Binge Banking

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Earlier this month, Americans were treated to full-page newspaper ads to advertise a product called "Binge Beer." There's no such beer; the ads were an attention-grabbing device to warn college students of the danger from a popular campus diversion called binge drinking.

It's not just college students who are foolish enough to destroy themselves by binging. The Clinton Administration and the Congress cooperate to indulge in binge banking, a frivolity that is very unhealthy for U.S. taxpayers' pocketbooks.

With the Clinton Administration's encouragement, the International Monetary Fund (IMF) has loaned Russia $20 billion since 1992. The IMF lent $11.2 billion to Russia in July 1998 shortly before the ruble was devalued.

Russia is eligible for another $4.5 billion over the next year and a half, of which the IMF disbursed $640 million in July. White House spokesman Joe Lockhart said Clinton is not reconsidering support for IMF assistance to Russia.

Corrupt Russian government officials and their pals have reportedly sent $10 billion to safe havens outside of Russia. Some of the money was laundered through U.S. banks, some deposited in Swiss bank accounts, and some hidden in secret off-shore companies.

The IMF claims that it doesn't know whether its funds were improperly diverted because it doesn't monitor how the money is disbursed after it is transferred to the Russian central bank, and because IMF funds are immediately commingled with other funds. When your business arranges a loan with your local friendly banker, try telling him it's none of his business what you do with the money.

In a racket misrepresented to Americans as "privatization," whole oil and gas companies were "sold" to Russian government insiders, such as associates of Viktor Chernomyrdin. Russian officials with inside knowledge sold their government securities in 1998, locking in their profits just before the ruble was devalued.

Federal authorities are now investigating possible money-laundering shenanigans by the Bank of New York and its most profitable customer, the Russian bank Inkombank. Investigators believe that at least $4.2 billion and possibly as much as $10 billion moved through the Bank of New York between early 1998 and March 1999.

It's not just government bureaucrats who recklessly squander enormous sums. Highly-paid CEOs of multinationals do binge investing in risky projects in unstable foreign countries.

In November 1997, British Petroleum (now BP Amoco) paid $484 million to buy a 10 percent stake in the Russian oil company Sidanko, and promised to invest another $3 billion more over the decade, in order to share in the development of a huge Siberian gas field. The deal was signed at No. 10 Downing Street, and the photo-op showed British Prime Minister Tony Blair beaming as the CEOs of BP Amoco and Sidanko shook hands.

That was then. Now, Sidanko is bankrupt, and BP Amoco is at the mercy of Russian court proceedings described as "erratic." Sidanko's once- smiling CEO has vanished, and BP Amoco has already written off half its investment.

The line is being put out that this is due to "carelessness" or "naivete." But CEOs of multinationals are not careless or naive, nor are the bureaucrats of the IMF or the Clinton Administration.

The first problem is that they are all gambling with other people's money. Binge gambling can be lots of fun when the taxpayers or the shareholders have to eat your losses.

The second problem is that the rules of Western business do not apply in Russia or most non-Western countries. They don't operate on the sanctity of contracts, and investments are constantly subject to confiscation, nationalization, or currency devaluation.

Russia has no tradition of the rule of law, and no Russian concern is a "company" in the Western sense with clear bookkeeping and effective management. Bribes are a customary way of handling all transactions from buying an industry to getting a telephone.

Commentators are now trying to call the Russian economic collapse "crony capitalism," but that's an unfair slur on capitalism. Russian money is controlled by organized crime and corrupt government officials who are grabbing the industries, the banks, and the flow of funds from the United States and international lending agencies.

The New York Times scooped the U.S. press with its extensive reporting on Russian money laundering through U.S. banks. The Times described how the Russian economy today is in the throes of wholesale gangsterism, graft, embezzlement, government insiders stealing major industries, and ruthless manipulation of global monetary mechanisms.

The Times then published an analysis piece titled "What Makes Nations Turn Corrupt?" Most people have known the answer to that question since Lord Acton discovered that "power tends to corrupt and absolute power corrupts absolutely."

The recycled Communists in Russia have absolute power unrestrained by respect for law or contacts. IMF loans and Western binge investments can only be explained by the guarantees from the Overseas Private Investment Corporation (OPIC), the IMF, the World Bank, the Export-Import Bank, and other international agencies for which the Uncle Sap is the chief backer.

This money racket ought to be a big issue in the 2000 elections. Which presidential candidates will come out against fleecing the U.S. taxpayers through binge banking and binge investments?