Congress Should Just Say No to IMF Funding

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While most Americans were celebrating Christmas and exchanging gifts with family members, Secretary of the Treasury Robert Rubin spent Christmas Eve at the Federal Reserve Bank of New York conniving to force the American taxpayers to give gifts of unprecedented magnitude to the big U.S. banks that made foolish loans to corrupt Asian regimes. It is now obvious that those who mouth the mantra "free trade" expect the rest of us to save them from the free market.

Closeted with Rubin at this emergency holiday gathering were the heads of Citicorp, Chase Manhattan, J.P. Morgan, BankAmerica, Bankers Trust, and Bank of New York. These big banks would take a bath if Korea defaulted, and they expect Rubin to devise a plan to save them from the consequences of their bad investments and loans.

Only a few weeks ago, Bill Clinton was reassuring us that the Asian financial flu was causing just a "few little glitches on the road," and Rubin was saying it would be a "moral hazard" to ride to the rescue of South Korea. At most, he said, Korea would need "only" $5 billion from us as a "second line of defense."

Rubin now admits that his strategy for containing the Asian flu has failed. The South Korean won has continued to devalue (plunging 40 percent in one week) and money continues to flow out of the country.

The Clinton Administration has agreed to lend $1.7 billion to South Korea by the second week of January from the Emergency Stabilization Fund. That's a little-known currency reserve fund created in the 1930s to support the American dollar.

Rubin claims that the Administration does not need to get Congressional approval to raid this fund. But since this fund was created to support the American dollar, Congress should immediately act to prevent its misuse to prop up the Korean won.

This imminent transfer of $1.7 billion is only the tip of the iceberg. After all, his friends at Citicorp are on the hook for $60 billion in Asian loans, Chase Manhattan for $32 billion, J.P. Morgan for $23 billion, and BankAmerica for $16 billion. Something has to be done, and fast!

In the 1990s, U.S. investors poured hundreds of billions of dollars into Asia in the form of direct investments, building factories to hire cheap local labor, bank loans, bonds, and investments in local stock markets. U.S. money managers were so heady with faith in the "Asian miracle" that they closed their eyes to risk and bought Asian bonds paying interest rates only about one percentage point higher than U.S. Treasuries!

The middleman that conceals the scope of U.S. foreign aid is the International Monetary Fund (IMF), a bank account into which Congress puts U.S. money that is given away by a European bureaucrat named Michel Camdessus. He has already doled out $100 billion for the Asian crisis, and now is asking Congress for $28.8 billion to "replenish" the IMF.

If bailouts solved anything, the IMF bailout of Thailand would have stopped the Asian flu months ago. IMF rescue attempts have even become part of the problem because they reward stupidity, socialism, and cronyism.

Rubin claims that the 1994 Mexican bailout, which aroused stormy public criticism, was successful because Mexico paid back the loan. But Mexico put up its oil production as collateral for the U.S. loan, while South Korea is putting up no collateral whatsoever.

Secondly, the bailout was disastrous to Mexico. The peso devaluation forced a 50 percent pay cut on Mexican workers, the rising middle class was virtually wiped out, and the country is plagued with new political instability.

Administration officials said they are "not concerned about repayment" because the South Koreans like us and are dependent on our keeping our 35,000 troops there. But they may not be so friendly after they realize that the IMF handouts come with regulations that will impose real economic hardship on average Koreans while protecting the rich U.S. and Korean bankers and investors.

Rubin obviously planned his announcement while all Congressmen are away from Washington and their offices closed for the holidays. When Republicans return in January, they should explode in outrage and "just say no" to all bailouts, both direct and through the IMF.

When Administration spokesmen recite the mantra "free trade," our response should be: We're for the free market. Events have now proved that "free trade" is a racket that forces the taxpayers to protect the big boys from the risks of the free market.

Asian economies are ruled by anti-free-market cliques that give the commercial goodies, such as loans, investments, contracts and favorable terms, to their political pals. "Free trade" means subsidizing the trade of wealthy U.S. banks and corporations with regimes that are built on Communism, slavery, despotism, religious persecution, theft, bribery and corruption, and have no intention of permitting commercial, political or religious freedom.