Treasury's Simon Tours to Enforce Global "Big Mac", Austerity

March 13 (IPS) — U.S. Treasury Secretary William Simon, currently on a two-week tour of key European and Third World capitols, is acting as the official enforcer for Wall Street's global "Big MAC" austerity debt collection program. Still holding out the promise of a "$25 billion safety net" fund to bail out West European countries on the verge of default, a scheme which has yet to gain the approval of the U.S. Congress or any European Parliament, the former New York bond salesman is demanding immediate 25 to 30 per cent cuts in consumption for advanced sector workers and genocidal levels of austerity for the Third World.

Simon arrives in Britain next week; his itinerary, from Egypt to Brazil, encompasses the national sectors to be stripped on behalf of their creditors.

British Death Sentence

Following the Bank of England's capitulation to Atlanticist demands for devaluation of the pound sterling last week, British workers have already taken a 25 per cent across-the-board decrease in their living standards, through a combination of price increases which will put most necessities out of reach of working class families.

Acting on the demand of its creditors, the British government raised the cost of electricity by 11 per cent, coal by 11 per cent, steel by 10 per cent, and rail by 12 per cent — costs which immediately multiply in the consumer sector. Under a new agreement with the European Economic Community (EEC), the British population immediately will pay 4 per cent more for protein food. London transportation fares have risen 25 per cent. The projected 10 per cent devaluation of the pound sterling will raise the cost of imported goods by 10 per cent. These notches on the British worker's belt worsen a situation in which potatoes, a staple in the British diet, have risen from 40 to 50 cents a pound this year.

Together the austerity measures constitute an immediate 25 per cent cut in consumption. Not since the Nazi occupation of Western Europe during World War II has an industrial working class faced this level of austerity, a death sentence for millions of British workers.

IMF Mass Murders: Egypt and Argentina

In Egypt, his starting point, Simon railed at the government's sluggishness in "attracting private capital." The Treasury's terms are: a 50 per cent devaluation of the Egyptian currency, doubling the cost of imported goods; handing over direction of the Egyptian economy to the International Monetary Fund (IMF), the world's monetary policemen; and the removal of the government subsidy for necessities, including bread. The last measure will raise the price of bread 12 times over. IMF staff are currently divided over the political acceptability of a 1200 per cent increase in the price of food staples. Egypt owes about $10 billion to Western creditors.

Simon's formula for immediate mass starvation in Egypt is the International Monetary Fund prescription for 20-odd Third World countries with a collective debt of over $40 billion. Wall Street decided on a total shutdown of short-term trade credits in December. Sector by sector, the IMF has introduced a concentration camp regimen to mop up the consequences.

While Simon's delegation arrived in Italy, the finance minister of Argentina, Emilio Mondelli, ignited civil war with the following measures: 90 per cent devaluation of the Argentine peso, doubling the cost of imports; doubling of the cost of fuel; doubling of the cost of most utilities; 30 to 90 per cent increases in basic food costs; and a six-month wage freeze. During the first two months of this year alone, the cost of living rose by 50 per cent.

Argentina has worried bankers as the weakest of the Third World debt dominoes. The country has no means whatsoever to repay $1.1 billion which comes due April 1. Compared with the IMF's proposed 80 to 90 per cent cut in living standards by decree, the Nazi's treatment of occupied Europe was generous. To "stabilize" Argentina's debt position the IMF and the banks propose to murder its population within a period of months.

Italy: Containment of Consumption

Italy's political situation is too explosive, bankers complained, for the U.S. Treasury Secretary to push through austerity Argentina-style during this week's visit. What Finance Minsiter Colombo, Bank of Italy chief Paolo Baffi, and Simon agreed to in meetings yesterday was "containment of consumption and an improvement of the balance of payments situation," that is, drastic cuts in essential imports, to "regain the credibility of the international markets."

To prevent Italy's immediate bankruptcy as fuel and food bills come due during the next three weeks, the Treasury has slapped together a loan package including $8 million from the U.S. Treasury, a $1 billion guaranteed loan through the EEC (not yet negotiated), and a $500 million loan from Britain — which is in worse financial shape than Italy. Presumably, the Treasury reasons, where Britain is going, it won't need it any more.

To begin exports, Italy will have to increase production, which means importing raw materials since Italian corporation warehouses are empty. Simon's miserable loan package — even if Italy received cash this week — could not simultaneously finance Italy's debt service and balance of trade deficit for more than eight weeks. Apart from the Treasury's $800 million, the loan itself is hypothetical. Simon favors import controls in any case and the Treasury's dictates to Britain, which Simon will present in person next week, guarantee that Italy has nowhere to export to. The entire stupid charade is designed to cushion Italy through the March 31 payments deadline, and prevent an Italian debt moratorium from taking the rest of the dollar empire with it.

Kissinger "Safety Net" Revived

While the debt collector Simon tours, Wall Street is attempting to ram Secretary of State Henry Kissinger's discredited "safety net" proposal through Congress in time to prevent a wave of debt defaults leading to a major blowout of the U.S. banking system. Under this scheme, the U.S. and West German governments will engage in hyper-inflationary paper-printing to the tune of $25 billion to refinance the debts of Italy, Britain, Japan, France and other advanced sector debtors. As Assistant Treasury Secretary Gerald Parsky admitted yesterday at a Washington press gathering, the "safety net" is tied to austerity conditions even more severe than those which the European Economic Community (EEC) has demanded of Italy. The measure has languished in the Senate Foreign Relations Committee for months. Kissinger will meet with the committee in closed session next week in what may be a final effort to get the package moving.

Meanwhile, in Bonn this week, Simon is reported to have met little success in his efforts to persuade the Germans to play their assigned role in the "safety net" scheme, reflating their economy to generate funds for debt roll-over while acting as the policemen of Europe. Simon's argument was that the much-touted U.S. recovery would provide a market for West German exports even as their European trading partners are being forced, under the austerity conditions of the scheme, to cut back their imports. The West Germans, however, have long since given up hopes of a U.S. upswing. Many West German sources reported that they no longer believe U.S. government statistics on the "recovery" — a fact which must have caused the gaggle of economic advisors accompanying Simon to fret for their jobs. Simon appeared visibly rattled at his Mainz press conference when an IPS reporter exposed the U.S. recovery myth and termed the dollar as "bankrupt" "Bankruptcy! Bankruptcy!, Simon shrieked. "We have a hundred a day. Bankruptcy is just part of free enterprise."

Quarantine

Appropriately, Simon ends his tour two weeks from now in Brazil, the testing ground for "containment of exports," as Simon described his plans. Despite a 30 per cent cut in imports during the past six months, Brazil will require double last year's refinancing of $4 billion this year to remain solvent.

Like most foreign visitors, Simon's party will not venture outside of their hotel or ministerial offices, in terror of the epidemic diseases which have overtaken the 100 million victims of Brazil's austerity program.

"It's not true, I tell you ..."

The following is a partial transcript of an exchange between U.S. Treasury Secretary William Simon and an IPS reporter at a press conference in Rome, on March 10:

IPS: Mr. Simon, did you discuss an Italian debt moratorium against the International Monetary fund with Italian Treasury Secretary Emilio Colombo?
Simon: We discussed the IMF...
IPS: Mr. Simon, the U.S. economy is bankrupt, the dollar is collapsing and next week is expected to blow up. How do you...
Simon: No, no ... this is incredible it's not true, I tell you not true... That's a real nice story ...
IPS: Mr. Simon, at the end of March it will be impossible to roll-over world debt and the IMF will collapse. Third World countries simply cannot...
Simon: Ah, ah, ah...I would like to see you at the end of March..Can I? I'll see you all at my next press conference.