Second Thoughts in the House about IMF

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In a letter to his colleagues, Majority Leader Dick Armey has just identified what he calls the Clinton Doctrine as the rationale for the Administration's demand that the American taxpayers pony up $18 billion for the International Monetary Fund (IMF). Clinton has already conned the Senate into approving this handout, but Armey and House members are having second thoughts.

The presumed purpose of the money is to address the Asian financial crisis and Clinton is demanding the money immediately, in one lump sum, with no real conditions attached. IMF director Michel Camdessus, a French Socialist, won't tell us what he will do with the money or what agreements he may have made with recipients of the money.

Armey calls Clinton's demand one of "breathtaking audacity." It's audacious not only in the amount, but also in the fact that we've had no informed public debate, and the IMF is rejecting Congressional oversight.

Treasury Secretary Robert Rubin has been peddling the notion that this enormous appropriation is "cost-free." One of his talking points boasts, "Our contribution is like putting money in the bank. It doesn't cost us a dime."

As Armey correctly says, "That's nonsense. If we pass this bill, that money is gone forever." It would erase the so-called "surplus" and put us again in budget deficit.

Armey points out that this vast appropriation isn't just about dealing with the Asian crisis, because the IMF has already poured billions into Asia and it still has billions left in assets that we've previously given the IMF. The plot thickens.

The $18 billion is part of a plan to vastly expand the mission of the IMF. Camdessus has visions of

grandeur; he wants to build up the fund to $160 billion, and you can be sure he expects to get the biggest portion from Uncle Sap.

The original mission of the IMF was to lend money to countries that were temporarily short of cash because of balance of payment problems or short-term liquidity needs. In other words, IMF's purpose was to provide emergency cash to basically sound institutions.

The 1995 Mexican Bailout (which turned out to be twice as large as originally anticipated) fundamentally changed this IMF mission by advancing cash to institutions that were basically unsound. The IMF lent money to cover the losses of bankrupt Mexican institutions so they could repay the big New York banks that didn't want to be left holding the bag on their foolish loans.

Armey says that this huge policy change explains why bailouts have been escalating ever since. The IMF bailed out South Korea not once but twice, announcing it on Christmas Eve in the hope that Americans wouldn't notice.

The financial crises we are talking about are not caused by recession, wars, oil shocks, or weather calamities. An economist himself, Armey has figured out that "the cause of the bailouts has been the bailouts themselves."

In plain language, the bailouts have led the big investors in the global economy to believe that their foolish investments will be made good by the American taxpayers. Heads the big investors and banks win, and tails they win, too, while the American taxpayers lose.

No wonder we hear such constant promotional sweet-talk welcoming us to the glorious "global economy." Come into my web, said the spider to the fly!

That, in essence, is the Clinton Doctrine. While he didn't invent this ripoff of the American taxpayers, he has taken it to unprecedented heights.

Our sorry experience with the Welfare State has taught us that we get more of whatever we subsidize. If we subsidize poverty, we get more poverty; if we subsidize illegitimacy, we get more illegitimate children; if we subsidize the homeless, we get more homeless people.

When we subsidized excessively extravagant federal deposit insurance, we got the savings and loan debacle. These unrealistic subsidies encouraged the reckless to gamble with other people's money, and it ended up costing U.S. taxpayers $150 billion.

Likewise, when we subsidize bailouts in foreign countries, we get more bailouts. The Clinton Doctrine is to make us pay, and pay, and pay, and the amounts are staggering.

The IMF has already poured enough funds into the corrupt, bankrupt Asian regimes to make them believe they can expect the money machine to keep churning. The Asian bailouts are not only costly to American taxpayers, they are poison to the recipients of our dole because, like the liberal welfare programs, they encourage irresponsibility and dependency.

Armey quotes some savvy financiers, such as former Treasury Secretary Bill Simon, as urging Congress to just say No to the IMF. Armey asks: "How can we acquiesce in a plan to vastly expand an international agency that covers other people's bad debts and undermines free market processes the world over?"

Good question. Obviously, we can't. The House should refuse to appropriate any more taxpayers' money to the IMF.