
House of Representatives

Congressmen debate bank bailouts and IMF austerity policies

The House of Representatives voted down appropriations for the International Monetary Fund for this fiscal year, and approval of increasing the U.S. contribution to \$8 billion, on July 29, but on Aug. 3 gave formal approval to the IMF bailout by a vote of 217 to 211. The seesaw voting, and the excerpts from the House debate which follow, gives some indication of the potential for the U.S. Congress to repudiate an institution which well may come to be known as the most genocidal in history.

July 29 debate: For

John LaFalce (D-N.Y.)—"Paul said that 'Failure to manage and diffuse these strains [on the world economy] could deal a serious blow to the United States and the world recovery.' It is in this context that I support the IMF."

Stephen Neal (D-N.C.)—"The austerity on debtor countries. IMF borrowers are at the end of their ropes, essentially bankrupt; for them, austerity is inevitable. IMF adjustment programs are often bitter medicine. . . . Many times the IMF is scapegoated, but governments lacking political will for belt-tightening use the IMF as an excuse for doing what must be done. . . . The IMF has a remarkable record of success."

Stewart McKinney (R-Conn.)—"If IMF, we do not have order, and if we do not have order in the international financial markets, we are going to deal from crisis. . . . Every newspaper, every economist, the President, Secretaries of the Treasury, everyone has said that if we do not do this, the world faces international financial calamity. There is never constructive political change in a revolution. It takes a body that is organized. . . . and we need the IMF to keep that order."

Jim Leach (R-Iowa)—"A whether we are dealing with a banking bailout. Actually, this a bailout of the monetary system, not the banking system. . . . It is a very conservative deal to conserve the world economic order. It should be supported."

Chalmers Wylie (R-Ohio)—[On package] "This amendment was drafted out of a realization that the general perception of the House was that the com-

mittee package was politically difficult for some members to swallow, given seeming widespread public misunderstanding of the IMF and the need to respond to pressing domestic problems."

Leon Panetta (D-Calif.)—" [This amendment . . . which requires the U.S. Executive Director of the IMF to consider whether a country seeking out an IMF loan has detonated a nuclear device, is not a party to the 1968 Treaty on Nonproliferation of Nuclear Weapons. . . . The practical effect of the amendment is to provide leverage that could be used by an administration as a means of advancing nonproliferation efforts . . . to persuade any country in need of an IMF loan and which is also pursuing nuclear capabilities not to move in that direction."

July 29 debate: Against

Frank Annunzio (D-Ill.)—" may well ride on how he or she votes on the IMF bill. There has been a great deal of armtwisting, but I suggest that the real twisting will occur in November 1984 when voters twist the levers of the voting machines, and if you vote wrong on the IMF bill, you may well be twisted right out of the House. . . . You can believe the Paul Volckers of the world, you can believe the Donald Regans of the world, and you can believe all of the economists of the world, and I only hope that enough of these people live in your districts to reelect you. But if you believe in the American people, then I suggest you vote 'No' on IMF, because if you do not the American people may well vote 'No' on you in November 1984."

Henry Gonzalez (D-Tex.)—" [N]ot going to produce one job for Americans, it is going to continue to lose jobs. . . . Consider Mexico, where we have had a 7-to-1 ratio of favorable balance of trade dealings. In the past 11 months, Mexico has curtailed 80 percent of its imports. . . . This \$8.4 billion infusion will compel the other countries to do the same as Mexico to our imports. It will lose American jobs. . . .

"We should discharge our obligation . . . to review the whole policy of IMF and its continuation, and our nature of participation, because it now has been perverted. The IMF is now being looked upon as a sort of super-global FDIC

It cannot function in that capacity without grievous adverse impact on our monetary system. . . .

"There is not one bank that is going to be saved. The banking system . . . is doomed. Some of us have been speaking out on the need to review this, as well as the Federal Reserve."

Buddy Roemer (D-La.)—"Those of us who are opposed to this bill . . . are not opposed to world trade, not opposed to world growth, are not opposed to jobs in America, Nigeria, or Venezuela. What we are opposed to is taking our once-every-five-years opportunity to look at IMF and refuse to look at it.

"What we are opposed to is to pass this legislation that does not deal with any of our six major complaints about IMF, the major one of which is the IMF practice of austerity rather than growth. If you are for jobs, you are against the IMF bill."

'If jobs are at stake, the stated goal of the IMF is to impose austerity on every economy on Earth, and the first priority of that austerity is to reduce their imports. That means the exports of Americans will be reduced.'

William Patman (D-Tex.)—"What we are doing, in effect, by endorsing the policies of the IMF with the new program that the IMF has embarked upon, is to export the policies of the Federal Reserve to other countries. We have already seen what those policies have done to this country.

"Testimony was presented before our subcommittee to the effect that the last recession imposed by the Fed cost the U.S. \$1 trillion. . . .

"During the 40 years that have elapsed since the Bretton Woods Agreement the IMF served for 30 years as a remedy for situations of temporary illiquidity that nations experienced on the world market. . . . Now we have new policies of the IMF to these countries and extend what is in effect long-term credits, not only the credit of the IMF, but that of our banks in the United states. . . .

"The situation will never change from here on out. There will be a continual rollover of debt, and the United States will finance a major portion of that. . . . We have a dangerous situation here which we must stop. . . . We need new approaches that offer promise of solutions, not debt piled upon debt."

Esteban Torres (D-Calif.)—"The IMF should not grant credit to support—and thereby sanction—a government's headlong rush to improve financial figures when trade union rights are trampled in the process."

Ed Bethude (R-Ark.)—July 29 [On the "compromise" package] "I know that it is important to rush the matter through today because a fig leaf has been constructed for those Members who wish now to honor their loyalty to the administrator and vote for the bill or for those Members who are concerned about some proposition of the bill politically and want to vote for it. . . .

"When you have a fig leaf like this one, it is important to get it on the floor and get it voted on and get it out here in a hurry, because if you do not, pretty soon people begin to see through the fig leaf and then it does no good anymore. . . .

"When it comes to the big banks . . . we just stand by and let them pass through Congress anything they come in here and ask for. . . . I say to my colleagues on the Republican side of the aisle that you are being hoodwinked on this particular bill. The big banks are getting a bailout and they are going to line their pockets with the money."

Aug. 3 debate: Against

Buddy Roemer (D-La.)—" [If jobs are at stake, the stated goal of the IMF is to impose austerity on every economy on Earth, and the first priority of that austerity is to reduce their imports. That means the exports of Americans will be reduced. . . .

Robert Mollohan (D-W.Va.)—"The IMF does play a significant role in the international financial crisis, for the granting of an IMF loan is similar to receiving the Good Housekeeping seal of approval. . . . Only the IMF is in a position to impose conditions on the loan, forcing countries to reduce their product subsidies or take other measures to reduce their national debt. . . . Developing nations are staggering under the weight of too many loans carrying high interest rates and austerity measures imposed upon them by the IMF. . . .

"I contend that a healthy U.S. economy will do more to aid developing countries than this IMF quota increase. A quick-fix on an international debt crisis is simply not enough. We need first to take care of our own economic troubles. . . .

"The IMF quota increase may well have a negative impact on American jobs because the IMF imposes severe austerity measures on developing countries, causing these countries to decrease their demand for American goods. In 1981, this country lost over 200,000 jobs dependent on our trade with Mexico alone."

Byron Dorgan (R-N.D.)—"Where are we headed? . . . Is the ultimate contribution [to the IMF] going to be \$18 billion in a two-year period, or \$20 billion? . . .

"This bill is asking the American taxpayers to bail out the big banks. You could dye that money purple and the Walk Street bankers would have purple pockets a month after the IMF gets the money because that is the circle the money is traveling in."