IMF bill: first step in neo-colonial debt plan

by Kathy Burdman

With nary a whimper, a gutless U.S. Congress Nov. 17-18 passed the bill granting the International Monetary Fund an $8.6 billion U.S. bailout. In a backroom deal forced through by Federal Reserve Chairman Paul Volcker and Treasury Secretary Donald Regan, debate on the substantive issue of the IMF was excluded in both the Senate and the House. Violating standard legislative rules, the entire IMF package was tacked on as an "amendment" to a general supplemental budget appropriation bill and rammed through without debate.

But the IMF bill is "just the beginning" of the sort of bailout Volcker plans for the $700 billion in bankrupt Third World debt over the next months.

Volcker and Regan have lied to Congress, claiming that the IMF bill will solve the world debt crisis. "It's no solution," said a source close to Volcker on Nov. 15, noting that the entire $200 billion in debt owed U.S. banks by Latin America is about to blow up. Volcker plans to come right back and demand that the United States bankroll an IMF issue of $12 billion in new Special Drawing Rights (SDRs), he stated.

Volcker is thus taking the first step toward granting the IMF status as a new "world central bank," backed by the credit and the taxpayers of the United States.

Volcker won a personal victory when the House agreed, under pressure from the Federal Reserve and Treasury, to strip a provision from the IMF bill which would have required "prior approval" by Congress before the U.S. Executive Director at the IMF could approve any new issue of IMF Special Drawing Rights (SDRs). Congress has now "signed away its right to stop SDR expansion," one Capitol Hill source said.

But the U.S. Congress has no constitutional right to turn over the backing of the U.S. to an unlimited issue of bailout credit by the supranational IMF. Congress has no right to abrogate its sole authority, under the Constitution, over the issuance and regulation of U.S. currency. What Congress has done in passing the IMF bill and what the President is doing in signing it, is providing a blank check to Volcker, his allies at the Treasury, and the Swiss and British bankers who run the international monetary system, to use the dollar to back up the collapsing debt.

Specifically, Volcker and Regan want the IMF to set up a new fund, all in SDRs, to act as a "higher guarantee" for the $1 trillion in Eurodollar debts amassed by U.S., British, and Swiss banks in the offshore markets, sources close to Volcker say. "First of all, we want a new SDR issue, perhaps as much as $10-$12 billion. This would be used to fund a new IMF 'Interest Rate Guarantee Facility.' The idea is to say that any country who has interest payments due worth more than 40 percent of export earnings would get the remainder over 40 percent subsidized or guaranteed. Immediately this would mean about $3 billion to Brazil and perhaps another $3 billion to Mexico."

Ultimately, any country in arrears on its Eurodollar debts could turn to the SDR, backed implicitly by the U.S. Treasury, for a bailout under this plan.

Disenfranchisement

Meanwhile, the manner of passage of the IMF bill indicates that the American constituencies which had outspokenly opposed the IMF, have been effectively disenfranchised by Federal Reserve Board Chairman Paul Volcker.

Since its passage on the Senate floor in June and the

House floor in August, the IMF legislation had been stalled—apparently—because differences between the two versions remained unresolved and because House Banking Committee Chairman Fernand St Germain (D-R.I.) was holding the IMF bill hostage to force the administration to agree to a $15.6 billion domestic housing bill. However, this parliamentary wrangling has masked the real difficulty for the IMF—members of Congress have learned in no uncertain terms that the U.S. population overwhelmingly opposes the IMF bailout.

Precisely because they knew that the IMF could not pass the House of Representatives in a straight up-and-down vote, Volcker, Regan, Budget Director David Stockman, St Germain, Senate Banking Committee Chairman Jake Garn (R-Utah), Senate Majority Leader Howard Baker (R-Tenn.), and House Speaker Tip O'Neill created a legislative monster. They lumped the IMF bill, which authorizes an $8.6 billion U.S. contribution to the Fund, into a package including the $15.6 billion housing bill, funding for multilateral development banks, and sweeping changes in U.S. bank regulations. This complex and politically explosive package was then attached as a mere amendment to H.R.3959, a uncontroversial supplemental appropriations bill, on the Senate floor on Nov. 15.

Conservative Senators led by William L. Armstrong (R-Colo.) and Gordon Humphrey (R-N.H.) tried to stop the IMF bill on the Senate floor, arguing that "the banks have dug themselves into a hole and should dig themselvs out of it," as Armstrong put it. But neither they nor any other legislator had a real solution to the $700 billion debt bomb. The frightened senators passed the bill Nov. 17 by a 67-to-30 vote.

"I do not think there is any other practical way" to ram the IMF bill through, Majority Leader Baker told the senators complaining about the travesty of law. "It is not good [procedure] but perhaps best to go along with it. I assure my colleagues that this is not going to be habit-forming."

The entire appropriations bill, which included Veterans Administration cash, food stamp money, and other vital funds, was then sent to the House floor Nov. 18. Since H.R.3959 had already gone through a House-Senate conference, congressmen had to choose between voting down the entire budget to vote down the IMF provision, leaving the U.S. without funds from their scheduled recess Nov. 18 until next February, or rubberstamping the IMF.

So it was that the House, where the IMF legislation only squeaked through by a six-vote margin in August, finally passed the monster bill containing IMF approval by 226-to-196 without debate. One party to the conspiracy gloated before the vote, "Many members will not even know that the IMF [amendment] has been attached to the supplemental bill and will vote for it as a matter of routine."

"There couldn't be any serious effort to stop the bill because it was a very restricted debate," one eyewitness complained. "Opponents couldn't get the microphone to speak."

The proposed new International Monetary Fund SDR facility would also standardize a system under which the United States commits itself politically to backing a looting of the assets of Brazil, Mexico, and other debtors. In effect, the United States would become the new London to a colonial looting empire.

The specific interest payments to be guaranteed by the new SDR facility, Volcker's colleagues explain, would be a system of 19th-century style "blocked accounts" in the currency of the debtor country. In effect, a country such as Brazil which cannot pay the interest on its debts in dollars will be allowed to pay with its own domestic currency, in this case the cruzeiro, into a "blocked" or foreign-held account at its own central bank in Rio. The IMF guarantees that this money is "transferable."

Colonial system

The catch from the debtors' standpoint is that the banks would be amassing, in their "blocked accounts," large masses of Brazilian domestic currency. Banking sources report that the banks' next move will be to demand the Brazilian government "change their laws" and allow the banks to use the blocked cruzeiros to buy "equity"—to buy out national industries and domestic raw materials in Brazil.

The "new measures" are being masterminded by the Bank of America and California's Security Pacific, the bank of the pro-population-reduction Aspen Institute, Washington sources report. Bank of America and Security are balking at the current plan by the IMF to put up $6.5 billion in new money for Brazil. They are proposing that instead of giving Brazil the $6.5 billion it is now requesting for interest payments, it should be given $3.5 billion in new money, and allowed to pay the rest in cruzeiros into a blocked account at its central bank.

Meanwhile the British Commonwealth itself is getting ready for its heads of state summit in New Delhi the week of Nov. 13, where the founding of such a neo-colonial system, dubbed the "new Bretton Woods monetary system," will be on top of the agenda.

Shridath "Sonny" Ramphal, the secretary general of the Commonwealth, in a Nov. 12 press briefing on the meeting, denounced U.S. intervention into "micro-states" such as Grenada, saying that it shows the United States needs a check on its international power. He also called for the United States to agree to disarmament with the Soviets, and attacked President Reagan for cutting back on aid to Third World countries.

The United States must agree to share world financial power—with the IMF, Ramphal emphasized. That is the purpose of the report issued by Ramphal's Commonwealth office Sept. 26 entitled "Towards a New Bretton Woods." Under the guise of "debt relief" and saving the Third World from the debt crisis, the Commonwealth demands the expansion of the IMF, more SDRs, and a huge bailout of the Eurodollar banks.