

IMF demands economic shutdown, financial dictatorship for the U.S.A.

by Richard Freeman

The International Monetary Fund, a private, supranational institution, is preparing to dictate austerity policies to the United States which, if adopted, will put the U.S. economy out of business. This is a particularly urgent issue of national security, for the bankers' special target is the defense budget and President Reagan's Strategic Defense Initiative.

Jacques de Larosière, the French technocrat who is managing director of the IMF, boasted at the Fund's annual meeting in September 1984 that he had given America its marching orders—to cut the federal budget deficit or else. "I read America paragraph two of the joint meeting's communiqué, which states that it is necessary 'to improve the structure of government budgets and reduce deficits, primarily through reduced spending,'" he said.

Ernesto Hernandez-Kata, the director of the Western Hemisphere for the IMF, spelled out the way his institution intends to shut down American defense capabilities. He told an interviewer, "We want the Reagan administration to cut the deficit, period. . . . There are a lot of military bases you can close. I'm sure there is a lot of waste there. There is also a wide range of programs to choose from which are less expensive than others. For example, the MX system is horribly expensive."

The principal lobbyists for the IMF policy in the United States include the top Wall Street banks and investment houses, and their political frontmen like Henry A. Kissinger. At a private gathering of 400 drawn from the central bankers, private bankers, and finance ministers attending the September IMF meeting, Kissinger demanded the end of U.S. national sovereignty: "The biggest politico-economic challenge . . . is to resolve the discordancies between the international economy and the political system based on the nation state. . . . The U.S. and other major industrial democracies have been unwilling to modify their policies in response to IMF criticism. . . . The fundamental issue is that the international financial system cannot be sustained indefinitely by unilateral American decisions."

The Treasury debt

The international bankers' chief control mechanism over the United States is the Treasury debt, which will total \$1.828 trillion by the end of fiscal year 1985. Thirty seven Wall

Street and European commercial and investment banks, like Goldman Sachs, Lazard Freres, and Morgan, directly control sale of the Treasury debt. Furthermore, the United States is now dependent for fully 80% of its Treasury debt financing upon foreign financial sources, the big U.S. banks, insurance companies, trust funds, pension funds—all of them controlled by the same close-knit international financial oligarchy. All these groups need do is withhold the financing of America's giant Treasury needs of \$4 billion in new capital per week, and America's budget structure and financial system would blow sky-high.

A financial insider sneered on Feb. 14, "If Congress doesn't approve the budget cuts, the financial community will react negatively to the budget and that will mean trouble for Reagan." This threat could translate into a massive dumping of U.S. Treasury bonds, with prices plummeting precipitously.

The impact of the IMF policy can be seen in the fiscal year 1986 budget, drafted by Budget Director David Stockman—a man who told the *Wall Street Journal* on Feb. 14, "America has too much farm output." Working closely with Stockman is the Bipartisan Budget Appeal, a group of 600 Wall Street businessmen, pacifists, and zero-growthers headed by former Lehman Brothers chairman Peter Peterson. The director of the Appeal insists that the cuts have just begun: "Reagan is going for \$50 billion in cuts. There should have been \$100 billion." Where would the cuts come from? "The Strategic Defense Initiative has no strategic value. It is not an effective deterrent. It is a waste of money. Thank goodness, we have the Anti-Ballistic Missile Treaty to stop an expensive arms race."

This same gentleman revealed that his organization's position on defense was written by Cyrus Vance and Robert McNamara. The Bipartisan Appeal is pushing for a social security freeze, the elimination of Small Business Administration loans (a demand incorporated in the Stockman budget), and more cuts in the farm sector, as well as the elimination of government help to the Amtrak railway system. The Bipartisan Appeal has roped the Homebuilders, the U.S. Savings League, and other trade organizations into supporting its demands.

Meanwhile, Congress and the administration have re-

mained mute on one enormous budget category which has escaped Stockman's knife: debt-service to the banks. Federal Reserve Board chairman Paul Volcker's high interest rates have accounted for 75% of the \$1 trillion growth in the U.S. Treasury debt outstanding from 1979 to its current level of \$1.8 trillion at the end of the fiscal year 1985. The interest on the public debt—at \$169.7 billion—nearly equals the projected deficit. The increase in interest on the public debt in just the last two years' budgets is greater than the cost of welfare for an entire year.

The 1986 budget

The Reagan administration's fiscal year 1986 budget, although it attempts to hold the line against the budget-cutters

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on defense, is a disaster for America's industry, infrastructure, and farming. Its major provisions include:

- **Water resources:** The expenditures for dams, canals, and reservoirs, upon which agriculture, transportation, creation of new manufacturing sites, etc., depend, will be cut from \$3.916 billion in 1985 to \$3.091 billion in 1986, a fall of 21%, not adjusted for inflation.

- **Fission and fusion:** Outlays for the fusion program, a technology upon which the future energy supply of America rests, have been slashed from a paltry \$446 million in 1985 to \$401 million in 1986, a 14% cut when adjusted for inflation. Fission will plunge from \$416.3 million to \$371.8 million. The fission budget was \$800 million at the end of the rabidly anti-nuclear Carter administration.

- **Agriculture:** True to Stockman's pledge to destroy agriculture, the budget makes a radical shift in agricultural policy. Expenditures for the Commodity Credit Corporation, which helps stabilize farm prices, would have totaled \$73 billion between 1986 and 1990. Stockman will cut this by \$39 billion, a cut of more than 50%.

New agricultural loans will plunge 58% to \$4.88 billion,

just between 1985 and 1986. \$2 billion in advance support programs, the sop that Agriculture Secretary John Block threw to farmers during the election campaign to stop bankruptcies, will be eliminated.

The outlays for the farm extension program, which helps combat crop diseases, will be cut 23%.

- **Health:** Stockman has proposed for Medicare, a health insurance program for the elderly and disabled, freezing in 1986 the hospital payments at 1985 levels, and extending the 15-month freeze on physicians' charges an additional 15 months. Physicians and hospitals will thus be encouraged by expediency to refuse to take Medicare patients.

Outlays for child nutrition will be cut 10%.

- **Veterans:** When adjusted for inflation, veterans' benefits will be cut by 5%. Construction and rehabilitation of veterans' hospitals will be reduced from five per year to two.

- **Housing and urban aid:** Housing production has been falling for the last nine months. The government loan program of housing for the elderly will be cut from \$564 million in 1985 to \$20 million in 1986. On- and off-budget rural housing loans will fall from a combined level of \$6.720 billion in 1985 to \$2.306 billion in 1986. The charge on Government National Mortgage Association (GNMA) loans will rise from 6 points to 15 points.

The Housing and Urban Development program which gives housing assistance to 3.9 million families will be frozen for two years.

No-strings-attached revenue-sharing and community-development block grants, which are used by cities to build streets, transit, fire houses, etc., will be cut drastically. The former will be slashed from \$3.4 billion to \$1.16 billion between 1985 and 1986.

- **Transportation:** When adjusted for inflation, transportation outlays will be slashed 9%, to \$25.1 billion. The administration proposes to eliminate the government's \$684 million subsidy to Amtrak, a commuter rail line that serves 500 communities in the Northeast. Amtrak says that without the subsidy it will have to shut down.

Government support to mass transit will plunge from \$4.17 billion to \$3.28 billion, including ending all operating assistance and money to help build new city rail systems.

- **Employment:** The Job Corps, a 20-year-old program that trains youth, will end in mid-1986. The program is one of the "Great Society" programs and was highly ineffective, with a reported 65% drop out rate. But with youth unemployment at 25% to 40%, and no alternatives in sight, the ending of the program puts more jobless youths onto the streets.

- **Small Business:** Small business and minority assistance loans will be cut from \$775 million to \$318 million.

The revenues of the entire budget are premised on a 4% GNP growth rate. Yet steel production has been down for six months in a row, aluminum production has been down seven months in a row, and unemployment is up.