IMF official asks harsh U.S. austerity

The International Monetary Fund plans on U.S. internal bankruptcies, and wishes Stockman's power were "absolute."

The International Monetary Fund (IMF) is planning on a rash of production and banking bankruptcies inside the United States this year to weaken America's credit structure and leave the nation open to international demands that the United States itself undergo an IMF program like other debtor nations.

The IMF is backing OMB Director David Stockman and Federal Reserve Board chairman Paul Volcker in their demands for harsh austerity and cuts in the U.S. budget for agriculture, defense, health, and other vital spending. Such cuts themselves in vital productive sectors would lead to, or exacerbate, bankruptcy throughout the economy.

The IMF, for example, is urging Stockman to deal with the imminent bankruptcy of $215 billion in U.S. farmers' debt by letting farmers and their local banks simply fold. A top official of the International Monetary Fund told a reporter on Feb. 15, "Let the farm sector banks go down. We've been supporting them too long. They'll collapse. We need to continue to cut agriculture and cut it again. We've been supporting it too long. I wish David Stockman had absolute power."

The IMF official offered a version of the additional cuts he wants in the U.S. budget:

Cut the MX missile program in half. "[Defense Secretary] Weinberger is just negotiating when he calls for a strong defense. He will compromise, he will have to compromise," the official predicted. "There is nothing that can't be cut. They'll cut the ICBM program." The MX missile, he said, will only be slashed, not shut down as the IMF would like, because "they can't eliminate the program. But they will reduce it, reduce the number of missiles produced," perhaps by half.

"But we may be able to replace the B-1," he said, "which could save money. What David Stockman said about cutting the military pensions is a good place to start."

Although the IMF official was too politically shrewd to say that President Reagan's current favorite program, the Strategic Defense Initiative, ought to be slashed, an executive at the Bipartisan Budget Appeal had no such compunctions. The Budget Appeal is effectively the private-sector arm of the IMF. It is run by former World Bank chief and top IMF collaborator Robert McNamara (known for having wrecked the U.S. Defense Department in the 1960s by his "body count" approach), and the "gang of four" former treasury secretaries close to the IMF: Henry Fowler, W. Michael Blumenthal, C. Douglas Dillon, and Peter Peterson.

The group, the source said, is meeting and working closely with Stockman, and is leaking information to the press to force deeper cuts in the budget and strengthen Stockman's hand.

He denounced the SDI as "no effective deterrent," claimed it would lead to a "non-ending arms race," and praised the ABM Treaty to the heavens. The Bipartisan Appeal's statement on defense transmitted to Stockman, he revealed, was written by Robert McNamara and former Jimmy Carter Secretary of State Cyrus Vance, a close collaborator of Moscow on arms-control issues.

Vance and McNamara are also leaders of the "Save the ABM Treaty" group, which is explicitly organizing against the beam weapons plan on grounds of defending arms control.

In general, the IMF official insisted, "You can make large savings in defense procurement, things like munitions. But procurement is only $60 billion of the defense budget. There are other things, like payroll, salaries, pensions, operations. These can all be cut."

Otherwise, the IMF official ticked off a number of areas of the U.S. economy which had to be cut back, in addition to our national defense.

"Medicare is going to go through a funding crisis very soon, though nobody is talking about it, just like Social Security. Medicare won't be solvent. Medicare benefits will have to be cut, and contributions to the system raised."

"Reagan should reneg on his campaign promise not to cut Social Security. He should do what [former Council of Economic Advisers chairman] Martin Feldstein suggests. Limit the increase in the social security cost of living adjustment to 2 to 3%.

"The Congress must enact a tax on consumption to bring in more revenues. It would have to be some consumption tax. The government will also have to hold up on some of the tax reform adjustments. They will have to slow down on the implementation of the cutback of the accelerated depreciation system.

"This could hurt any business that depreciates heavily," he laughed.