

Will the House mount opposition to the IMF?

by Ronald Kokinda in Washington, D.C.

Scheduling the vote on such short notice that the railroad was obvious, the U.S. Senate on June 8 passed an \$8.5 billion increase in the U.S. quota commitment to the International Monetary Fund (IMF) by 55 to 34. Supporters were left unscathed by the ineffective attack of IMF opponents who, by harboring a fifth column, focused their efforts on issues such as IMF officials' exorbitant salaries, the participation of Communist nations in the IMF, and the "predatory export subsidies" of IMF loan recipients. One Senate staffer who attended an anti-IMF meeting before debate began, remarked, "I think the IMF's secret weapon is Gordon Humphrey [a New Hampshire Republican and a Heritage Foundation leader in the anti-IMF opposition]. I told them that their strategy was going to ensure that the IMF got its bailout."

IMF backers, including Secretary of State George Shultz and Treasury Secretary Donald Regan in the administration, and Senate and House leaders such as Sen. Howard Baker (R-Tenn.) and House Banking Committee Chairman Fernand St. Germain (D-R.I.), are anxiously seeking congressional approval before the Ibero-American debt situation publicly explodes, detonated by the giant debt of Brazil. The more imminent a financial blowout becomes, the less prone will congressmen and President Reagan be to "throwing good money after bad." It is for that reason that Shultz and his allies hope to manage a series of smaller, more controllable shocks to the financial system rather than one big shock which will provoke Congress or the President to resist continuing down the IMF road. Important assets for Shultz in this maneuvering are the British-run Heritage Foundation, the National Taxpayers Union, and other fronts for Mont Pelerin monetarism operating in the anti-IMF camp.

The focus of the IMF fight now shifts to the House, which is expected to take up the quota increase no later than immediately after the return from the July 4th recess. IMF opponents in the House report their greatest immediate fear is pressure from the Senate to consider the IMF vote as part of the FY83 supplemental, thereby putting it on an even faster track. If this is avoided, one anti-IMF office expresses "cautious optimism" that serious opposition to the IMF can be mounted.

St. Germain is committed to pushing the IMF bill through the House but is playing at least two sub-games of his own which are more broadly coordinated with Shultz and his deputy, Undersecretary of State for Economic Affairs W.

Allen Wallis. First, he and Shultz are attempting to force Reagan much further out front in support of the IMF, threatening that Democrats will withhold support of the IMF if he fails to do so. Shultz and Regan need Reagan to be compromised enough to secure his acquiescence in a several billion dollar credit line from the U.S. Treasury to keep Brazil in the IMF game.

Second, St. Germain has been attempting to write into the legislation a Rohatyn-type stretchout of the international debt, all to be accomplished under the continued power of the IMF. At the Banking Committee markup, St. Germain justified the stretchout provisions, which had not been approved by the relevant subcommittee, because the "administration needed a bill." Banking committee Democrats across the spectrum back the IMF bill.

Some Capitol Hill observers suggest, however, that some hard work could forge a coalition of conservatives and liberals to oppose the bailout. Reagan's political base feels that his support for the IMF is political disaster. As one commented, "The IMF decision is the worst that the administration has made." Opposition may also come from the Congressional Black Caucus, which supports an amendment banning future IMF loans to South Africa. If this provision is unaccepted by the Senate, the Black Caucus will be politically hard-pressed to vote for the bill, particularly in the wake of recent South African attacks on the territory and cities of neighboring black African nations.

Senator John Melcher (D-Mont.) has argued several times that the IMF is shutting down Third World economies and not protecting U.S. exports, as IMF proponents Senators Jake Garn (R-Utah), John Heinz (R-Pa.) and Charles Percy (R-Ill.) have argued. On June 6 Melcher demanded, "Did you hear that? The IMF says, 'If you are going to get this money, you are going to cut back on your imports.' Those who are going to make the argument that this is necessary for trade, please recognize the truth. Reducing imports will be a condition and is now a condition and will be a condition on new loans."

Unfortunately, these were the most cogent arguments made, and Melcher himself has attacked LDC export subsidies to their mining industries. Senator Jesse Helms (R-N.C.), while attacking the IMF as a bailout of the big banks, also has demanded that the IMF implement a Swiss plan to sell off its gold stocks to raise necessary capital. Such arguments, which bypass the basic issues of national sovereignty, mean that the House too will probably capitulate.

The sovereignty issue was in fact raised: The assassins of nation states, Heinz, Percy, and William Proxmire (D-Wis.), were blatant in their attacks on sovereignty. Heinz lauded the IMF as the only institution which tells nations how to "get their houses in order." He then called for the United States itself to surrender sovereignty. "Indeed," said Heinz, "in many ways the IMF is something we could almost use here to get things under control, improve our balance of payments, and take care of our domestic deficits."