

Eye on Washington by Judy Hodgkiss and L. Wolfe

Financial control board? No thanks

Federal statutes allow D.C. to borrow from the U.S. Treasury and solve its crisis without the bankers' control board.

Congressional sources involved with the efforts to place the nation's capital under the rule of a banker-dictated Emergency Financial Control Board said on March 31 that the new board would probably seek to borrow funds from the U.S. Treasury to meet some of the city's short-term cash needs. Such borrowings would be linked to forcing a draconian austerity plan over several years on District citizens, the sources reported.

The cash shortfall, caused in large part by the collapse of speculative real estate values while the cost of services escalated, is expected to run into the several hundreds of millions of dollars. The District is unable to tax any federal lands or properties owned by tax-exempt institutions; and it is heavily reliant on a lump-sum federal payment, which, according to city officials, is far less than required to cover services.

However, an *EIR* investigation has confirmed that under both the District's home rule charter and existing federal codes, D.C. *already has* the unlimited power to borrow, on demand, from the U.S. Treasury, at below market rates. This power only limits the borrowing to other than capital projects; and Treasury would not legally be able to reject the request. This means that the District can weather the current financial crisis without resorting to the severe austerity being dictated by the financial community through their congressional stooges. Such measures would slash services below what District citizens minimally need, and can be accurately

ly compared to the murderous "structural adjustments" that the International Monetary Fund imposes on Third World nations.

In fact, the control board legislation seeks to effectively remove the District's ability to borrow from the Treasury—by placing that power in the hands of the new board, effectively terminating home rule; the legislation was being rushed to a vote before the April 8 recess.

Before home rule in the mid-1970s, Washington, as a federal district, obtained all funds from Treasury and routinely borrowed for various needs, including capital projects. That broad power was abridged during the home rule negotiations, but a liberal authority to borrow from the Treasury "window" was kept in place. The authority to borrow from Treasury allows for unlimited borrowing "from time to time," as approved by the District Council, with the request being forwarded to the secretary of the treasury by the mayor.

Several sources have reported to *EIR* that District officials have been told that if they were to use this power, Treasury would seek to block it, by claiming that it was not the intent of the law that it be used to cover deficits. At least one source, citing unnamed Treasury officials, claimed that they would refuse to give the District any monies, since D.C.'s failure to obtain funds from lending institutions would show that they were a "bad risk" for repayment.

Examination of the relevant code sections reveals no ability of the sec-

retary of the treasury to challenge a request for borrowing. According to a congressional source, the law was established and left on the books to be used "to prevent the nation's capital from ever going insolvent," which gives the lie to any argument that it can be denied for "risk assessment" reasons.

When pressed to come up with the restrictive statutes, one congressional aide admitted that there really weren't any, that it was all a matter of "legal interpretation," and should Mayor Marion Barry try to use the window now, the best hope for those opposing its use was "to have a lengthy court case to delay payment of funds."

However, the same people and media who say that it would be "unworkable" for the District to borrow from the Treasury, reversed on a dime to state that it was perfectly all right if the bankers' control board were to ask to borrow Treasury funds, under the same authority.

Lyndon LaRouche excoriated the idea of a financial control board, when an elected official from Washington, D.C. asked his opinion during a conference on March 29: "I'm against this whole operation. It's a sideshow, and this comes as a part of what is frankly a racist operation, (though disguised) coming out of the Republican takeover, as it's called, of the Congress."

He continued, "Those bums on Capitol Hill should stop playing fascist games, and that's what it is; it's Auschwitz economics, is what that board is. It's the same thing they did to the victims in the concentration camps—*exactly*—which is why I wanted to send congratulations to John Lewis [D-Ga.], who had earlier in the week infuriated Republicans by making just such a comparison. LaRouche further stated that those imposing the control board were deliberately setting up the potential for riots.