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## Interview: Davison L. Budhoo

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# Millions die every year in IMF's new Holocaust

*The following is part of an interview with Mr. Budhoo conducted by Carlos Wesley on Jan. 10.*

**EIR:** You accuse the International Monetary Fund of committing genocide, of creating a new Holocaust. What do you mean by that?

**Budhoo:** The type of adjustment that the Fund undertakes in countries, it seems to me, in a sense is geared to benefit the elite and to punish the poor.

UNICEF a few weeks ago had a report on children and the impact of Fund-type adjustments, under the debt strategy, on children. They came up to a conclusion very similar to mine in what you mention about Holocaust: that half a million children, I think it's a year or every six months, under their estimation, and because of adjustment programs of the Fund under the debt strategy—they die, they just die. They could have been saved.

**EIR:** You mentioned that, at one point, the IMF officially warned you about violating, what I guess would be the equivalent of an Official Secrets Act.

**Budhoo:** The Fund did write me that letter—the director of administration—soon after I resigned. What he was saying, effectively, is that if you persist in bringing to world attention policies of the Fund that just an insider should know, or if you persist in disclosing confidential information about the Fund, then we're going to—to use his words, not his exact, but almost exact words—that we, the Fund, would have to take action against you to protect the interests of itself and of its member-countries. I wrote back to him saying, I presume you're speaking about legal action against me, and if that is the case you made me very happy, because there is nothing else I would want more than for the Fund to take legal action against me, because such action would give me an international forum, where I could officially, and in a very systematic way, state my case, and bring to the public's attention all of the ills of the institution.

"Newsmakers" program phoned them, and they said, "Off the record, he's gone flaky. . . . He's an economist, this is an economic institution, and he writes a letter to

the managing director and he speaks about forgiveness, about Holocaust, about God, about religion. Another reason why he's mad: Who would ever leave the IMF, go out there and speak against the IMF? Who would dare to do that but a madman? So, you should pay no attention to him."

**EIR:** You accuse the IMF of falsification of data, of fraud, statistical fraud, statistical manipulation, and you have brought up the specific case of Trinidad and Tobago. Can you tell us exactly how this was done?

**Budhoo:** Certainly. In Trinidad and Tobago, systematically, over three years—1985, 1986, 1987—the Fund gave data that was totally false. The process is as follows: You get from the country their own statistical base. The Fund uses that statistical base to develop what we call key economic indicators. That is used then to determine Fund policy stands toward the country. On the basis of this, you come to a conclusion that certain measures must be taken by the government to restore financial stabilization, and to set the stage for longer-term economic growth.

Now, one of the key economic indicators is the Relative Unit Labor Cost index [RULC]; that is a measurement of labor costs domestically in relation to international labor costs, as measured by the major trading partners of the other country, weighted in relation to trade of the country with these developed countries. Over the years we *systematically* inflated that index.

Now, that index is the most critical index that the Fund uses to determine international creditworthiness of a country, and of course, the need for devaluation. And it's the index the commercial banks would use to determine the capacity of the country to repay its debts in the future, the capacity to generate exports to pay its debts. That index was massively rigged by the Fund.

**EIR:** And this was also done with the exchange rate figures?

**Budhoo:** Yes, the effective exchange rate, terms of trade, indices were also—over several years—overestimated. . . . We just invented figures that would allow us [to support the IMF's] policy stance toward the country. We wanted a de-

valuation of 33%, we wanted a fiscal deficit of 6%, allowable 6% deficit, so we worked back from these requirements, and we put in the figures that would make these requirements consistent with the first part of the report.

**EIR:** What was the IMF's response when you said they were violating Trinidad and Tobago's Constitution?

**Budhoo:** They just ignored me. The instructions the managing director gave us were to go there and squeeze the government on the COLA [Cost of Living Adjustment]. At the time, under process of law, it was being arbitrated by the Industrial Court, whether the cost of living allowances given to civil servants were to be terminated. The government terminated them unilaterally. The public sector trade union said it must be something negotiated, they couldn't terminate under law; it must be something that was agreed by them. The matter went to the Industrial Court. When we were there in Trinidad, it was before the Industrial Court. No decision had been taken. Yet, in our briefing paper, we had that irrespective of the determination of the Industrial Court—whether they ruled in favor of the civil servants—we must inform the government now, that it must *not* reintroduce cost of living allowances, *even* if the Industrial Court tells them to do it—which is the *law* of the country—they must not do it.

**EIR:** Were your charges of fraud in the case of Trinidad and Tobago confirmed?

**Budhoo:** Last June the prime minister, A.N.R. Robinson, appointed not one, but two committees; he appointed an internationally renowned Canadian economist, who is a professor of economics at McGill University, Kari Levitt, and he appointed a committee of prominent Trinidadians, two professors from the University of the West Indies, the director of statistics in Trinidad, and a prominent Trinidadian businessman, as a second committee to look into my allegations, headed by Prof. Compton Bourne of the University of the West Indies.

Now, last weekend, the prime minister released both reports to Parliament. And both reports supported me 100% in everything I said. They said it was correct, and in fact, in some instances, including the RULC, the very detailed statistical recalculations done by Professor Levitt showed that I was even underestimating the extent of what, to me, were the Fund's fraudulent activities in that index in Trinidad and Tobago.

**EIR:** What has been the IMF reaction to these reports confirming your accusations?

**Budhoo:** The IMF had the reports. In fact, the trade union movement of Trinidad yesterday cabled directly the executive director of the IMF, asking, what are they [the Fund] going to do, and suggesting that monetary compensation for Trinidad for this fraud perpetrated on the Trinidadian people was not out of the question, and that they were pursuing that

particular angle.

And last night there was a BBC program broadcast throughout the Caribbean on this matter. They asked the Fund to give their comments on it, and the Fund said, "Hogwash and baloney!" They say it's all hogwash and baloney! Another journalist, yesterday, approached the Fund, and asked them if they had any comments. They said, "We have no official comments. But off the record, we can tell you that this man Budhoo, who is making all this trouble for us, he is a madman."

**EIR:** From your experience in other countries, was the fraud committed by the IMF in Trinidad and Tobago unique?

**Budhoo:** Trinidad is just one example of what happens. I could give you examples in the Caribbean, I could give you examples in Africa. I went on a mission to Equatorial Guinea in 1984. And very much the same type of falsification of data occurred on that mission.

**EIR:** Why is the IMF doing this?

**Budhoo:** I think even as early as 1983, there was a perception that ultimately something would have to be done, in terms of some degree of debt forgiveness. But the question of debt forgiveness would never come up, unless countries were conditioned to freewheeling capitalism. There's a wide spectrum of economic systems and economic philosophies in the Third World. Countries like Tanzania and Zambia have a particular philosophy of the state intervening in terms of this horrendous poverty and inequality of income, of providing certain assurances and securities for very poor people, in terms of education, in terms of infant mortality rate, and so on. That there are certain entitlements for people, merely because they are human beings, they should have the basics of a decent life.

Now the Fund philosophy is that for a country to grow, you just have to forget all these people, and concentrate on the entrepreneurs and the well-heeled elite of the country. . . . If the country is going to grow, it will grow because of the foreign investor, the domestic entrepreneur, and the other professional people—they are motivated, they are the people who make things happen. . . .

They write off the rest of the population entirely. Just a big garbage heap. And they say, "Okay, you poor people, you poverty-stricken people, just remain there, we will have nothing whatsoever to do with you. If you die, you die. That's the natural progression."

**EIR:** As we started this interview, we received the news that the Mexican oil workers were attacked by the military, arrested under the excuse of violating the national interest. Since this has been the sector most opposed to the IMF in Mexico, do you think this incident relates to what we are talking about?

**Budhoo:** I think you are raising a very important issue, of

the role of the international economic community in forcing political change in a country, that would allow that international community to achieve its objectives. Basically that is what it boils down to, that has happened. It *may be* that that is what is happening in Mexico now, that the international institutions and the major shareholders have a hand in it, because they perceive the labor movement has become very strong, that it could be a strong element of resistance to what I call “political conditioning policies” of the multilateral institutions, at this time.

And in fact, there has been talk about the institutions negotiating with Mexico in terms of structured adjustment programs, stand-by programs. And given the elements of resistance internally, the Fund, to be quite frank, was trying to change the balance of power in the Senate, in the Congress, to reduce the power of the opposition in Mexico. So this ties in with what you have just said. Now, I don’t think the Fund would do that in a very explicit way, but it’s true, it has tremendous leverage in the country.

In the Trinidad case, it was the Industrial Court, it was the Public Utilities Commission. I would not at all be surprised if in some countries, the structure of Parliament, the strength of the opposition—this would certainly make things much easier for the multilateral institutions in Mexico.

**EIR:** As you know, Peru has announced that it is returning to the IMF, after several years of restricting its debt payments. What are the perspectives for countries such as Peru?

**Budhoo:** Well, the mere fact of challenge, in the case of Peru, to be quite frank, it does not produce the type of atmosphere as far as the Fund is concerned, to get Peru back in without bringing the country absolutely down to its knees in a very humiliating way. That’s the way the Fund operates. Peru will have an extremely difficult time with the Fund now.

**EIR:** So, Peru is just not going to be welcomed back like the Prodigal Son?

**Budhoo:** No, no. I could give you another example, of a country like Peru, which had been declared ineligible for use of Fund resources: Guyana.

I’ve commented on this, in terms of what it does to the pride of the people, very proud people in Guyana, and the experiment that they had in the Seventies and early Eighties has been turned around entirely. And now, they’re coming back virtually on their knees before the Fund. And the President is saying, “Anything you want, you can have it, we are in such desperation. Anything you want! You can have it!” The Fund hasn’t bothered very much with them—they’ve been trying now for three years to have a Fund program. They’ve not succeeded. And not because they won’t do what the Fund wants them to do. They just cannot get the resources to make it possible to do it. The Fund insists it cannot put together a financing package that would make it viable for Guyana to come back to Fund.

## The case of Trinidad a study in IMF lying

*Below are excerpts from Part II of the Open Letter of Resignation from the Staff of the International Monetary Fund by Davison L. Budhoo. EIR’s editorial omissions are indicated by ( . . . ); all other ellipses are the author’s punctuation.*

This part of my Open Letter deals with the array of statistical irregularities that we did perpetrate in Trinidad and Tobago, in very recent times, and are still practicing today. Obviously, the provision of proof for indictments that I am making calls for extensive reference to, and quotations from documents and reports previously circulated internally, and/or to member countries and other international agencies. Even so, evidence provided here is selective, not comprehensive, and I shall be pleased to expand on the chosen themes to properly constituted investigative authority.

### 1. The Index of Relative Unit Labor Cost (the RULC) Index and how we used it in Trinidad and Tobago

As you are fully aware, an Index of Relative Unit Labor Cost (RULC) that measures unit labor costs in manufacturing in the developing country concerned in relation to such costs in its major trading partners (industrialized countries) is a Key Economic Indicator that is used extensively in the Fund, subject to the availability of statistics. Once the series becomes available in a developing country, chances are it will feature prominently in our periodic consultation reports to the Executive Board—i.e., the Report on Recent Economic Developments (RED) and the Staff Report. The prominence given to RULC reflects the perception that such an index mirrors international competitiveness of the economy concerned and indicates, therefore, the country’s ability to continue to produce for export markets. In an economy such as Trinidad and Tobago, where one sector which had previously accounted for the bulk of export earnings (the oil sector) enters a phase of uncertainty and rapid price decline, the index is particularly important as a general determinant of the potential of the country to diversify successfully its export base and service its foreign debt. At a meeting in mid-June