MS-603: Rabbi Marc H. Tanenbaum Collection, 1945-1992.

Series E: General Alphabetical Files. 1960-1992

Box 80, Folder 7, Bretton Woods fund, 1988.

THE BRETTON WOODS FUND
2029 K STREET, N.W., SUITE 300
WASHINGTON, D.C. 20006
TELEPHONE (202) 331-1616

April 1, 1988

Dr. Marc Tanenbaum
Director, Int'l Relations
American Jewish Committee
165 East 56th Street
New York, NY 10022

Dear Rabbi Tanenbaum:

The battle to pass a general capital increase (GCI) for the World Bank is upon us. We are writing our friends to ask that they join us to work for the passage of this legislation.

The World Bank badly needs an injection of capital to step up lending to the principal debtor countries. The fate of these countries is closely tied with our own economic prosperity. For an annual cost to the taxpayer of $70 million, the Bank will be able to lend nearly $20 billion a year to spark renewed growth in developing countries.

The legislation must travel a difficult road through Congress. Many usual Congressional supporters cannot be counted upon. Insistence on debt relief by some has been met with a non-negotiable stance by the Administration. The mechanics of moving an unpopular bill through subcommittees, committees, and the House and Senate floors prior to the election are daunting, to say the least.

The Bretton Woods Committee, and especially its lobbying affiliate, the Bretton Woods Fund, are working to inform the public about the issues and to help advance the legislation through Congress. The Bretton Woods Fund is organizing a coalition of business and other interested parties to help secure passage of the GCI. The Fund working in concert with the Administration will serve as a clearinghouse for information and help orchestrate lobbying efforts from the private sector. We will provide companies and associations with materials to help support the GCI and counter arguments against it. We will conduct strategy and organizational sessions as needed to keep up the momentum.

We hope The American Jewish Committee will be part of this working coalition.

Would you please be kind enough to fill out and return the enclosed form, letting us know what you can do and, where appropriate, with whom we should deal in your organization. If you cannot help, let us know that, too.

Thank you very much for your continuing interest and support for the Bretton Woods Committee, the Bretton Woods Fund, and the multilateral financial institutions.

Sincerely,

Henry H. Fowler

Henry H. Fowler

Charls E. Walker

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Name: ______________________________

Organization ________________________

QUESTIONS

1. I am willing to commit a limited amount of our organization's lobbying ability to help with World Bank legislation.

   ___Yes (If yes, skip to Question 3).

   ___No (Please answer Question 2).

2. The World Bank is too tangential to our interests for us to devote our organization's time and energy. Therefore,

   ___Try to convince me otherwise if you want our help.

   ___Go away and don't pester us again on this.

   ___Other (Please elaborate) ____________________

   ____

   ____

3. May we include your name and that of your organization along with others at the bottom of a full-page ad stating the need for a General Capital Increase?

   ___Yes ___No

4. May we add your name and that of your organization to a letter to Members of Congress endorsing the General Capital Increase for the World Bank and appropriations for the other development banks?

   ___Yes ___No (OVER)

5. Would you personally agree to make a few phone calls during a crisis period?

___Yes ___No

6. Would you ask company executives, suppliers, unions, etc. to write their member of Congress on the capital increase if we supplied a convincing background piece and a model letter?

___Yes ___No ___Perhaps

7. Would you try to place an op-ed article in support of a General Capital Increase in your local newspaper if we supplied a model op-ed piece?

___Yes ___No

8. Who is the best person in your organization with whom we should work on the week-to-week details of the lobbying effort?

Name: ____________________

Title: ____________________

Phone: ____________________

9. Any Other Comments ____________________

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Please mail this form back to the Bretton Woods Fund. Thank you.

National Journal

Living with Japan

Spotlighting the VA

THE WEEKLY ON POLITICS AND GOVERNMENT MARCH 12, 1988/NO. 11

Why Hill's Debt Hawks Are So Ruffled

By Jonathan Rauch

For the 13 years he has been in Congress, Rep. John J. LaFalce, D-N.Y., has been a committed supporter of the World Bank. He and several other moderate-to-liberal Democrats have been a key constituency for an agency that always has a difficult time winning money from U.S. taxpayers. This year, the Reagan Administration is seeking a major increase in capital for the Bank to lend to developing countries—and LaFalce is talking about taking a walk.

"I have a very long history of support for the multilateral financial institutions," he said recently in an interview. "I don't feel good about this."

What LaFalce, one of the Democratic "debt hawks," wants is for the United States to change its approach to the Third World debt crisis. New lending to strapped developing nations, this group argues, might just be good money thrown after bad unless it is coupled with measures to lighten the crushing burden of existing debt. And so this year, he says, his support for the World Bank general capital increase is conditional: No money for new Bank lending unless the Administration changes its tune and begins to look at ways to clear old debt off the books.

Noting that almost any of the current crop of presidential candidates would be more amenable to what he views as a more far-reaching approach to the debt crisis than Reagan has been, he said, "There's going to be a new Administration, and if this Administration is going to be unwilling to talk about debt relief, then let's defeat it and put it over into the next Administration."

Debt relief? Forget it, says the Administration. Treasury Secretary James A. Baker III and President Reagan are not about to reverse field in their final year, a Treasury Department official said. "The bottom line is that we are not going to deal with them on this issue." Asked whether that might mean not getting the Bank's capital increase this year, he said, "They [Democrats] will find that the next Administration will have to deal with the [World Bank] issue, and it may be one of their own."

Is LaFalce bluffing to get the Administration to come to the bargaining table? Maybe. Is the Administration bluffing to position itself for coming negotiations? Maybe. But each side swears it means business. Either way, the World Bank's capital increase stands to be the forum for the next big public policy fight over the Third World debt crisis—and it looks bad for the World Bank.

James C. Orr, the executive director of the nonprofit Bretton Woods Committee, whose members (mostly business executives and former government officials) serve as advocates and lobbyists for the Bank and its sister institution, the International Monetary Fund (IMF), said of the Bank's capital increase: "It is now in quite serious trouble, no question."

On the Republican side, conservatives criticize the Bank and the IMF for stressing austerity rather than economic growth and for being too willing to support socialistic economic policies abroad. In a statement, Rep. Jack F. Kemp, R-N.Y., said that the World Bank "still does not have an effective strategy for encouraging growth in debtor nations. Until it devises such a strategy, and stops merely adding to the debt burden, the World Bank should not get another dime."

Among the Democrats, the concern has grown that much of the new money for the World Bank would go to pay off existing debt—from the Bank to Brazil to Citicorp. That doesn't sit well with LaFalce and other debt hawks on the Banking, Finance and Urban Affairs Committee, which has jurisdiction over the Bank. Committee member Charles E. Schumer, D-N.Y., said, "There's a great deal of frustration among some of us who have been tilling the fields in the Third World debt area who objected to a policy which just amounts to new lending to repay old interest, and I think there's a desire on the part of many people who are on the Subcommittee [on International Development Institutions and Finance] to try and get more cooperation out of the World Bank and the Administration in moving the debt problem along."

Moreover, many liberals see the Administration as unwilling to grapple with the debt problem and as sneering at suggestions from the Hill. "The Reagan Administration deserves to hear 'in your eye' from people up here because of the way they've dealt with us," said Rep. Bruce A. Morrison, D-Conn., another committee member. "But it would be irresponsible to say 'in your eye' when what's at stake is the long-term development of less-developed countries. So they won't get 'in your eye.' They'll get a rigorous demand that what's done makes sense as public policy. I'm prepared to say that this bill shouldn't see the light of day unless it's part of a coherent debt strategy."

If the bill languishes in the subcommittee basement until

Susan M. Muniak

Rep. John J. LaFalce, D-N.Y.
Supporters of World Bank push for fresh approaches.

adjournment, that could present a problem next year if the Democrats win the White House. In a Feb. 17 speech, House Republican Conference chairman Dick Cheney of Wyoming warned: "I think if this package were to wait until 1989 and a Democratic President, Lord forbid, that it would be far more difficult to come up with any kind of support on a bipartisan basis for this package. I think it's important to move it this year."

In August, the international debt crisis will be six years old, marked by neither calamity nor resolution. There remain two fundamental positions. One, taken by the Administration and former Federal Reserve Board chairman Paul A. Volcker, is that any steps pushing banks to forgive debt will be counterproductive, making new lending more scarce in the future and removing the incentive for developing countries to get their economic acts together. The other position holds that the heavy debt burden is choking off rather than encouraging economic reforms, that it's hopeless to expect developing countries to pay off all their loans and that it's time to face up to this fact and begin an organized plan of debt relief before disaster strikes.

That's the fight that is now being waged. What LaFalce, Morrison and some other Democrats, recently joined by American Express Co. chairman James D. Robinson III, call for is a so-called facility approach: The United States and other major industrial governments would set up a multilateral agency ("facility") to buy Third World debt from banks at a discount—say, 60 per cent of face value—and pass the savings along to Third World countries. In particular, the debt hawks want the Administration to agree to a provision like the ones inserted in the trade bill by LaFalce and Morrison, calling for Reagan to negotiate a facility approach.

The Administration argues that the banks won't sell their debt at a discount unless they are either coerced, which would be unacceptable, or given sweeteners by taxpayers, which would also be unacceptable. (Proponents reply that the facility would work voluntarily and at less eventual cost than the current policy.) In any case, the Administration says, the current approach is working and it's much too early to talk about debt relief, which, Baker said in a speech in February, is a path that "leads both debtors and creditors off the cliff."

The World Bank is caught squarely in the middle of this dispute. At a time when private lending to debtor nations has slowed to a trickle, the Bank—the biggest non-private lender—is running into constraints on its own lending. The last time it got a general capital increase was in 1979, when its capital base was doubled.

As part of Baker's debt strategy, the Administration and other major industrial governments have agreed to a $75 billion capital increase over five years; that would take the Bank's capital base up to $171 billion and allow it to increase its lending by about half over the next five years or so. Most of the $75 billion is in the form of loan guarantees against which the Bank could borrow funds. But the agreement calls for some cash to be paid up front—and so the Reagan Administration wants $70 million for fiscal 1989. Try selling that to Congress when domestic programs are being cut.

"Everyone's taking the Senate for granted," Orr said. Historically, the bottleneck is in the House, where a lot of Members take a dim view of spending on the World Bank. "That's foreign aid, as far as they're concerned, or it's a bank bailout," LaFalce said. In 1983, when an increase for the IMF came up, a hard push by Reagan only barely pushed it through the House, 217-211, supported by a majority (55 per cent) of the voting Democrats and a minority (43 per cent) of Republicans.

In the 1980s, Congress has never managed to pass an increase for one of the multilateral lenders without tucking it into a larger, more politically palatable package. This year, congressional leaders are warning that what would ordinarily be the most attractive package—an omnibus appropriations bill—won't be available because Reagan is insisting on separate appropriations bills. Furthermore, observers such as Orr say there is a good chance that House Banking Committee chairman Fernand J. St Germain, D-R.I., will hold the World Bank appropriation hostage to get concessions from Reagan. (In 1983, he hitched the IMF increase to an unrelated housing bill.)

One way or another, the World Bank capital increase will be attached to something. "It desperately needs a locomotive," Schumer said. "There's a possible symbiosis. Those of us who want to change Third World debt policy need a vehicle, and those who want to increase [the Bank's capital] need a locomotive."

The World Bank and its friends are left to hope that they don't get caught in a train wreck. Rep. Jim Leach of Iowa, the second-ranking Republican on the Banking Committee, warned in an interview: "Any replenishment of any international institution implies a dicey gamble with Congress, but the alternatives are neither pleasant nor apparent. These are institutions that serve the world community well, and we play with their fates at the risk of undercutting the world." □


Susan M. Muniak

Treasury Secretary James A. Baker III
With a year to go, he's unlikely to endorse debt relief.