourg Prime Minister Jean Claude Juncker told the press: "We have to discuss the matter in depth, taking into consideration what colleagues in other parts of the world think."

But who are the candidates who may be chosen from the so-called "Third World"? The first leading economist to step forward with a proposal was former World Bank economist and self-defined "IMF critic," Joseph Stiglitz. Stiglitz has built himself into a cult hero in the anti-globalization movement, and also, unfortunately, among many Third World leaders, who are desperately looking for allies against the IMF. However, as *EIR* argued in its Feb. 20 issue (" 'Rebel' Stiglitz: IMF's Last Line of Defense?"), Stiglitz is only trying to make the IMF appear to be less brutal, and more "fair" toward its victims—rather like the animal-rights movement demanding that animals be killed more humanely. In fact, as *EIR* demonstrated, Stiglitz is a spokesman for the highest levels within the synarchist/fascist banking circles, especially the leading global speculator (and drug legalizer) George Soros, who finances Stiglitz's think-tank, the Initiative for Policy Dialogue.

As if to prove *EIR* right, Stiglitz has called for Arminio Fraga to become the new IMF chief. Fraga served through the 1990s as "emerging markets" director for Soros Fund Management, one of the hedge funds set up by Soros, whose speculation against Southeast Asian and other developing-sector nations in the 1990s bankrupted dozens of countries, setting them up for IMF austerity "conditionalities," and killed tens of thousands in the subsequent economic chaos. When Brazil nearly defaulted in 1999, Soros successfully lobbied the U.S. government, the Federal Reserve Bank, and the IMF to implement the insane "wall of money" policy, cranking up the printing presses to paper over sovereign and corporate bankruptcies, thus bringing on the hyperinflationary collapse which is now bursting upon the world economy.

To implement his program in Brazil—the biggest debtor in the developing sector—Soros got one of his own, Arminio Fraga, appointed as head of the Brazilian Central Bank in 1999. In the next three years, Fraga pushed the Brazilian debt into the stratosphere (real foreign debt is about $500 billion





Former World Bank economist Joseph Stiglitz (right) is backing Brazilian Arminio Fraga (left) for the job of International Monetary Fund managing director—a reversal of the tradition that a European gets the post. Both men are spokesmen for synarchist/fascist George Soros.

today), drove interest rates to 35%, collapsed the currency, and largely dollarized the public debt, leaving Brazil in perpetual crisis by the time he left in early 2003.

Media Drumbeat: Save the IMF!

In the eyes of Joseph Stiglitz, this "expertise" at dealing with bankruptcies must not go to waste, but should be applied internationally by Fraga, as head of the IMF.

This is also the view of the *Miami Herald,* a press outlet for the international financial institutions in regard to Ibero-American affairs. The *Herald* editorial of April 12 opines that the European candidates to run the IMF "lack experience in dealing with actual fiscal crises as national leaders, and also the legitimacy that comes only from having managed an economy under stress in emerging countries." Although the *Herald* doesn't mention Fraga, they suggest former Mexican President Ernesto Zedillo, who performed a similar function for Mexico's 1994-95 economic collapse as Fraga did in Brazil—namely, assuring that the international financial institutions were paid off by the impoverishment of the population, while leaving the country with more debt than it had to begin with.

Two other proposals, those of Washington's two leading newspapers, the *Post* and the *Times,* round off the picture of this foolish contest for chief of the IMF. The *Times,* organ of the neo-conservatives, argued on April 12 that "much of the poor and developing world is bitter about having another European at the IMF helm." But rather than placing a comprador in the job, as Stiglitz has proposed, the *Times* argues that "given Spanish investors' extensive investments in Latin America, awarding the post to a Spaniard implies clout for the developing world." Of course, they fail to mention that the Spanish wing of the synarchist banking networks has played the leading role in buying up the bankrupt Ibero-American banking system, depriving these nations of what was left of sovereignty over their economies. The only "clout" such an appointment would represent for Ibero-Americans is the one hitting them over the head after they are down.

The *Washington Post,* of course, is more sophisticated. Rather than the brute force neo-con approach of the *Times,* or the imperial method of a comprador like Fraga, the *Post* turnes its eyes to the big bucks. "East Asia's economies are sitting on large piles of foreign-currency reserves," writes the *Post* editorial of April 13, "accumulated partly as protection against a repeat of the 1997 crisis [when Soros et. al. looted them of several billion dollars]. If China, South Korea and others transferred some of these reserves to the IMF, they could pool their defensive preparations against hedge-fund assault, while at the same time ending the IMF's dependence on supplementary bailout funds from Americans and Europeans. There would then be no objection to an IMF boss from a developing or middle-income country." The huge Asian currency reserves and savings represent the last significant pool of cash available to prop up the dying IMF-based global financial system. The Asian leaders are unlikely to trade those reserves for the right to officiate over the IMF's last rites.