“Supersizing” the IMF

On January 31, at the World Economic Forum in Davos, Switzerland, the IMF’s First Deputy Managing Director John Lipsky announced that the IMF is moving forward with plans to double the amount of money it has available to loan to governments, raising its current stock of $250 billion to a total of $500 billion. This was a huge announcement, not only because of the enormous sums involved, but because it signaled the IMF is moving out of its traditional reliance upon "capital subscriptions," that is, funds paid in by IMF member nations. Where will it get the funds to double its capital base, if not from member nations? The IMF is in negotiations now for a loan of $100 billion from Japan. Where will the other $150 billion come from? Two sources are being suggested: increasing the "subscriptions" from member countries, and issuing IMF bonds.

Issuing bonds is "an avenue that merits consideration," Lipsky, an American and the IMF’s number two man, said in an interview published in the *Wall Street Journal* on February 1. This would be an unprecedented move for the IMF and indicates the Fund is headed toward "supersizing," a term recently adopted by proponents of transforming the IMF into a global monetary authority. The expression was given a high profile during last November’s G20 financial summit in a *Washington Post* op-ed entitled "Supersize the IMF" by Bernard Mallaby, director of the Council on Foreign Relations’ (CFR) Maurice R. Greenberg Center for Geoeconomic Studies.

If Mallaby’s recommendations are followed, then Lipsky’s announced doubling of the IMF’s lending authority is but the first step of many in a long rollout of new institutional enhancements. This has been a major theme of the CFR and its affiliates, as well as similarly minded globalists, for the past decade. According to Mallaby’s supersizing prescriptions, "government commitments to the IMF should be tripled — and if you take into account the vast growth of cross-border derivatives, an even larger expansion is needed." That means, of course, a tripling (or more) of the funds paid into the IMF by the taxpayers of the member countries, of which the United States is, by far, the largest contributor.

Mallaby concluded his essay with the exhortation to the then-incoming Obama administration that "a bigger IMF should be on its agenda." No doubt, IMF supersizing will be on the Obama agenda. For starters, his Treasury Secretary Timothy Geithner (a CFR member) is almost certain to push the idea. He is a protégé of Clinton Treasury Secretaries Robert Rubin (CFR) and Lawrence Summers (CFR), both of whom he served as Under Secretary of the Treasury for International Affairs. He left Treasury in 2001 to join the CFR’s staff in New York City. The council’s "Backgrounder" on Geithner states:

> In 2001, Geithner left Treasury to become a senior fellow in international economics at the Council on Foreign Relations. He served as director of a CFR Task Force on trade policy that recommended the United States expand free trade. A report published by that task force called on Congress to grant Trade Promotion Authority to President George W. Bush, which he was given by a narrow vote margin.

After serving at CFR HQ, Geithner went on to the IMF. Again, his CFR bio page notes:

> From 2001 to 2003, Geithner was director of the Policy Development and Review Department at the International Monetary Fund (IMF). There, he helped craft the IMF's $30.4 billion bailout of the Brazilian economy in September 2002. He also worked on bailouts of the Indonesian, Mexican, and South Korean economies.

The IMF bailout experience apparently qualified Geithner for promotion to president of the New York Federal Reserve, the most important branch of the Fed, where he would lead — along with Fed chief Ben Bernanke and Treasury Secretary Henry Paulson (CFR) — the even grander bailout schemes, which continue to roll out in ever greater magnitude. In addition to the highly publicized TARP bailouts of Wall Street and the Detroit automakers, there are the much less publicized "liquidity swaps" provided by the Fed to foreign countries ($30 billion each to Mexico, Brazil, South Korea, and Singapore).

Geithner seems to be very much in synch with the IMF's above-mentioned Lipsky, who also happens to be a member of the Council on Foreign Relations, as well as a former vice chairman of JP Morgan and the former chief economist for Chase Manhattan Bank (now merged as JP Morgan Chase & Co.). Both of those institutions played central roles in creating and promoting the financial practices that led to the global market meltdown.

On February 5, *The Economist* launched a new salvo in the Global Fed campaign with an editorial entitled, "Supersizing the fund." Echoing the calls coming from the CFR, *The Economist* suggests that Lipsky's $250 billion increase is way too modest. At least $1 trillion is needed, and even that "may not be enough." According to *The Economist*, the IMF needs not only more money, but more powers. The editorial subhead reads: "The IMF needs more than just money if it is to tackle global imbalances."

Great Popular Support?

The editorial goes on to state: "There are those who think the fund's mission should go beyond doling out money to helping prevent the build-up of global financial imbalances that led to this crisis." And says *The Economist's* editorial brain trust, it is not just the political and banking elites who want this, but the poor of the developing countries. Another subtitle tells us: "Emerging nations call to supersize the IMF," giving the impression that global plebiscite has registered overwhelming support for the concept among the common folk from Afghanistan to Zimbabwe.

Says *The Economist*:

> To hear developing countries call for a bigger role for the IMF would have sounded, just a short while ago, as if they were asking for a bigger rod for their backs. The fund, after all, is hardly popular. But given the tumultuous state of global capital flows, it is not entirely surprising.

So, where is it that we "hear developing countries call for a bigger role for the IMF"? The Economist cites India's chief economic planner, Montek Singh Ahluwalia, who deemed the proposal to double IMF lending assets "too modest." Instead, reports *The Economist*, "he suggested tripling its members' IMF quotas, or the capital they provide."

But *The Economist* failed to inform its readers that far from being India's *vox populi*, Montek Singh Ahluwalia is one of India's super-elite. According to *Time* magazine, he's No. 7 out of 15 on the 2007 list of "India's Most Influential." And what caused him to be so influential? Certainly his career at the IMF, where he hobnobbed with the world's central bankers and Wall Street titans. But *The Economist* didn't mention that. Nor did it mention his membership in the exclusive Group of Thirty (G30), along with Geithner and other banking insiders. Ahluwalia may be looking forward to returning to the heady and handsomely paid ranks of top IMF officials some day, as these "public servants" frequently do, so there may possibly be a slight conflict of interest in his IMF-boosting comments.

Arvind Subramanian is another example, says *The Economist*, representing emerging economies that have developed "a renewed appreciation for multilateral financing, and a sense that the IMF's resources may need beefing up." Subramanian "reckons it may need up to $1 trillion. But even supersizing the fund may not be enough."

At least in this case, *The Economist* does mention that Arvind Subramanian is a former IMF economist who is now at the Peterson Institute for International Economics in Washington, DC. However, what it doesn't tell readers is that the Peterson Institute is named for Peter G. Peterson, the chairman emeritus of the Council on Foreign Relations, and that the Institute has been one of the most important CFR adjuncts promoting the supersizing of the IMF, the World Bank, the World Trade Organization, and the whole array of United Nations entities that are moving rapidly toward assuming status as a supersized world government.

All of the "supersizing" propaganda is being put forth as a concerted buildup for the upcoming G20 economic summit in London in April, where panic over the current economic crisis is expected to provide impetus for expanding and empowering global institutions. On February 5, German Chancellor Angela Merkel held a joint news conference in Berlin with the heads of the International Monetary Fund, the World Trade Organization, the World Bank, the Organization for Economic Cooperation and Development, and the International Labour Organization to say that she wanted these organizations included in the G20 April summit. "We want closer cooperation (of these institutions) in the G20 process," said Merkel.

The current bailout fiasco has demonstrated how the already supersized Federal Reserve and Treasury Departments have been able to run roughshod over Congress, the Constitution, and the American taxpayers, savers, and producers. Supersizing the IMF and other UN institutions would be institutionalizing unrestrained economic power (and eventually political power) at the global level. If the IMF's money maestros can conjure up $1 trillion out of thin air on a whim, why not $10 trillion, or $100 trillion? It would allow the transfer of global economic wealth to those who hold the "supersized" economic levers of power.

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