Treasury's Baker ushers in IMF dictatorship over U.S.

by Criton Zoakos

On April 17, 1985, U.S. Secretary of the Treasury James A. Baker III announced formally the policy which his friends and sponsors had up to now only secretly and quietly promoted: dictatorial supervision over the United States economy by the International Monetary Fund. The immediate practical consequence of this development in the weeks ahead will be two-fold. First, a dramatic acceleration in the Third World of conditions of famine, pestilence, and social and political disintegration; second, a bolder, more aggressive strategic/military posture of the Soviet Union globally.

Secretary Baker's announcement before the IMF Interim Committee meeting signaled to the Russian leadership in Moscow that: The economic sovereignty of the United States has come, at least temporarily, to an end; the defense budget of the United States has been accordingly cut down to harmless proportions; and this state of affairs has been institutionalized and safeguarded under the guise of the newly formed Economic Policy Council, whose chairman pro tempore is Secretary Baker.

In his published remarks, Baker pledged the U.S. surrender to the IMF in the following way: "I welcome this opportunity to participate in this special meeting of the Interim Committee. I must admit that when I first came to Treasury I wondered if Don Regan had left me a golden opportunity or an impossible task when he proposed that the Interim and Development Committees engage in an informal dialogue on medium-term growth, adjustment, and development. . . ." This was an oblique reference to Donald Regan's notorious 1984 proposal to subject the United States to strict IMF surveillance.

In his follow-on remarks, Secretary Baker announced that the United States was complying with the IMF's principal demand, the massive gutting of the federal budget: "The United States will do its part. We must follow a steady, anti-inflationary monetary policy. We are determined to reduce substantially the U.S. budget deficit. . . . Our discussions this afternoon will include consideration of ways to strengthen IMF surveillance generally and to develop 'enhanced' surveillance for certain debtor countries. We firmly believe that IMF surveillance can play a key role in encouraging the adoption of sound economic policies in all of our countries, through both regular and special consultations with individual countries, as well as through multilateral surveillance. I hope others will join us in supporting measures to strengthen IMF surveillance. . . . The studies regarding the international monetary system which have been under way within the Group of Ten recognize the need for more effective IMF surveillance, and are likely to emphasize specific proposals toward that end. As I indicated last week, the United States attaches considerable importance to these studies of possible improvements in the international monetary system. We are therefore prepared to consider the possible value of hosting a high-level meeting of the major industrial countries, following the conclusion of the studies, in order to review the various issues involved in transforming their findings into appropriate action."

Baker's surrender of the United States economy to the IMF was proclaimed before an audience of international financiers which included Lord Eric Roll, a director of the Bank of England; Michael Dealtry, manager of the Swiss Bank for International Settlements; Pierre Languetin, chairman of the Swiss National Bank; Pierre Beregovoy, French minister of finance; and other financial oligarchical representatives now engaged in a strategic deal with the Soviet leadership. Some of these persons had arrived in Washington to hear James Baker fresh from the meeting of European Community finance ministers in Palermo, Italy, where they agreed on certain important decisions toward the establishment of a separate and independent Western European currency bloc, based on the ECU unit of account, to replace the U.S. dollar.

What these persons thought about Baker's pathetic performance is best conveyed by the remarks of one of the participants in the EC finance ministers' meeting to an *EIR* correspondent on the spot.

An old hyena's contempt for clowns

The commentator, a senior Swiss-Belgian banker with extensive credentials, summarized the European oligarchy's attitude toward Reagan's "economic team":

"The idea of the U.S.A. sustaining a major military conflict is preposterous and not viable. The only thing they could do is press the button. The Russians know it and they will give a push somewhere. In Washington, it's pure ideological blindness. The U.S. financial and services parasites are running the show, they're enraged when you tell them. You tell them their GNP is full of nothing, like a $2,000 BMW at German cost gets exported and becomes a $15,000 American BMW and it's chalked up in the American GNP. The U.S. is irretrievably finished. Two years ago, all right, they could have pulled out, not now, especially since the paper-peddler, Don Regan, has become the prime minister of an absenteist President. There is nothing more parasitical than stock brokering. And the American population is unwilling to wake up, they're sleeping, they think that they run the world, and that yelping like idiots at the Japanese is going to solve problems. They're unwilling to work productively to sustain the standard of living they have attained. The U.S. is gone like Britain went. The only ones who could convince the old ga-ga in the White House are the Pentagon generals, if they tell him that the dollar is a strategic hazard. But they won't do it.

"But the Europeans are starting to wake up to the fact that the U.S. economy is fake, and that's why the push for the ECU. Europe has no choice: It's a European defense or nothing at all; that means beam weapons and neutron bombs for Europe. Delors is the one who can pull the plug—he can bring the Germans along. We should give the neutron bomb to the Chinese. We should set up a double currency market, which isolates commercial transactions—only 5% of total transactions—from the financial flows. We should set up a European exchange guarantee fund which protects our corporations. People are working on that, myself, van Ypersele, Triffin, Steiner, Kervain, the whole Louvain establishment. There has not been any reflow of long-term or capital investment from the U.S. to Europe, only banks unwinding short-term positions. The Soviets are playing both ends. They do not want a big collapse, they're very happy with the way in which America is self-destroying, they want it to go on. As far as we're concerned, if the Americans don't want to renegotiate the debt, we must impose it. If it punishes those who gorged in dollars, Swiss or others, too bad."

This, more or less, is what was going on in the minds of James A. Baker III's audience when our puffed up treasury secretary was making his stupid speech at the Interim Committee meeting. In the morning of that event's day, the *New York Times* had published a glowing front-page article announcing that the recent cabinet reorganization at the White House had left Mr. Baker with "immense new authorities" towering way above his cabinet colleagues in his new dignity as "chairman pro tempore" of the newly formed Economic Policy Council. This council, whose members include Secretary of State Shultz, White House Chief of Staff Donald Regan, Commerce Secretary Malcolm Baldrige, CEA Chief Beryl Sprinkel, OMB Director David Stockman, is in fact the institution through which the dictatorship of "IMF surveillance" over the American economy will be carried out.

Secretary Baker, who manages the council's agenda, becomes more than a treasury secretary, as he replaces the functions of the previously existing and now defunct seven cabinet policy councils; one might have called him an "economic czar" were it not for the fact that all he will do in his new position is carry out the instructions of those dark oligarchical circles whom Federal Reserve chairman Paul Volcker these days refers to as "the international creditors of the United States." Baker is no czar. Merely a socially climbing satrap, a kind of Herod Agrippa supervising genocide and the slaughter of infants.

In the weeks ahead, the old European financial hyenas' (and their New York and Boston cousins") contempt for nominal officers of the United States such will become more public and more pronounced. Note, for example, their reactions to Baker's "famous" proposal for "an international monetary conference, under IMF auspices, to reform the monetary system," first made on April 11 at the OECD meeting in Paris and then repeated April 17 at the IMF Interim Committee meeting in Washington. His proposal, according to the London *Financial Times*, was taken by European financial authorities to be a weak-kneed attempt to slow down the motion for a separate ECU currency zone.

French and German financial policy-makers immediately poured cold water on the proposal. The British, via Lord Roll, made it clear that the "ECU zone" is the only way to go. The chairman of the IMF Interim Committee, Dutch Finance Minister H.O. Ruding, held a press conference to announce that no special international monetary conference will take place. The matter of further reinforcing IMF surveillance and conditionalities will be taken up at the Interim Committee's meeting next June in Tokyo and at the October annual conference of the IMF in Seoul, Korea.

The more Baker, Regan, and Volcker comply with IMF surveillance and conditionalities, the more they will be clobbered with further impositions. As the IMF proceeds with its next phase of genocide against the Third World, its resounding success so far in slashing the U.S. defense budget will embolden it to launch new attacks against the remnants of the U.S. economy and the dollar. The Soviet leadership is both watching and encouraging the proceedings with great glee. An "ECU currency zone" and a "yen zone" would be its convenient areas of looting high technology and industrial goods down the road.

Documentation

'Surveillance over all Fund members'

Excerpted from the press communiqué of the Interim Committee of the International Monetary Fund, April 19, Washington, D.C. Emphasis is added.

2. As agreed last September, the Committee focused its attention at this meeting primarily on certain issues relating to the adjustment efforts and balance of payments prospects of member countries, which it discussed in a medium-term framework. These issues included external indebtedness, international capital flows, trade policies, and the role of Fund surveillance in dealing with them. The Committee had a constructive exchange of views aimed at developing agreement on possible measures to strengthen international arrangements and understandings in all these areas.

3. The members of the Committee welcomed the continuing recovery in the world economy, and the fact that inflation has generally continued to decline. Non-oil developing countries as a whole have significantly improved their exports and their current account position and have, on average, resumed per capita income growth. . . .

4. The Committee noted that world economic prospects in the medium term would be affected by developments in the fields of trade, capital flows, interest rates, and exchange rates. In this connection, it stressed the special responsibility of the major industrial countries to pursue policies that would result in sustainable non-inflationary growth and would permit developing countries growing access to markets. More particularly, the Committee drew attention to the need for action in the following areas:

a) It is urgent that the trend toward protectionism be reversed and that freer world trade be promoted.

b) The magnitude of fiscal deficits in a number of countries continued to be a cause for concern. In these countries measures were needed to reduce public sector reliance on domestic and foreign savings, thereby easing pressures on financial resources, which could lower interest rates and foster growth. In this respect, the Committee welcomed the recent announcement by the U.S. Government of its initiative to reduce substantially its fiscal deficit. . . .

c) Measures are needed to improve the functioning of labor, financial, and goods markets by removing structural rigidities.

d) It is equally important to seek greater exchange rate stability.

By creating a basis for durable growth of production and international trade, these actions would enhance the export growth of developing countries and facilitate the implementation of the necessary adjustment policies by the debtor countries.

5. The Committee agreed that many developing countries had made progress in dealing with their debt-servicing difficulties, a development that has undoubtedly been facilitated by the strength of the economic recovery, particularly by the upturn in the U.S. economy. The Committee noted, however, that the external debt problems of a number of countries remain serious and have been exacerbated by rates of interest, which, while they have declined, remain very high. A satisfactory resolution of these difficulties would require sustained, determined, and coordinated efforts by both creditor and debtor countries, and will continue to take into account the particular circumstances of each case. Several low-income developing countries continue to face severe debt-servicing problems even though much of their debt is to official creditors.

6. In debtor countries, adjustment is essential and, indeed, unavoidable. In the view of the Committee, appropriate policies to that effect, including measures to encourage domestic savings and investment and to promote realistic exchange rates and prices, are necessary for the restoration of growth and creditworthiness, and to encourage spontaneous lending by commercial banks and flows from official sources. They will also create a favorable climate for the return of flight capital and, together with greater receptivity to inward direct investment, for an increase in nondebt-creating flows and transfers of technology. . . .

8. The Committee underscored the importance it attached to the role of the Fund in support of adjustment programs and as a financial catalyst. The Committee also stressed the importance of close collaboration between the Fund and the World Bank.

In view of the many uncertainties remaining on the financial horizon, the Committee stressed the need for a strong International Monetary Fund that can appropriately assist members that are prepared to take needed adjustment measures in the event that severe payments problems arise.

The Committee stressed the importance of effective Fund surveillance as a means of promoting sound underlying economic policies and convergence of performance among member countries. It urged that steps be taken to strengthen surveillance over the policies of all Fund members. It also urged that consideration be given, within the context of the policy of uniform treatment of members, to means of increasing the effectiveness of surveillance over the policies of those industrial and developing countries which have a significant impact on the functioning of the world economy.