The IMF to Play Role of Global Central Bank?

The Dollar Needs to be Devalued by Half?

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"A year ago," said law professor Ross Buckley on Australia's ABC News on September 22, "nobody wanted to know the International Monetary Fund. Now it's the organiser for the international stimulus package which has been sold as a stimulus package for poor countries."

The IMF may have catapulted to a more exalted status than that. According to Jim Rickards, director of market intelligence for scientific consulting firm Omnis, the unannounced purpose of the G20 Summit in Pittsburgh on September 24 was that "the IMF is being anointed as the global central bank." Rickards said in a CNBC interview on September 25 that the plan is for the IMF to issue a global reserve currency that can replace the dollar.

"They've issued debt for the first time in history," said Rickards. "They're issuing SDRs. The last SDRs came out around 1980 or '81, $30 billion. Now they're issuing $300 billion. When I say issuing, it's printing money; there's nothing behind these SDRs."

SDRs, or Special Drawing Rights, are a synthetic currency originally created by the IMF to replace gold and silver in large international transactions. But they have been little used until now. Why does the world suddenly need a new global fiat currency and global central bank? Rickards says it because of "Triffin's Dilemma," a problem first noted by economist Robert Triffin in the 1960s. When the world went off the gold standard, a reserve currency had to be provided by some large-currency country to service global trade. But leaving its currency out there for international purposes meant that the country would have to continually buy more than it sold, running large deficits until it eventually went broke. The U.S. has fueled the world economy for the last 50 years, but now it is going broke. The U.S. can settle its debts and get its own house in order, but that would cause world trade to contract. A substitute global reserve currency is needed to fuel the global economy while the U.S. solves its debt problems, and that new currency is to be the IMF's SDRs.

That's the solution to Triffin's dilemma, says Rickards, but it leaves the U.S. in a vulnerable position. If we face a war or other global catastrophe, we no longer have the privilege of printing money. We will have to borrow the global reserve currency like everyone else, putting us at the mercy of global lenders.

To avoid that, the Federal Reserve has hinted that it is prepared to raise interest rates, even though that would further squeeze the real economy. Rickards pointed to an oped piece by Fed governor Kevin Warsh, published in The Wall Street Journal on the same day the G20 met. Warsh said the Fed would need to raise interest rates if asset prices rose – which Rickards interpreted to mean gold, the traditional go-to investment of investors fleeing the dollar. "Central banks hate gold because it limits their ability to print money," said Rickards.

If gold were to suddenly go to $1,500 an ounce, it would mean the dollar was collapsing. Warsh was giving the market a heads up that the Fed wasn't going to let that happen. The Fed would raise interest rates to attract dollars back into the country. As Rickards put it, "Warsh is saying, 'We sort of have to trash the dollar, but we're going to do it gradually.' . . . Warsh is trying to preempt an unstable decline in the dollar. What they want, of course, is a stable, steady decline."

What about the Fed's traditional role of maintaining price stability? It's nonsense, said Rickards. "What they do is inflate the dollar to prop up the banks." The dollar has to be inflated because there is more debt outstanding than money to pay it with. The government currently has contingent liabilities of $60 trillion. "There's no feasible combination of growth and taxes that can fund that liability," Rickards said. The government could fund about half that in the next 14 years, which means the dollar needs to be devalued by half.

The Dollar Needs to be Devalued by Half?

Reducing the value of the dollar means that our hard-earned dollars are going to go only half as far, which is not a good thing for Main Street. In fact, the move is designed not to serve us but the banks. The dollar needs to be devalued to compensate for a dilemma in the current monetary scheme that is even more intractable than Triffin's, one that might be called a fraud. There is never enough money to cover the outstanding debt, because all money today except coins is created by banks in the form of loans, and more money is always owed back to the banks than they advance when they create their loans. Banks create the principal but not the interest necessary to pay their loans back.

The Fed, which is owned by a consortium of banks and was set up to serve their interests, is tasked with seeing that the banks are paid back; and the only way to do that is to inflate the money supply, in order to create the dollars to cover the missing interest. But that means diluting the value of the dollar, which imposes a stealth tax on the citizenry; and the money supply is inflated by making more loans, which adds to the debt and interest burden the inflated money supply was supposed to relieve. The banking system is basically a pyramid scheme, which can be kept going only by continually creating more debt.

The IMF's $500 Billion Stimulus Package: Designed to Help Developing Countries or the Banks?

And that brings us back to the IMF's stimulus package discussed by Professor Buckley. It was billed as helping emerging nations hard hit by the global credit crisis, but Buckley doubts that is what is really going on. Rather, he says, the $500 billion pledged by the G20 nations is "a stimulus package for the rich countries' banks." He notes that stimulus packages are usually grants. The money coming from the IMF will be extended in the form of loans.

> "These are loans that are made by the G20 countries through the IMF to poor countries. They have to be repaid and what they're going to be used for is to repay the international banks now. . . . [T]he money won't really touch down in the poor countries. It will go straight through them to repay their creditors. . . . But the poor countries will spend the next 30 years repaying the IMF."

Basically, said Professor Buckley, the loans extended by the IMF represent an increase in seniority of the debt. That means developing nations will be even more firmly locked in debt than they are now.

> "At the moment the debt is owed by poor countries to banks, and if the poor countries had to, they could default on that. The bank debt is going to be replaced by debt that's owed to the IMF, which for very good strategic reasons the poor countries will always service. . . . The rich countries have made this $500 billion available to stimulate their own banks, and the IMF is a wonderful party to put in between the countries and the debtors and the banks."

Not long ago, the IMF was being called obsolete. Now it is back in business with a vengeance; but it's the old unseemly business of serving as the collection agency for the international banking industry. As long as third world debtors can service their loans by paying the interest on them, the banks can count the loans as "assets" on their books, allowing them to keep their pyramid scheme going by inflating the global money supply with yet more loans. It is all for the greater good of the banks and their affiliated multinational corporations; but the $500 billion in funding is coming from the taxpayers of the G20 nations, and the foreseeable outcome will be that the United States will join the ranks of debtor nations subservient to a global empire of central bankers.

***Ellen Brown** developed her research skills as an attorney practicing civil litigation in Los Angeles. In **Web of Debt**, her latest book, she turns those skills to an analysis of the Federal Reserve and "the money trust." She shows how this private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her earlier books focused on the pharmaceutical cartel that gets its power from "the money trust." Her eleven books include **Forbidden Medicine, Nature's Pharmacy** (co-authored with Dr. Lynne Walker), and **The Key to Ultimate Health** (co-authored with Dr. Richard Hansen). Her websites are www.webofdebt.com and www.ellenbrown.com.*

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