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Brady's 'new' debt plan: old wine in old bottles

by Chris White

Perhaps someone around the precincts of the battered Bush administration will soon start to comprehend the idea that when trial balloons are to be floated it is important to ensure ahead of time that they are not manufactured out of lead. Treasury Secretary Nicholas Brady's latest such offering is a good example of this phenomenon.

On Friday, March 10, after three days of build-up through an orchestrated campaign of international press leaks, the Treasury secretary presented the outline conclusions of his months-long review of the debt crisis in a luncheon address to the Bretton Woods Committee.

Billed as the successor to the notorious Baker Plan, the name under which what the U.S. calls its debt policy has gone since 1985, the "new" updated version could readily be described as a broken-down Ford Escort, newly draped with chrome and trimmings, and marketed as the new generation of the Edsel. That's about how much mileage the new crowd should get out of the proposals they are now putting forward.

There are three components to the package announced that ought to be considered: first, what the proposals are; second, whose proposals they are; and, third, why they won't work.

'Voluntary debt reduction'

Up front, what is presented is a repackaging of the core features that have governed U.S. debt policy since 1982. The slogan now is "voluntary debt reduction." The slogan may sound good. Behind the label the contents of the package are the same combination of one-worldist, neo-malthusian incompetence that has remained unchanged as the bed-rock of U.S. policy, now matter how the product is labeled.

Insofar as the debtors and creditors are concerned, there are three elements to the package proposed: 1) The need for what is called "debt reduction" or "debt relief." 2) The return of capital flight to debtor countries, which Brady claimed is equal to Ibero-America's total $400 billion plus of indebtedness, and another speaker at the same event, William Dill Rogers of Kissinger Associates, estimated at about half the total. 3) Restructuring of debtor economies to permit private ownership, debt-for-equity arrangements etc.

The three elements translate into the cynical brutality of the same old package, which has been preserved as the objective throughout, and implemented piecemeal where possible. The basic idea is simple: Hand over the crown jewels of your economies, and in exchange we will buy them with the money we stole from you in the form of capital flight, converted according to new devaluations of your currency against the dollar. Your debt outstanding may be reduced in some proportion to the amount of equity looted out of your national patrimonies.

Needless to say, the language employed is actually more gracious in tone, but the hypocritical conniving shines through. As the Treasury secretary put it: "Debtor countries must focus particular attention on the adoption of policies which can better encourage new investment flows, strengthen domestic savings, and promote the return of flight capital. This requires sound growth policies which foster confidence in both domestic and foreign investors. These are essential ingredients for reducing the future stock of debt and sustaining strong growth."

Brady's outline, in this respect, was echoed in presentations given by Barber Conable, chairman of the World Bank, who focused on battered Mexico as the first candidate for the "new" approach, and by Yusuke Kashiwagi, chairman of the Bank of Tokyo. Paul Volcker, former chairman of the Federal Reserve, cautioned that the process "has to be well man-

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aged," otherwise "debt reduction clearly would be hazardous to the health of debtors and creditors alike."

The looting of national equity with stolen money is to be overseen by the International Monetary Fund and the World Bank. As Brady put it: "The international financial institutions will need to continue to play central roles. The heart of their effort would be to promote sound policies in the debtor countries through advice and financial support."

An old Trilateral scheme

This brings us to the second matter, the proposals that Brady is now putting forward as the fruits of administration review. Here there is no surprise. What Brady and the Bush administration now appear to be signing on to is the very package which the same Brady rejected only six months ago at the last annual conference of the International Monetary Fund.

This is the notorious design, associated with technocrats like IMF Managing Director Michel Camdessus, former Japanese Finance Minister Kiichi Miyazawa, and Central Bank chief Sumita, along with assorted others, including on the U.S. side, Sen. Bill Bradley (D-N.J.),
Charles Schumer (D-N.Y.)
President Carlos Andrés Pérez in Venezuela, ex-chancellor Helmut Schmidt in West Germany, and also Soviet party boss Mikhail Gorbachov.

Under this design, a new facility is created within the IMF and/or the World Bank, which remains to be settled as a political matter; the new facility is bankrolled out of Japan's current account surplus in the main, to issue bonds against which some portion of Third World can be redeemed at a discount from the face value of the debt. The bonds are to be collateralized against Third World foreign exchange holdings, though only Miyazawa ever made much of that feature. Now, no doubt some public relations specialist will start labeling this form of robbery a good way to bring capital flight under control.

The arrangement begins to shift the institutional function the International Monetary Fund and World Bank have fulfilled, since the 1973-75 adoption of the floating exchange rates, genocidal conditionalities regime, into that of a supranational worldwide central bank, and implicitly institutional core of a one-world financial dictatorship. When Camdessus presented his version of the proposal last September in the run-up to the IMF conference, it was accompanied by the parallel intent to transform the IMF's bookkeeping unit of account, the Special Drawing Right, into what he then called "the anchor" for the world monetary system.

In this scheme the hollowed-out institutions of the sovereign nation-state, especially in the developing sector, are put on notice that they are now to be crushed. Similarly, though, with the United States. In acceding to the demand that the IMF and World Bank set the terms for management of the proposed arrangement, the Treasury secretary is also conceding that the United States itself is also about to come under such dictatorial control.

Brady put it this way: "While the IMF and World Bank will want to set the guidelines on how their funds are used, the negotiation of transactions will remain in the market place—encouraged and supported but not managed by the international institutions."

Given this capitulation, or as respectable people put it, "compromise," it is not surprising that standing critics of U.S. policy under dominance of the big banks like Citibank, Chase Manhattan, and Bank of America, such as Camdessus and Horst Schuman, a former aide to Helmut Schmidt, now find praiseworthy elements in the new U.S. package.

Why it won't work

The reasons why the whole package won't work are precisely the ones adduced by spokesmen like Camdessus and William Dill Rogers to argue for its necessity. According to AP, Camdessus said that the riots in Venezuela in the first week of March represented just one of several "time-bombs" involving the debt issue which could explode unless solutions are found quickly. "More has to be done urgently by all," he said. "The debt strategy has to be given a second wind and broader scope."

Or, from William Dill Rogers, "In all the Big Four"—Mexico, Argentina, Brazil, Venezuela—"the situation is deteriorating fast. Each is desperate for or will shortly require emergency financing. . . . Desperation mixed with expectation is a volatile brew. I cannot recall a more ominous brew for the hemisphere since the onset of the debt crisis in 1982."

The "time-bombs" and the "desperation" exist because in Ibero-America, as worldwide, the economy is functioning below breakeven, below the level needed to sustain the current population in shape to reproduce itself at the same level. This result has been accomplished by the insistence that usurious finance and speculation take precedence over productive activity aimed at laying the basis for the existence of generations to come. The economies of debtor nations have been driven to the point where they cannot pay, for they have nothing left with which to pay, except the lives of their people. Even Rogers admits that Mexicans now start from the assumption that their living standards have been cut in half since the onset of what is called the debt crisis in 1982.

The asset grab now proposed will make this worse, condemning hundreds of millions to death in the coming period. It will also help ensure the usurious and speculative accumulation of financial paper assets does indeed come tumbling down. This, though, is what happens with an administration which considers that pronouncements, shaped to placate those who are the architects of the deepening crisis, constitute an effective approach to dealing with that crisis. No doubt Brady's friends will say, "But you don't understand; we're trying to buy time." Actually, the coming few weeks will probably show that is exactly what has run out.