What Should We Make of Obama's "Spending Freeze"

By Washington's Blog
Global Research, January 27, 2010
Washington's Blog 26 January 2010

Region: USA
Theme: Global Economy

The big news today is Obama's proposed "spending freeze".

Fiscal liberals say this cuts spending at the exact time that we most need to increase it. See this and this.

Fiscal conservatives say this doesn't go nearly far enough. See this, this and this.

But I think there's a bigger issue that deserves some inquiry: is America being turned into a third world country?

As I wrote last June:

> When the International Monetary Fund or World Bank offer to lend money to a struggling third-world country (or "emerging market"), they demand "austerity measures".
>
> As Wikipedia describes it:
>
>> In economics, austerity is when a national government reduces its spending **in order to pay back creditors. Austerity is usually required when a government's fiscal deficit spending is felt to be unsustainable.**
>>
>> Development projects, welfare programs and other social spending are common areas of spending for cuts. In many countries, austerity measures have been associated with short-term standard of living declines until economic conditions improved once fiscal balance was achieved (such as in the United Kingdom under Margaret Thatcher, Canada under Jean Chrétien, and Spain under González).
>>
>> Private banks, or institutions like the International Monetary Fund (IMF), may require that a country pursues an 'austerity policy' if it wants to re-finance loans that are about to come due. The government may be asked to stop issuing subsidies or to otherwise reduce public spending. When the IMF requires such a policy, the terms are known as 'IMF conditionalities'.
>
> Wikipedia goes on to point out:
>
>> Austerity programs are frequently controversial, as they impact

> the poorest segments of the population and often lead to a wider separation between the rich and poor. In many situations, austerity programs are imposed on countries that were previously under dictatorial regimes, leading to criticism that populations are forced to repay the debts of their oppressors.

What Does This Have to Do With the First World?

Since the IMF and World Bank lend to third world countries, you may reasonably assume that this has nothing to do with "first world" countries like the US and UK.

But England's economy is in dire straight, and rumors have abounded that the UK might have to rely on a loan from the IMF.

And as former U.S. Comptroller General David Walker said :

> People seem to think the [American] government has money. The government doesn't have any money.

Indeed, the IMF has already performed a complete audit of the whole US financial system, something which they have only previously done to broke third world nations.

Al Martin – former contributor to the Presidential Council of Economic Advisors and retired naval intelligence officer – observed in an April 2005 newsletter that the ratio of total U.S. debt to gross domestic product (GDP) rose from 78 percent in 2000 to 308 percent in April 2005. The International Monetary Fund considers a nation-state with a total debt-to-GDP ratio of 200 percent or more to be a "de-constructed Third World nation-state."

Martin explained:

> What "de-constructed" actually means is that a political regime in that country, or series of political regimes, have, through a long period of fraud, abuse, graft, corruption and mismanagement, effectively collapsed the economy of that country.

What Does It Mean?

Some have asked questions like, "Is the goal to force the US into the same kinds of IMF austerity programs that have caused riots in so many other nations?" Some predicted years ago that the "international bankers" would bring down the American economy.

I used to think, frankly, that such kinds of talk were crazy-talk. I'm not so sure anymore.

Catherine Austin Fitts – former managing director of a Wall Street investment bank and Assistant Secretary of the Department of Housing and Urban Development (HUD) under President George Bush Sr. – calls what is happening to the economy "a criminal leveraged buyout of America," something she defines as "buying a country for cheap with its own money and then jacking up the rents and fees to steal the rest." She also calls it the "American Tapeworm" model, explaining:

> [T]he American Tapeworm model is to simply finance the federal deficit through warfare, currency exports, Treasury and federal credit borrowing and cutbacks in domestic "discretionary" spending …. This will then place local municipalities and local leadership in a highly vulnerable position – one that will allow them to be persuaded with bogus but high-minded sounding arguments to further cut resources. Then, to "preserve bond ratings and the rights of creditors," our leaders can he persuaded to sell our water, natural resources and infrastructure assets at significant discounts of their true value to global investors …. This will be described as a plan to "save America" by recapitalizing it on a sound financial footing. In fact, this process will simply shift more capital continuously from America to other continents and from the lower and middle classes to elites.

Writer Mike Whitney wrote in CounterPunch in April 2005:

> [T]he towering [U.S.] national debt coupled with the staggering trade deficits have put the nation on a precipice and a seismic shift in the fortunes of middle-class Americans is looking more likely all the time… The country has been intentionally plundered and will eventually wind up in the hands of its creditors This same Ponzi scheme has been carried out repeatedly by the IMF and World Bank throughout the world Bankruptcy is a fairly straightforward way of delivering valuable public assets and resources to collaborative industries, and of annihilating national sovereignty. After a nation is successfully driven to destitution, public policy decisions are made by creditors and not by representatives of the people …. The catastrophe that middle class Americans face is what these elites breezily refer to as "shock therapy"; a sudden jolt, followed by fundamental changes to the system. In the near future we can expect tax reform, fiscal discipline, deregulation, free capital flows, lowered tariffs, reduced public services, and privatization.

And given that experts on third world banana republics from the IMF and the Federal Reserve have said the U.S. has become a third world banana republic (and see this and this), maybe the process of turning first world into the third world is already complete.