IS OUR GOVERNMENT TRADING DOLLARS FOR PESOS?

January 26, 1995 *By: Phyllis Schlafly*

Something happened on the way to the first foreign policy crisis of our post November-1994 government. Somehow, the new Republican majority seems to have forgotten its role as the party of the opposition and protector of U.S. taxpayers against raids on the U.S. Treasury.

President Clinton's decision to compensate the New York banks and the peso speculators for their investment follies in Mexico apparently didn't raise a peep of opposition from Republican leaders in Congress. His announcement of this bailout was so smooth that he must have secured the cooperation of Congressional leaders of both parties before he broke the bad news to the public.

Of course, the real beneficiaries of this giveaway (the *New York Times* calls it "enormous") to Mexico will not be the Mexicans at all. The U.S. dollars will make a fast round trip; they are for the purpose of enabling Mexico to avoid defaulting on its short-term obligations to New York banks and peso speculators. (The jargon for this is "restructuring.")

The giveaway of some $40 billion in handouts, loans and guarantees, with implications that this could grow to whatever is "necessary," is a money scandal on the scale of the savings and loan disaster. It deserves fullscale hearings in the Senate and House Banking committees, but don't hold your breath because nobody wants to take responsibility.

Who is really responsible for this scam to load the Mexican financial debacle onto the backs of the American taxpayers? You can't find out from the newspapers that are editorially supporting this costly decision.

News articles recite the sequence of events in a curious way. The "U.S. government" will give $40 billion to Mexico. The "U.S. government" has pledged to "do what is necessary to restore confidence" in Mexico. The "U.S. government" is "setting no upper limit on how much money it is willing to give to Mexico." The "U.S. government" is giving "investors their first peace of mind" since Mexico devalued the peso on December 20.

Who is the "U.S. government"? Is it some kind of faceless Big Brother who issues administrative edicts from behind closed doors?

Why didn't this momentous and costly decision go through the legislative process, with a named sponsor, with identifiable persons coming forth to testify in favor of it so we can assess the special interests that will profit by the deal, and with roll-call votes so we can hold representatives accountable?

The news is filled with Republican rhetoric about balancing the budget and the promise that "everything except Social Security is on the table" including entitlements. But foreign giveaways seem to be sacred. Have they, too, become an untouchable "entitlement"?

Meanwhile, the managers of mutual funds that trade in "emerging markets" are rushing to unload their Latin American investments and even their investments in Asia. The market has been hit by "panic selling" because, as one of them admitted, they're afraid they will have to "face a board and explain why they were in emerging markets." Funny thing, the news of the panic in "emerging-markets" mutual funds hit the press on the same day that Orange County, California filed suit against Merrill Lynch & Co. for $3 billion, accusing the nation's largest brokerage firm of selling it "highly risky" investments.

It is obvious that "emerging markets" are also highly risky. How could prudent investment managers calculate otherwise? You can't have a safe investment in countries where there is no stable government, where the money can be dramatically devalued overnight, where the government has a record of defaulting on its debt, where industries can be nationalized, where there is no respect for the sanctity of contracts or private property, and where corruption and bribery are ordinary business practices.

Those who want to invest their money under such circumstances should be free to do so. But the U.S. taxpayers should not have to bail them out when investments turn sour.

When NAFTA was "fast-tracked" through Congress a year ago, we were told that "free trade" is wonderful and that Mexico would be our very best market for U.S. goods. We weren't told that, after devaluation, the pesos wouldn't be worth enough to buy U.S. exports.

The media collaborated in collective ridicule when Ross Perot predicted a one third devaluation of the peso. NAFTA supporters concealed from us the fact that "free trade" means the American taxpayers would be called on to prop up a worthless currency.

It's interesting to compare the simultaneous bankruptcy of Mexico with the bankruptcy of Orange County. Why didn't the faceless "U.S. government" rush in with loans and guarantees to save our fifth largest county? Why didn't Bill Clinton, usually so compassionate about California, say "we'll do whatever is necessary"?

It is a scandal for one dollar of appropriated funds to be sent to finance the Mexican fiasco.