IMF moves to seize control over United States economy

by Kathleen Klenetsky

The International Monetary Fund (IMF) has declared full-scale war on the U.S., demanding that it submit to the same "structural adjustment" and "conditionalities" policies through which it has succeeded in destroying almost the entirety of the developing sector.

In a highly unusual step, the IMF's executive board, meeting in Washington Sept. 9 to prepare for the Fund's annual conference, publicly criticized the U.S. for failing to bring the federal budget deficit under control, and demanded that it immediately enact a combination of draconian tax increases and spending cuts.

IMF Managing Director Michel Camdessus used what media outlets in Europe and the United States uniformly described as extraordinarily blunt language vis-à-vis the United States. Until now, the IMF has reserved this dictatorial treatment for Third World countries—which is precisely what the U.S. is rapidly becoming in economic terms—the Bush administration's military adventures in the Persian Gulf and elsewhere notwithstanding.

The IMF's unprecedented move culminates a years-long effort by the Fund to extend its notorious "surveillance" activities to the industrialized world. At its Interim Committee meeting in April 1985, the IMF—with the full acquiescence of James Baker (then U.S. treasury secretary, now White House chief of staff—declared it planned to focus more on the economies of the United States and western Europe.

This has now come to pass—and unless there is concerted resistance on the part of the U.S. political leaders and population, the U.S. will soon get a taste of the living hell which the IMF has imposed on much of Africa, Ibero-America, Asia, and now eastern Europe and the former Soviet Union.

Senior IMF officials minced no words in telling the U.S. what to do. At a press briefing Sept. 11, a senior IMF official called on the United States to institute a mix of revenue increases and spending cuts totaling between $240 and $300 billion. The U.S. deficit should be cut by "not less than" 4% of the Gross Domestic Product, "and possibly 5 would do well—and it should be done at an early point." Each percent of GDP cut translates into approximately $60 billion.

The official specified the following measures to achieve these cuts:

- A carbon tax, i.e., a levy on all fossil fuels, such as oil, natural gas, gasoline, etc. This, according to the IMF, would "assure, at one and the same time, important resources for the American Treasury and a better ecological equilibrium in the U.S."
- A national sales tax (or value-added tax) of 5%, to be applied to virtually all goods and services.
- Various cuts in social spending.

The IMF official insisted that the U.S. should achieve these cuts as rapidly as possible, complaining that the U.S. had "missed the occasion at the end of the 1980s" to control its deficit. As a result, he said, "a major effort at stabilization is required and I hope it will be launched at the first opportunity."

The same official also insisted that the U.S. stop any further cuts in interest rates—despite the fact that the Bush administration wants to lower them at least once more before the national elections.

'Severe' recommendations

The IMF also castigated the United States in its annual report for 1992, issued in mid-September, which stresses "the importance of fully exploiting the window of opportunity immediately after the elections" this November for rapidly implementing its austerity measures.

"The severity of the IMF recommendations shows that the patience of the community vis-à-vis the American budgetary recklessness is wearing thin," commented the Sept. 12 issue of the French national daily *Le Figaro*.

What those conditionalities would mean for Americans was laid out in detail last April by Michaele Mussa, who heads the IMF's Research Department. Mussa told a Washington press conference it was imperative the U.S. slash Social Security, Medicare, and other "entitlement" programs. "I think there is an increasing recognition of the importance of controlling the growth of spending in entitlement programs. That has not yet translated into effective budgetary action. This is the single most important area for budgetary action in the United States, to gain much better control over the growth of spending in the entitlements area."

It's hardly surprising that the IMF has zeroed in on entitlements. As the fastest-growing part of the U.S. budget, entitlements, and especially Medicare and Social Security, have become the target of choice for those economic incompetents, who, along with the IMF, insist that budget-cutting (as opposed to a high-technology-vectored industrial and agricultural growth program) is the only way to achieve solvency.

Less than a week after the IMF issued its demands, a group was formed in the U.S. to campaign for a remarkably similar program. Founded by former Democratic presidential candidate Paul Tsongas, Sen. Warren Rudman (R-N.H.) and Wall Street investment banker Peter Peterson, the Concord Coalition is calling for gasoline and other taxes, together with a concerted assault on entitlement programs. The group has an informal working relationship with on-again, off-again presidential candidate H. Ross Perot, who has recently issued an economic program along similar lines.

Fight is on

Although it's frightening that the IMF obviously thinks the United States and its political elite are so weak that it can ride roughshod over U.S. sovereignty, the Fund may have overreached itself, setting the stage for an anti-IMF resistance that could quickly become a global battle for economic justice and development.

The IMF's demands drew an immediate reaction from independent presidential candidate Lyndon LaRouche, a long-time foe of the IMF, and his vice-presidential running mate, Rev. James Bevel. In a campaign statement issued Sept. 13, the two called on other U.S. candidates, especially George Bush and Bill Clinton, as well as leaders of other nations, to join them in resisting the IMF's murderous prescriptions.

The IMF's demands also met with a negative reaction from the Bush administration. Although Bush would tend to have no argument with the IMF's recommendations in general, he's smart enough to realize that raising taxes and cutting Social Security won't reelect him.

Coming just as George Bush unveiled his vaunted "American renewal program," complete with another pledge not to increase taxes and to keep interest rates down, the IMF's actions constituted a kick in the President's teeth—and his Treasury Department, headed by the President's long-time ally Treasury Secretary Nicholas Brady responded accordingly.

"The United States realizes the importance of reducing the budget deficit, but an increase in taxes would be counterproductive and damaging both to growth and deficit reduction efforts," said a leading Treasury Department official. Another U.S. official called it "dumb" for the IMF to insist that its austerity recommendations be implemented rapidly, given the weak state of the U.S. economy.

"With its rebuff, the United States administration has, in effect, joined the anti-IMF resistance," commented the LaRouche-Bevel campaign in its Sept. 13 statement. A campaign spokesman said that if the U.S. says "no" to IMF austerity demands, then Poland, Russia and other countries would be free to say "no" as well.

What happens next?

It remains to be seen whether the Bush administration continues to reject the IMF's recommendations. Bush himself has shown no qualms about cutting entitlements or raising taxes; his only consideration appears to be political. He and Bill Clinton are both firm supporters of the IMF, evidenced most recently in their support for a multibillion-dollar increase in the U.S. contribution to the Fund.

Clinton has already vowed all-out war on health care costs—a euphemism for gouging health care spending—as well as "an end to welfare as we know it," policies completely congruent with the IMF. Furthemore, rumors are circulating that he may pick Paul Volcker as his Treasury Secretary. During his tenure as Fed chairman under Carter and Reagan, Volcker, a proponent of IMF austerity, personally destroyed the U.S. industrial and agricultural base with his 21% interest rates; he currently sits on the board of the Bretton Woods Committee, an organization established specifically to lobby the U.S. Congress and people on behalf of the IMF.

Clinton's campaign has refused to respond to repeated phone calls from LaRouche associates, asking for his position on the IMF's diktat. And Jim Ciccone, senior issues adviser to the Bush-Quayle campaign, said the campaign would have no comment on the issue.

However, there is a strong possibility that, by going public with its dictates, the IMF may have fueled opposition to the $12 billion quota increase it has asked the U.S. to cough up. According to a source close to the IMF, Sen. Robert Byrd (D-W.Va.), chairman of the Senate Appropriations Committee, is dead set against allowing the quota increase through and is really "screwing up" the IMF's blueprint. Blocking the quota increase would be an important initial victory in the battle against IMF genocide—and against its plans for the United States.