ENOUGH IS ENOUGH

Dear Mr. Camdessus . . .
Open Letter of Resignation to the Managing Director of the International Monetary Fund

Davison L. Budhoo

Foreword by Errol K. Mc Leod
President General, Oilfields Workers' Trade Union

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This Open Letter is dedicated to the people of the Fourth World — the more than two billion voiceless, starving and diseased peoples who share our planet. They transcend national boundaries in their desperation, indicting massively their tormentors with evidence of the unneccessary horror and helplessness and suffering of their own lives.

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Mr. Camdessus
Managing Director
International Monetary Fund
Washington, D.C.

Dear Mr. Camdessus,

Davison L. Budhoo: Part I of Open Letter of Resignation From the Staff of the International Monetary Fund: Reason for this Letter and a Summary of its Contents

1. THE MILIEU

(a) Why I have to Forego the Code of "Proper Fund Staff Behavior" and Write this Letter

Today I resigned from the staff of the International Monetary Fund after over twelve years, and after 1000 days of official Fund work in the field, hawking your medicine and your bag of tricks to governments and to peoples in Latin America and the Caribbean and Africa. To me resignation is a priceless liberation, for with it I have taken the first big step to that place where I may hope to wash my hands of what in my mind's eye is the blood of millions of poor and starving peoples. Mr. Camdessus, the blood is so much, you know, it runs in rivers. It dries up too; it cakes all over me; sometimes I feel that there is not enough soap in the whole world to cleanse me from the things that I did do in your name and in the names of your predecessors, and under your official seal.

But I can hope, can't I? Certainly I can hope. I can hope that there is compassion and indignation in the heart of my world, and that people can stand up and take notice of what I have to say, and listen to your reply. For you will have to reply, because the charges that I make are not light charges - they are charges that touch at the very heart of western society and western morality and post-war inter-governmental institutionalism that have degenerated into fake and sham under the pretext of establishing and maintaining international economic order and global efficiency.

You think that's all there are to my charges? No, there is more; much more. The charges that I make strike at the very soul of man and at his conscience. You know, when all the evidence is in, there are two types of questions that you and me and others like us will have to answer. The first is this : - will the world be content merely to brand our institution as among the most insidious enemies of humankind? Will our fellowmen condemn us thus and let the matter rest? Or will the heirs of those whom we have dismembered in our own peculiar Holocaust clamor for another Nuremberg?

I don't mind telling you that this matter has haunted me; it has haunted me particularly over the past five years. It has haunted me because I know that if I am tried I will be found guilty, very guilty, without extenuating circumstance.

But beyond the question of guilt, there is a far more operational matter that bothers me; it is this: what devil is there in us that will allow us to go this far into a shame and an ignominy without screaming out a protest as human beings and as men of conscience? How could we have allowed ourselves for so long to defend the indefensible?

When I ask myself that question I become disoriented. I become disoriented because I cannot cope with the consequences of the answer that I know will surface one day. Put simply, that answer will doubtlessly focus on the total preoccupation of Fund people, and Fund inspired people, with personal material gratification and with the lust for, and abuse of power placed so inadvertently, yet so completely, in their hands. It is the timeless story of human beings, faced with an exceptional opportunity to further the cause of mankind, turning around and destroying everything worth preserving because of some indefinable quirk in our Nature.

It is the timeless story of the descent of another century of history into hell.

Doubtlessly you feel outraged that I speak thus, and that I ask questions that raise the spectre of personal culpability of those who labor within our institution, and that I make what you may see as meaningless, but dramatic and eye-catching generalizations about our work and history's verdict on it. Perhaps you wish to say to me "You are mad to suggest that the Fund, or anyone associated with it, has committed such awful crimes." Well, maybe I am mad, Mr. Camdessus, to look at our operations with eyes of candor and to feel terror, rather than satisfaction, at the sight of us doing things of Dracula that we so blithely do. But I cannot help being mad thus; I cannot help feeling what I feel; I cannot help being squeamish. I guess you can say that there was always a Mr. Hyde within me, and even as I did your Dr. Jekyl work I kept looking over my shoulder at his kind face. And one day he said to me: "Take stock of yourself; the image of the Beast is blotting out all else. Your soul is becoming shrivelled up; you are becoming dispossessed of all traces of your humanity." And I replied: "It cannot be; I will never accept to be thus; I will fight tooth and nail to return to the Human Fold."

This Letter is the start of my fight back to that Fold, and in writing it, and in doing other things that I must henceforth do, I have to forego the conventional stereotype of Fund Staff "proper" behavior. Put bluntly, as from today I refuse to accept the Fund-imposed censorship on our activities in the Third World. I have also stopped obeying your directive that reports and memoranda and other printed matter that document these activities be regarded as unexceptionally confidential and "hush-hush". Equally, I reject the Fund's traditional stance that the world has no right to know details of our methodology, or be made privy to the secrets of our success in doing what we do. More comprehensively and catalytically, as from today I tear off the mask of studied ambiguity that your organization did give me twelve years ago. As from today, Conscience becomes my only guide.

(b) The Purpose of this Letter

In guilt and self-realization of my own worthlessness as a human being, what I would like to do most of all is to so propel myself that I can get the man-in-the- street of North and South and East and West and First and Second and Third and Fourth and All Other Worlds to take an interest in what is happening to his single planet, his single habitat, because our institution was allowed to evolve in a particular way in late twentieth-century international society, and allowed to become the supra- national authority that controls the day-to-day lives of hundreds of millions of people everywhere. More specifically, I would like to enlighten public opinion about our role and our operations in our member countries of the Third World. I would like...

Do I hear you bristling with disapproval? Yes, I do. "Enlightening public opinion" are nasty words in the vocabulary of the Fund; I know it; I know it. Well, not so for me. In my new dictionary, "enlightening public opinion" spells the only means to salvation. For if I can do that - if I can get people to begin to comprehend the universality and the depth of our perversion - I would have achieved something rare and precious for the starving and dispossessed two-thirds of mankind from whose ranks I come, and for whose cause I must now fight.

If only I can light a little spark of concern for the Third World from the First World, Mr. Camdessus! If only I can make others to see that the poor and the destitute are not the expendable garbage heap that our institution thinks they are! (what a garbage heap, Mr. Camdessus! What a large expendable garbage heap of three billion souls!). If only I can...

(c) What this Letter is, and isn't

Wait, Mr. Camdessus, wait! Don't breathe a sigh of relief. Don't say : "Oh, another do-gooder filled with delusion and a pitiable sense of self-importance! Another geezer striving vainly for melodramatics! Another geezer wasting my time. Now that I know who he is and what he is after, let me call in the High Priests of the Fund. They will take care of him; they will clean up the little mess that he did make. What a life! It's all in a day's work."

Mr. Camdessus, don't say these things; don't devalue my substance thus, as we devalue the currency of every Third World country that we latch on to. You know, contrary to what may be your impression after reading the first few pages of this Letter, I do not deal in wild accusations and uninformed guesses; I do not deal in diatribe. I deal in cold, stark facts - facts and specifics of time and place and Fund policies and Fund conditionalities and Fund missions and Fund meetings and Fund negotiations and Fund-related fraud, and...

And Fund-related fraud?

Yes, Sir, Fund-related fraud. You know, the term "fraud" is not mine; it was first used by your predecessor, Mr. de Larosiere; I merely pick-up from where he left off. And in so doing, I shall put under the microscope each element of the type of fraud to which he did refer; I shall dissect every element separately to show where the cancer lies.

Want an example of the technique? Want me to *illustrate the method of approach that I will use to dissect* our dealings in member countries?

Well, I'll respond immediately by delving into our activities in the member country of Trinidad and Tobago, a small, twin-island state in the Eastern Caribbean. I will summarize here, briefly, what we did do there from 1985 to the present time. (In Parts II and III of this Letter I describe these activities, blow by blow, in great detail.) And I'll guarantee you one thing - viz: that when I've had my say, no one in the Fund will want to laugh again today, or tomorrow, or the day after tomorrow for that matter.

2. SIX INDICTMENTS AGAINST OUR OPERATIONS IN TRINIDAD AND TOBAGO

I hereby file accusation against the Fund in its dealings with Trinidad and Tobago on six counts, viz:

(i) We manipulated, blatantly and systematically, certain key statistical indices so as to put ourselves in a position where we could make very false pronouncements about economic and financial performance of that country. In doing so, we created a situation whereby the country was repeatedly denied access to international commercial and official sources of financing that otherwise would have been readily available. Our deliberate blocking of an economic lifeline to the country through subterfuge served to accentuate tremendously the internal and external financial imbalances within the economy springing from the dramatic downturn in the price of oil;

(ii) The nature of our ill-will, and the depth of our determination to continue on a course of gross irregularities, irrespective of economic consequences for the country and its peoples, are clearly shown by the fact that your senior staff bluntly refused in 1987 to correct even one iota of the wrong that we had done over 1985/86;

(iii) Congruent with action outlined in (i) and (ii), the staff has waged within the Fund an aggressive campaign of misinformation and derision about economic performance in Trinidad and Tobago. The insidiousness of that campaign is dramatically highlighted in the deliberately wild allegations made in the Briefing Paper to the last consultation mission - a paper that was cleared and approved by your good self in late June, 1987;

(iv) As the country continues to resist our Deadliest Medicine that would put it in a position to enter into a formal stand-by arrangement with us, we continue to resort to statistical malpractices and unabashed misinformation so as to bring it to heel. Among several misdeeds, we have influenced the World Bank, apparently against the better judgement of its own mission staff, to come out in support of our trumped-up policies and stances for the country;

(v) In our seemingly inexplicable drive to see Trinidad and Tobago destroyed economically first, and converted thereafter into a bastion of Fund orthodoxy, we have applied, and are applying, intolerable pressures on the government to take action to negate certain vital aspects of the arrangements, as enshrined in the constitution of the country, through which the government functions, and within whose framework fundamental rights of the people are recognized and protected, and norms of social justice and economic equity maintained;

(vi) Our policy package for Trinidad and Tobago - i.e. the conditionality that we are demanding for any Fund program, and the measures that we are asking the authorities to implement as a necessary precondition for a loosening of the iron grip that we now hold on the fortunes of the country in so far as its recourse to international capital markets and official bilateral donors are concerned - can be shown, even in a half-objective analysis, to be self-defeating and unworkable. That policy package can never serve, under any set of circumstances, the cause of financial balance and economic growth. Rather, what, in effect, we are asking the Government of Trinidad and Tobago to do is to self-destruct itself and unleash unstoppable economic and social chaos. In this respect, this Letter invites you to appoint urgently an independent expert group to look into all aspects of the charges made in Parts II and III of the Letter;

Self-defeating and unethical as it may seem, what we have done and are doing in Trinidad and Tobago is being repeated in scores of countries around the world, particularly in Latin America and the Caribbean and Africa. Sometimes we operate with greater restraint, sometimes with less, but the process and the result are always the same: a standard, pompous recital of doctrinaire Fund "advice" given uncompromisingly and often contemptuously and in utter disregard to local conditions and concerns and susceptibilities. It is the norm now rather than the exception, that when our "one-for-all and all-for-one" Fund cap doesn't fit the head for which it is intended, we cut and shave and mangle the head so as to give the semblance of a fit. Maybe we bust up the head too much in Trinidad and Tobago, but have no illusions that the way we operate throughout the world - the narrow and irrelevant epistemology underlying our work, the airs and affectations and biases and illusions of superiority of our staff vis-Á-vis government officials and politicians in the developing world, our outrageous salaries and perks and diplomatic immunities and multiple "entitlements", the ill-gotten, inadvertent power that we revel in wielding over prostrate governments and peoples - can only serve to accentuate world tensions, expand even further the already bulging ranks of the poverty-striken and destitute of the South, and stunt, worldwide, the human soul, and the human capacity for caring and upholding norms of justice and fairplay.

3. A BIRD'S EYE VIEW OF SUBSEQUENT PARTS OF THIS LETTER

Each of the remaining five Parts of this Letter has been placed in appropriate safekeeping, pending release to you. In this section, a brief summary is given of each of these five Parts.

(a) Summary of Parts II and III

Parts II and III document, in considerable detail, the range of Fund wrongdoing in Trinidad and Tobago from 1985 to the present time, as summarized in Section 2 above. Part II deals with statistical malpractices and improprieties that we did perpetrate (items (i) through (iv) on page 4), whereas Part III provides evidence to support charges relating to non-statistical issues (items (v) and (vi) on pages 4 and 5). From the backdrop of our very shameful but wholly unrepentant behavior in Trinidad and Tobago over the period identified, two operational and highly relevant issues are brought into focus in later sections of Part III. The first of these reminds you that on-going Fund policy pays a lot of lip service to "evenhandedness" (or equality of treatment) in our relationships with member countries, but suggests that in actual practice this goal remains a dead letter. Firsthand evidence to support this latter position is brought to bear on a comparison that is made of our treatment of Trinidad and Tobago and Jamaica in 1987. The second matter aired is the question of what constitutes statistical fraud in the dealings of the Fund with member countries, and what are the penalties involved for entities caught redhanded in perpetrating such fraud, or otherwise indulging in statistical malpractices meant to mislead others or to misrepresent a true position. On this issue, you are urged to establish immediately an independent investigative authority to look into all charges made in Parts II and III, and in the light of the findings of such authority, to take whatever remedial action is called for in relation to established Fund procedures, notwithstanding the fact that the culprit may prove to be the Fund itself, rather than miscreant member countries for which the penalties were intended in the first instance.

(b) Summary of Part IV

Part IV is divided into three sections. The first reviews the conceptual content and the theoretical underpinning of our "program" for Trinidad and Tobago, irrespective of the statistical and other malpractices that we did commit in the process of trying to get the authorities to bite the bullet and accept that "program." The conclusion is that our "program" for Trinidad and Tobago is nothing but a hotchpotch of irreconcilable and conflicting elements and objectives. The accusation is made that the internal logic of our "program" spells comprehensive economic disorder in Trinidad and Tobago and all enfolding disintegration of the fabric of national life - economic, political, and social. Evidence is brought to show that our action in Trinidad and Tobago does not relate to any clear set of economic principles, however misguided or inappropriate such principles may be, and that we are just striking out wildly at everything and anything in our path, without reason or rationale or sensitivity to an aftermath.

The second section of Part IV asks the question: why should this be the case? How, in fact did we get into the game of giving farcical advice to member countries? In seeking an answer, another question is brought to the fore; it is this: Is the Fund staff running amok with the wholly unexpected and unexceptional authority that they wield? Are we churning out despair after despair, hunger after hunger, death after death, in the name of Bretton Woods epistemology merely to satisfy a lust for power and punish those who run against the grain of our personal or "professionalized" political ideology, while rewarding those who think as we do?

This question takes us back to the very origin of the Fund; an attempt is made to unravel the various elements of Fund history and epistemology to see how and if, to what extent and at what stage, our quest for a better functioning world became ensnarled into our personal ambitions and our burgeoning group psychosis.

On the above matters a set of inter-related conclusions are drawn. The first is that the Fund, which was established primarily to serve developed countries by overseeing the return of the industrialized world to orderly multilateral trade and payments arrangements, has never been able to come to terms with the problems of the developing world, which are fundamentally different - ie; a economic growth and diversification, and broad social change along the whole spectrum of income distribution, quality of life, social security and political instability and economic waste, and poverty and hunger and disease and desperation. Always, and under all conditions that may be encountered, the conceptual backdrop that we brought to bear on our work, and the body of economic principles that guided our action, sprang overwhelmingly from the nineteenth century vision of Pax Britanica, now writ large as Pax Atlantica - ie; "perfect competition" and "world allocation of resources" and "international division of labor" and "general equilibrium in the (western) world economy" to be achieved through the instrumentality of unbridled and "free" pricing systems domestically and Gold-Standard determined exchange rates internationally. As far as we were concerned, all the difficult dynamics and unforeseen phenomena of the developing world in the fifties and sixties and seventies and eighties of this century had no meaning whatsoever; they could be ignored or dismissed or shrugged off without the batting of an eye or the furling of a brow. Unwilling and unable to meet emerging Third World needs, we became the Neanderthaler of the twentieth century.

Why was this the case?

The third section provides the following answer, viz; sometime in the course of Fund history, our original epistemology became transformed from a system of verifiable concepts, theoretically open to change and adaptation, to a totally closed and vainglorious doctrine that has nothing to do with economic theory, but everything to do with the Nature of Man. More specifically, at some stage the Fund staff - the seeming "nondescript technocrat" who was hardly ever mentioned in our Articles of Agreement - managed to "steal" the Fund and began using it as his own personal tool to propel and shape the emergence of what I choose to call a New Nobility on Earth, wielding power and influence and control over the lives of hundreds of millions of hapless people in a New Late-Twentieth Century Dark Age, epitomized by a Continual and Never-Ending State of Tyranny and Dictatorship and Oppressiveness. Even more specifically, at some stage in Fund history, Pax Atlantica gave way to Pax Honeypot when the latter is defined to mean the easily identifiable and endless stock of almost unbelievable goodies and material Things of Life provided by the captive Fund to its triumphant and rampaging and insatiable staff. Pax Honeypot has become the be-all and end-all of everything done by the Fund in the Third World; it is the basis of all our motivation and all our objectives in countries such as Trinidad and Tobago that we would rape, and where we would commit statistical fraud, and mash up the constitution and bring poor people to further and further grief and destitution.

The following general conclusions are drawn, after close perusal of evidence.

(i) We get away with our works of Dracula hiding behind the mask of Superior Technocracy and a Greater Wisdom striving for "financial balance" and "structural adjustment" in the Third World. But the mask is becoming more and more tattered, outside observers and victims of our scorched earth policy themselves are beginning to see us as we really are. But our response to criticism is greater self- righteousness and greater indignation and sense of effrontery that anyone can dare to question our works and our methods. Can't they see that we are the only wise ones and that they are the fools?

(ii) The Fund is soulless, not because there is no scope for humanized behavior and compassion in an institution dedicated to optimum world efficiency and a more effective use of foreign financial resources in developing countries, but because its founders, in chasing their improbable dream of Pax Atlantica, overlooked all scope for exercising compassion and alleviating social injustice in certain parts of the international system that they were creating. Compassion and social justice were crying needs; they are the very roots on which we should have nurtured an evolving and pragmatic Fund philosophy for the Third World. But our Founding Fathers denied us access to them, and shrivelled our soul. So later on, when we "stole" the Fund, All Things Just and Humane became our Absolute Antithesis; we were as clinically and completely materialistic and single-minded in pursuit of Our Own Gratification (Pax Honeypot) as they were in pursuit of Pax Atlantica.

(iii) In a very meaningful way, our staff perversion is the logical consequence of our Founding Fathers' credo, just as the latter is the logical consequence of the prevailing 1944 international ethos of Superior Man and Inferior Man, and the western man and his system to be saved and nurtured, and the southern man to be overlooked and cast aside, in so far as his needs and aspirations as individuals and groups and nations are concerned.

And it is this theme - the theme of the southern man remaining in oppression under post-war multilateralism, spearheaded by the Fund, as he had been under seventeenth and eighteenth and nineteenth century colonialism - that occupies the fourth section of Part IV. More specifically, representative examples are given of the modus operandi of Fund staff as the New Nobility of Earth, out to protect and expand Pax Honeypot, and to smother all opposition to their hegemony, from whatever quarter such opposition may come. Initially, the spotlight turns to "internal" power distribution among the staff, with "core" staff from the West calling the shots and laying down, virtually on their own, Fund law at 700 19th Street, N.W., Washington D.C. Subsequently, the field of enquiry widens from "internal" matters to "external" authority wielded by sectors of our staff. In particular, the nature of power that we hold in countries of the Third World, and the methods that we use to make our power effective and self-sustaining, are brought to the fore.

On "internal" matters you are asked to take a close look at the implications of the rampant and multifaceted racism that is now an extremely operative factor in Fund staff calculations; as you are fully aware, this "internal" worm eating at our soul has created its own system of internal injustices and double standards and rank arbitrariness within the Fund, particularly in relation to staff promotion and job assignments. But, unfortunately, that is only the tip of the iceberg; the matter runs far deeper than staff issues. Indeed, racism makes itself felt in a wide range of organizational practice, some of which are eminently inexcusable, given our international nature. Among these is the classification of South Africa as a "European country" administered by our highly segregated, virtually "white staff only can work here" European Department.

But however outrageous our internal practice and organizational arrangements, they fade into insignificance when compared with the sheer temerity and dare-devil grossness of the methods and procedures that we use to keep Third World governments and peoples under our heel. And in this respect the most obvious point to be made is that we are Judge and Jury and Maker of All Relevant Laws Pertaining to the Crime Committed and Administrator of the Penal Code and Executor of the Sentence.

Yes, yes, Mr. Camdessus, in scores of developing countries that are unfortunate enough to fall within our grasp, we hold simultaneously and completely in our hand Legislative and Executive and Judicial powers over wide- ranging matters relating to national economic and financial policies. We do our own "tainted" evaluation of economic and financial performance (an evaluation that is subsequently accepted as Bible Truth by our Executive Board and by the international community); we write our own Letter of Intent under the name of the Minister of Finance and present it to him for signature; we administer the "program" specified in the Letter of Intent (this includes determining whether or not the country has met the "performance criteria" that we have established, and whether, therefore, it is eligible, on "target" dates, to draw down the financial resources that we had committed, and that other supporting institutions had promised).

The whole process of determining what is "right" for the country, to formulating that "rightness" into a legal document that specifies "conditionality" and "performance criteria", to administering and monitoring the "program", to determining whether or not the country is eligible to draw, to alerting the international community as to whether or not we did see fit to create yet another "outcast country" or "leprosy case", is performed not only solely by the Fund, or by the relevant Division of the appropriate Department of the Fund, but in most instances by a single staff member acting on your behalf and with your authority. Such a staff member would hold, for all intents and purposes, the economic fate of the country concerned, and of its peoples, in his hand; as such he becomes transformed from a human being to the Unstoppable Supra- National Authority; all his own personal prejudices and arbitrariness and hang-ups and self-interest and lust for power and mad desire to control the destiny of peoples and of nations become essential elements of that Unstoppable Authority.

It is a telling commentary on the nature of our operations in the developing world to be able to say, without any fear of contradiction - I wish you would contradict, Sir, so I can reply - that for forty years we took a particular stance and acted in a particular way that showed a total disregard and absolute contempt for the doctrine of the separation of powers - a doctrine that constitutes the true basis of everything fair and just and decent in western political and economic and social systems. Amazingly, our contemptuous disregard for, and easy dismissal of the most treasured tenets of western society, have somehow been accepted by the Third World as "normal" and "right" practice by the Fund. You know, it is Lord Acton who observed that "all power corrupts, and absolute power corrupts absolutely." That maxim could never have been truer than when applied to us. The Third World, in accepting our absolute power and our absolute corruption, is also instrumental in writing its own obituary.

(c) Summary of Part V

Part V of the Letter is devoted to a definition of the actual size and depth of our Treasured Honeypot that is the Be All and End-All of Everything for Fund staff, and to an investigation of how we use the Honeypot as a means for neutralizing and defusing "outside" elements that potentially could threaten or frustrate the exercise of our Absolute Authority in the developing world.

On size and depth of the Honeypot, details are given of salary and other emoluments, including our multifarious allowances and subsidies. On this matter, it is concluded that the salary/allowances package of a median "missionary" staff member would be in the region of from five to ten times the budgeted salary of almost every Third World head of state, and some one thousand times the per capita income of that two thirds of mankind that he is paid so handsomely to crush down into further destitution.

The salaries/allowances package, of course, tells only part of the story; beyond it, there is an amazing set of perquisites and "intangibles" that come with the job. These include diplomatic immunities and our United Nations Laissez Passer, Royalty and First Class travel everywhere we go, generous allowances for overnight stays in Europe and elsewhere on our way to perform our "missionary" work in Africa and Asia and Latin America, high class night-clubbing in Sin Cities of the world, personal secretaries on each and every of our missions, G5 Visas for maids that we bring in from Paraguay and Mexico and Jamaica and Greece and everywhere else, the very generous Group Life Insurance and Medical Benefits Plans, and the even more generous Pensions Scheme. And most satisfying of all, the realization dawning on us that we have finally made it to Ultimate Paradise.

Honeypot, of course, transcends the staff; we make others to partake of the Good Things of Life, depending on the extent to which we perceive them either as a threat to our own Unmolested Gratification, or as an aid to help us win even greater personal material benefits. Specifically, we share our Honeypot with our Executive Board and its staff, who sit at our headquarters in Washington, and whose "typical" salary/allowances package is even heftier than ours. Drawn hopelessly into our malestrom, and obviously Very Pleased with Everything Pertaining to Honeypot's Form and Style and Substance, the Board of Executive Directors- appointed by member governments as a political entity to "direct" the Fund - has become a quiescent, almost anesthetized body; it operates mostly as a rubber stamp to endorse our action and initiatives that are designed, invariably, to maintain our political and economic hegemony in Third World countries. In addition to having their teeth drawn by the faceless bureaucrat whose original purpose was to implement autonomous decisions of the Executive Board (what a reversal of function!), your attention is drawn to the consequences of a set of anomalies and conflicts of interest involving the government appointed staff of Executive Directors in their relations with "regular" Fund staff.

That we, faceless bureaucrats, protect our flanks by going far beyond the Executive Board and its staff is illustrated and documented carefully in the final section of Part V. In this respect, a representative set of action on our part involving "external" entities is highlighted viz: (a) the "carrot" (involving, of course, use of our ubiquitous Honeypot) that we offer to senior government officials, and middle-level government officials to be soft on us, and/or to actively collaborate as we construct our bogus programs based on "fixed" statistics so as to sell such "right" programs to national political directorates; (b) the cosmetic measures taken to defuse international criticism and give the illusion that the Fund is responding meaningfully to the needs of developing countries. Specifically, recent institutional innovations within the management structure of the Fund - ie; the establishment of the Group of Twenty Four and the Development and Interim Committees - are discussed from the perspective of the realistic role and function of such entities within the context of a burgeoning staff supremacy at all levels in Fund decision making processes. Equally, the true purpose of the periodic appointment of "Wise Men" (compliments of Honeypot) to do "new thinking" and undertake "independant analysis" and "objective evaluation" of our successes and failures is brought to your attention. "Wise Men" rise and fall with equally indecent haste, they say the lines that we did want them to say and then they go away. And in the aftermath, the only thing that ever becomes strengthened is the already impregnable position of the faceless Fund technocrat, and his accountability to no one but himself.

In general, the conclusion of this Part of the Letter is as follows: any outside shock wave that conceivably may serve to alter, even by one iota, the Established Order of Things, or the Equanimity of Our High Priests (senior staff) or the Irresistible Logic of the Fund in Reducing Everything to a Common Denominator of Greed and Personal Ambition, or Maintenance of the Status Quo and Further Enhancement of the Power of the New Nobility, must be expunged, necessarily and unexceptionally, from the system. However, we don't do our expunging with high visibility action or with fanfare. A willingness to ride out the criticism, or the protest, or the concern expressed by others is what is called for. Seeming reasonableness and propriety and "sweet talk" become the order of the day; we seem to feed the hog even as we stab him in the back. There is no intellectual effort, no honest search for solutions, no new thinking whatsoever. Mediocrity and an absolute slavish imitation of High Priests who have "made it" in the Fund; stultifying conformity and an amazing perfection of the art of "yesmanship" - these are the essential elements of a true Fund Person. Hypocrisy underlies everything that we do; certainly core elements of our staff have had centuries of experience in practicing it on subject peoples. And the world is no closer today to an amelioration of the ills of Imperial Empire than it was at the time of Queen Victoria. Therein lies the bequeathment of the West and the tragedy of the South. Therein, too, lies the entire history and insidiousness of the Fund.

(d) Summary of Part VI

This Part has eight sections. The first section comes back to a fundamental question raised in Part IV, viz: can the Fund reform itself so that it serves the true interests of developing countries without negating critically its role as the major plank of an international management system for economic stability and growth and for the financing of such stability and growth? In searching for an answer, a comprehensive listing is made of "reform proposals" made by your good self and by your predecessors over the past several years to change the nature and the modules of Fund operations and facilities, presumably with a view to sensitizing the institution to the needs and characteristics of developing countries. All aspects of the agenda for change and reform that you have articulated recently are classified under four headings viz: (a) resource mobilization by the Fund (eg; establishment of the Enhanced Structural Adjustment Facility financed by developed countries); (b) resource transfer by the Fund (eg; establishment of an External Contingency Mechanism to be combined with the existing Compensatory Financing Facility for assisting countries to overcome unforeseen external shocks); (c) terms and conditions for resource transfer by the Fund (eg; establishment of an interest subsidy facility and proposals for "relaxing" Fund conditionality); (d) the effect on developing countries of resource transfer under stated terms and conditions (eg; impact on the poor and economically underprivileged).

Having listed thus your Agenda for Reform, an examination is made of items on the Agenda to see just how they tie in with the wide spectrum of issues raised in earlier parts of the Letter, and how they address the rank abuses of Fund staff in the Third World - abuses that have been carefully and systematically documented throughout the Letter at a level of detail and specificality that can be checked and verified, and that can leave no scope for guesswork or equivocation. And in this respect, the conclusion is drawn that past and present "reform proposals" put forward by Fund Management are not really proposals for reform at all - certainly they do not address matters highlighted in this Letter. Instead, they are shown to be the minimum jawboning that the Fund staff feels compelled to indulge in at any particular time, to take the heat out of criticisms about our operations in the Third World made by the Board of Governors and other "important" entities. In any event, your Reform Agenda is not new; the items identified - with one exception - have been depressingly recycled, with minor modification, at almost every Fund/World Bank Board of Governors gathering over the past twenty years.

We go through motions, Sir; we have our annual charade that we call the Fund/World Bank Board of Governors Meetings; we hand out the same "reform package" to the Ministers of Finance of the Third World, and they go home satisfied, having connived in all our trickery and participated in our game. Yes, yes, we move them around the chessboard like robots. We tell them "come back for the next bodacious meeting of the Development and Interim Committees in Sin City in the Spring; Fun and Games will start anew again."

And so it goes on and on and on. And nothing changes in the developing world except more death and destitution for the people in the slums, and more power for the Fund. And with the passing of every meeting our staff becomes even more reinvigorated; they wield a sharper and more bloodied tool; an even more terrifying Executor's Axe stand poised for service everywhere in the South. And the children scream, Sir; my God, how they scream!

The only relatively new "reform proposal" on your agenda relates to the impact of Fund supported programs on poverty groups. This issue received some degree of formal recognition by the Fund in 1984 with discussion by the Executive Board of a staff paper purporting to show the impact of Fund programs on poverty levels and related matters. With slight modification the paper was published and circulated worldwide. This was unfortunate, for the paper was extremely defective technically and analytically, and its arguments highly dubious. The aim appeared to be to invent excuses from thin air, and to give the appearance of a Fund concern for this burning Third World issue - an issue that previously we had either ignored or brushed aside brusquely. In any event, the paper was seen for what it was; internationally, it was greeted with overwhelming skepticism. This forced the authors to go back to the drawing board so as to try to come up with a more credible apology. The result was another paper issued to the Board in January, 1988, and another publication circulated worldwide in May 1988.

The latter part of the second section analyses this "second attempt" paper at some depth. The conclusion is drawn that the paper can have no merit as an objective evaluation of the role of the Fund in deepening the level and extent of poverty in Third World countries and in redistributing national income in favor of highly privileged and elitist groups. In this respect, it is as equally laughable as its predecessor. More pointedly, the authors admit that they themselves had been instrumental in formulating the Fund programs being evaluated for a "poverty impact". Amazingly, those who had themselves participated in pushing our medicine down the throats of screaming victims were mandated by the Fund to judge the social damage of their work. But I should know better than to find this irregular or unfortunate in any way, given the level of ethics and morality characteristic of our institution.

Inadvertently, the paper did serve a very useful purpose. For at last Fund people have made some sort of pronouncement on the poverty issue, never mind how biased and self-serving such pronouncement may be. Now others can move on from a recognized Fund conceptual base and from a Fund related viewpoint to open up a worldwide dialogue on the true impact of Fund "adjustment programs" on poverty and income distribution in the Third World. There is no way in which we can retreat back into our shell; there is no way in which we can conveniently put the poverty dimension of our work under wraps again. Pandora's box is wide open and we had better begin to recognize that immediately.

The section ends by examining a plethora of technical possibilities through which the poverty and income redistribution variable could be made to become an integral part of Fund programming and performance guidelines in Fund supported arrangements. One by-product of this exercise is the identification of a seemingly unbridgeable chasm between Pax Honeypot and all that it stands for, and the human values that we had ignored and had lost. Starkly brought into focus is the mind-boggling extent of our violation of basic human rights throughout the developing world for over the past five years in particular. (And don't raise your hand in protest, Sir, as I say this. The evidence is there, wait to read it).

The third section of Part VI asserts that however catalytic and causative are Fund programs as tools for deepening poverty and unleasing further destitution on the South, such programs represent only the periphery of an iniquitous and surprisingly comprehensive system within whose structure the Fund operates, and whose objectives it strives to achieve. That system is responsible for massive people-oriented economic crimes, and acts of almost unbelievable horror against the poorest sectors of society in countries of the South.

A plea is made to you to start a process whereby we can be made to retrace our steps back to the Bretton Woods Conference of 1944, holding to our chest the soiled and tattered rag of multilateralism that did represent dreams and aspirations of almost two generations of southern people - dreams and aspirations that did become a graveyard and an imposed monstrosity defiling our times and our world. We have to hold that tattered rag with a contrite heart; we must be made to realize that it is an intolerable burden on our soul. Somehow we must know that we have to make amends.

The remaining five sections of this Part deal with just how we can start the process of 'making amends'.

Looking at evidence of Fund involvement in economic crimes other than through the intermediacy of our programs, the fourth section zeros in on the Fund's role in arms expenditures in Third World countries. With concurrence of the Fund, arms expenditures in developing countries rose from 7 billion in 1975 to over 14 billion in 1980 and above 21 billion in 1986. Between 1955-85, Third World military expenditures as a proportion of total world military expenditures rose from 3 percent to 20 percent. Yet in 1985 over 1 billion Third World people lived in what the United Nations has designated as absolute poverty, and over 500 million were in the throes of famine and incurable malnutrition. Throughout the entire post-war period, the Fund was content to shut its eyes entirely to the Third World military expenditure binge, in deference to the arms exporters - its major shareholders. We have no qualms in forcing governments to crush millions upon millions of their own people to death - look at the extremely serious allegations made recently by UNICEF against us in this respect - but when it comes to arms merchandising we are hypocritical enough to throw our hands up in the air and talk of "national sovereignty". That just is not good enough.

What the Fund could have done to curb military expenditures, but didn't do, is discussed at length; on this matter the issue of fungibility of Fund resources is brought to the forefront. Our cowardly refusal to undertake any sort of analysis of the arms issue, and its direct and predictable relationship to destitution and poverty in the South are also highlighted. The Letter pleads with you to try to shed for us the role of Whitewasher and Apologist on the military expenditure issue. While you cannot influence directly the arms export policies of our major shareholders, it is very much within your power to force the High Priests to undertake necessary research that could provide a base for a new and enlightened Fund position on military expenditures of Third World client states. And we should use our clout on Third World states in getting them to control the arms race, rather than forcing them to kill their own peoples for our sake.

Section five would be of particular interest to you; it deals with a theme that seems to be your own hobbyhorse; the theme of "financing versus adjustment". There is no phrase more abused and more misunderstood in the Fund than this one. We utter it loosely; to us it has really no technical connotation; it is just our blanket excuse for enslaving the South; it is Fund conditionality expressed more graphically.

So as to help provide you with a clearer perception of "financing versus adjustment" from the perspective of both the Fund and its developing member countries, a rigorous analysis is undertaken of the meaning of the term, and a conceptual base built up to show how economic efficiency can be maximised, for all the parties concerned, through use of "financing" to achieve "adjustment." This really is the heart of the aid relationship; this is the raison d'etre of multilateralism.

It is concluded that internationally acceptable and verifiable criteria can be used to determine the relevance and fairness of Fund conditionality in every instance of use of Fund resources by Third World countries, with three critical elements meshed into a matrix solution, viz.; Fund concern about the revolving nature of its resources, some criterion of international èconomic efficiency in resource use by the Fund, and the social welfare function of the country seeking use of Fund resources. To date, the latter criterion has been ignored by the Fund as an operative factor in its financing relationship with developing member countries. By refusing Third World countries recourse to any objective and verifiable analytical system to determine the economic worthiness of financial assistance that it is providing, the Fund has turned all post-war development economics, and all precepts underlying such economics, on their head.

In section six, the theme of the Fund turning post- war development economics on its head is tackled in a more comprehensive and systematic way. The issue hinges around the Fund's attempt to replace all development theory, from Arthur Lewis to A.Sen, with "Reaganomics" and Chicago School "monetarism". All current development theory recognizes that provision for, and administration of peoples' economic "entitlements" is an important purpose of economic management, even in the poorest countries of the South, and the ultimate rationale of government. But this is absolute anathema to Fund programs, and Fund theology. The analysis looks at the development experience of six southern countries and asks you to get your High Priests to make their choice of which of these countries have developed, and which have stagnated and regressed. I think we both know their answers in advance.

Sir, this Letter is optimistic enough, and imbued with sufficient faith to believe that there is scope for human beings, including those who run the Fund and who make decisions of life and death for the overwhelming masses of mankind, to move away from an edge - when that edge is pinpointed and its enormous dangers seen - and to seek safer ground that will allow exercise of an inherent humanity and a reaffirmation and rededication to norms of justice and fairplay. Even so, I am not so simplistic and so starry- eyed to think that the task of bringing the Fund back unto that safe ground is an easy, or an immediately attainable one. In this respect, there really are three interrelated, but conceptually different goals to be pursued in the wake of a new era of understanding on our part, and an acknowledgement by us of why and how we went astray. The first goal relates to wing clipping of our staff, or if one wants to be more blunt, to dismantlement of the modern day phenomenon of a New Nobility straddling the earth. The second involves a grappling and a coming to terms with the dynamics of the Third World; it also envisages establishment of a new and relevant epistemology that bursts, once and for all, the bubble of Pax Atlantica and ensures that Pax Honeypot will never be able to raise its head again as Fund credo. Finally, action must be taken to bring centerstage the politically-charged question of power distribution between Part I and Part II member countries within a reorganized international management system for world financial stabilization and economic and social development; or, alternatively stated, action must be taken to provide appropriate ways and means through which the Fund's changed philosophy and operational modules can become self- sustaining and its new mandate fulfilled. Sections seven and eight of Part VI deal exclusively with the first of these tasks; all else is left hanging in air for the time being.

The question of Fund staff wing clipping is discussed at various levels and from various angles, but two basic issues stand out, viz: (a) what can be done through direct means that impinge immediately on our overheavy salaries and allowances and perquisites and "privileges", to reestablish some sort of balance and sanity in our remuneration and terms and conditions of employment? (This Letter screams out that reestablishment of such balance and sanity is an absolute requirement for the restoration of professionalism and perspective and fairplay and humanity in our institution); (b) irrespective of the Honeypot that provides its stream of endless material benefits to Fund people, what checks and balances mechanisms may be created within the organizational structure of the Fund, and in the structure of relationships between the Fund and developing member countries, so as to curb the "absolute" power presently wielded by Fund bureaucracy in the Third World, and ameliorate the growing tendency for wanton abuse of that power?

On the first of these issues not much is said; the hope is that you can fill in some gaps over the next few months, as you respond, one way or the other, to my charges. I suggest, however, that there is need for some new thinking, from major shareholders, on how to halt escalating salary/allowances for Fund staff and beyond that, how to make Fund staff minimally accountable to member countries for action and stances in the developing world - action and stances that appear so totally unreasonable on any meaningful criterion of economic reasonableness. Efforts in the past to curb staff excesses have been very weak and half-hearted, and singularly unsuccessful. Proposals are made on how they may be strengthened and made more effective in the immediate future.

On the second matter, there is a distinction between (a) "internal" checks and balances mechanisms to curb staff power and restore a semblance of sanity and order among different decision-making elements of Fund management, such as senior staff, Board of Executive Directors and Board of Governors, and (b) "external" checks and balances mechanisms to halt excesses and power abuse in developing member countries - abuses that have been meticulously documented in Parts II through V of this Letter.

On "internal" mechanisms, proposals are made for the immediate establishment of those safeguards that had been built into the Fund's Articles of Agreement in 1944, but which had never been activated, mainly because of the unforeseen "hijacking" of the Fund by its burgeoning bureaucracy, and the outstanding success achieved by the latter in stifling all other potential power points within the decision making structure of the Fund. In this respect, relatively meaningless "posturing" of the past and present, including creation of the basically toothless and captive Interim Committee and Development Committee and Group of Twenty Four, as discussed extensively in Part V, must give way to a fully independent Fund Council of broad decision making powers and wide geographic representation along lines laid down in our Articles of Agreement. The Council should not be made to operate on "advice" from Fund staff; it must spawn its own small but highly proficient body of technical expertise as a counterweight to the methods and approaches of what initially may prove to be the still all-pervading power of our Retreating Nobility. In any event, it must be expected that in the short term, establishment of an effective regime of "internal" checks and balances that reflects the reality of a previously "captive" institution, will involve, inevitably, some degree of experimentation and perhaps of seeming functional duplication over a "phasing in" period of from, say, three to five years.

On "external" checks and balances the following are proposed for implementation, concurrent with the effectuation of "internal" reform: (a) establishment of an Advisory and Review Commission to be shared with the World Bank. This organ will assume the functions of the now defunct Advisory Council that was enshrined in the Articles of Agreement of the Bank. More specifically, it will act as a final court of appeal in instances where disputes of a technical nature have arisen (e.g; statistical discrepancies, relevance of performance criteria, eligibility criteria for particular facilities) between Fund (or Bank) staff and the member country concerned; (b) establishment of a series of Regional Coordinating Committees - independent of Fund staff and appointed by the Board of Governors - to review on an annual basis economic progress in each member country, and to lay down general guidelines to Fund (or Bank) staff for future operations in individual countries and regions. Regional Coordinating Committees should review all Fund staff documents (including REDs and Staff Reports to the Board) with a view to determining the accuracy and objectivity of such documents, and pronouncing on the "evenhandedness" in Fund staff stances from one country to another. Detailed comments from the Regional Coordinating Committee concerned should always accompany each and every Staff Report that goes to the Board, whether such Staff Report seeks approval for use of Fund resources or not.

In addition to action that must be endorsed formally by appropriate elements of Fund management, proposals are made for the formation, by developing countries themselves, of a Watchdog Committee to oversee their interests in negotiations with the Fund (and World Bank). It is proposed that the Committee be selected from a panel of eminently qualified persons including political figures, religious leaders, economists, sociologists, jurists and trade unionists from both developed and developing countries. The rationale for the

Committee is the existing overwhelming power of the Fund (and World Bank) in the Third World, vis-a-vis individual governments and Ministries of Finance, and therefore the extremely weak position of such governments and such Ministries in processes of multilateral economic negotiations on matters that determine their future, and the well-being or ill-being of their peoples at a particular point of time, and for several years thereafter. The Committee, which may take up the cause of any particular country only at the specific request of the government concerned, will serve to redress a long outstanding imbalance that never ever should have been made to exist. While it will have no authority to adjudicate on Fund horrors and excesses of the past, its work, conceivably, could lead to a less tortured existence for the Third World in the future.

A general recommendation of Part VI is as follows: until the above regulatory an control mechanisms, or appropriate variants of them, are established and become operative, developing countries - especially those who at the present time deem themselves to be receiving particularly raw deals from the Fund and the World Bank - may consider a strategy of freezing all relations until further notice. This will release their energies to pursue single-mindedly the very urgent, prior task of creating the type of institutional adaptations, as described above, to protect their interests in the face of current gross excesses rampant within the system. In this connection, it is pointed out that while organizational innovation within the formal structure of the institutions (e.g; establishment of an Advisory and Review Commission and of Regional Coordinating Committees) could be unduly delayed by non- Third World elements who may be opposed to the type of change contemplated, there is no reason why developing countries, perhaps through instrumentality of the G-77 or Non-Aligned Movement, or both, could not take immediate action on their own to bring into being the Watchdog Committee. Indeed, such a critical instrument for protecting the Third World could well be made to function within a six-month period, assuming that there is a reasonable degree of consensus, in the South, for its establishment.

4. A FINAL OBSERVATION BEFORE I PROCEED TO RELEASE PARTS II - VI OF THIS LETTER

Over and over again I've been told by people whose judgement I respect, that the Fund will do everything in its power to decimate me as an individual, and to destroy me as a professional economist, in the wake of this Letter. The overwhelming advice of those with my interests at heart is that I had better resist all dictates of conscience and keep my mouth shut. I refuse to do that; I will not be muzzled one iota; I will speak up; I have taken meticulous care in writing what I write; I am prepared to prove everything that I say - send me before the harshest judge and see what you will see. In any event, in the broad sweep, individuals are not important; Davison Budhoo is of no consequence. I'm a vessel and the message that I carry will get through; that's the only thing that matters; irrespective of what may happen to Davison Budhoo, the message, the whole message, will get through. And this Letter does not define anything close to the whole message; it is only the tip of an iceberg. And as to what lies beneath - well, time will tell. Soon enough, time will tell.

Follow your instincts, Sir, and let the High Priests go empty-handed for a change - at least, think very carefully before taking their advice on what to do about this Letter. For we are not speaking anymore about technical problems in international finance, amenable to technical and "convenient" solutions ("convenient" to who?) We're speaking about our role in shaping the destiny of humankind; about the horrendous part that we have played on the twentieth century world stage; about the legacy that we will leave to generation upon generation yet unborn; about man's inherent right to follow the callings of his conscience and man's efforts to try to save his soul; about the occasional sight of one individual throwing himself blindly at the feet of his fellowmen and begging for mercy and amelioration.

So think carefully Sir; think beyond the heat of an impassioned moment. Think as the man of compassion and vision that I believe you are.

Yours sincerely,

Davison L. Budhoo

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

May 18, 1988

CABLE ADDRESS
INTERFUND

Mr. Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus,

Davison L. Budhoo: Part II of Open Letter of Resignation from the Staff of the International Monetary Fund; Our Statistical Misdeeds and Our Statistical Fraud in Trinidad and Tobago, 1985-1988

This part of my Open Letter deals with the array of statistical irregularities that we did perpetrate in Trinidad and Tobago, in very recent times, and are still practicing today. Obviously, the provision of proof for indictments that I am making calls for extensive reference to, and quotations from documents and reports previously circulated internally, and/or to member countries and other international agencies. Even so, evidence provided here is selective, not comprehensive, and I shall be pleased to expand on the chosen themes to properly constituted investigative authority.

1. THE INDEX OF RELATIVE UNIT LABOUR COST (THE RULC INDEX) AND HOW WE ABUSED IT IN TRINIDAD AND TOBAGO

As you are fully aware, an Index of Relative Unit Labour Cost (RULC) that measures unit labour costs in manufacturing in the developing country concerned in relation to such costs in its major trading partners (industrialised countries) is a Key Economic Indicator that is used extensively in the Fund, subject to the availability of statistics. Once the series becomes available in a developing country, chances are it will feature prominently in our periodic consultation reports to the Executive Board - ie. the Report on Recent Economic Developments (RED) and the Staff Report. The prominence given to RULC reflects the perception that such an index mirrors international competitiveness of the economy concerned and indicates, therefore, the country's ability to continue to produce for export markets. In an economy such as Trinidad and Tobago, where one sector which had previously accounted for the bulk of export earnings (the oil sector) enters a phase of uncertainty and rapid price decline, the index is particularly important as a general determinant of the potential of the country to diversify successfully its export base and service its foreign debt. At a meeting in mid-June to prepare for the 1987 consultation mission, a Senior Staff member reviewed the recent, dismal performance of the country's RULC as revealed in our 1986 RED and Staff Report and commented that "this statistic is the most important one that we will ever collect in Trinidad and Tobago". In his own way he was right; no one steeped in Fund methodology would doubt those words. Certainly, we did not carry the RULC series in both the text and in the Statistical Appendix of the RED, and in highly visible graphs in both the RED and the Staff Reports of 1985 and 1986, for the mere fun of doing so. We knew fully well that the international financial community would peruse our conclusions on the RULC carefully and religiously, and that international money markets would make a decision to reschedule loans or grant new credit almost exclusively on the basis of what we were saying. In this respect, it must be remembered that the external debt profile of Trinidad and Tobago is relatively new, and that the country has not as yet had time to develop a track record of debt servicing that international banks and other financial institutions could use substantively as a guide for operations there.

Apart from providing a cue to commercial banks and other lenders, the RULC index serves a critical role in the establishment of Fund conditionality for developing countries. In fact, it is the most lethal weapon that we have in our entire bag of tricks - quite definitely, it is the one that we use most often, and most effectively, to cut short the arguments of protesting governments and peoples against the need for currency devaluation and/or other measures to cut the real wage rate, initiate mass layoff of workers in the public sector, and resort to crippling measures of "demand management". Thus, when we find a sagging index in a developing country we know, instantaneously, that the time has come to get another blighter to swallow our deadliest medicine.

And so it was for Trinidad and Tobago over the period 1985-1986. In each year we drilled home the point that the RULC was way out of line and that massive devaluation was needed; without such devaluation the country would slither progressively into mounting economic chaos. In 1985, for instance, and within the context of intense Fund pressure for devaluation, our RED (Report No. SM/85/105 of April 15, 1985) states as follows:

> "The substantial rise in wages, coupled with a fixed exchange rate and very small gains in productivity in most industries, have resulted in erosion of international competitiveness. Thus, unit labou costs in manufacturing compared with costs in major trading partners, rose by 150 per cent fror 1979 to 1984."

In similar vein, the 1986 RED (Report No. SM 86/172 of July 15, 1986) comments as follows:

> "Unit labour costs in manufacturing increased by 160 per cent over the period 1981-85 due to the rapid increase in wages at a time when hours worked were declining ... unit labour costs in manufacturing compared to costs in Trinidad and Tobago's major trading partners, rose by 170 per cent during 1980- 85 ... resulting in a substantial erosion of international competitiveness."

As I said before, in 1985 and 1986 the RULC index for Trinidad and Tobago was highlighted in text tables of the RED and in the Statistical Appendix, and was plotted in graphs in both the RED and in Staff Reports to the Executive Board. These graphs demonstrated starkly an alleged position of a runaway and still rising RULC, and on the basis of such "evidence" we chastised the government severely for not taking appropriate, or sufficient corrective action to put its house in order. Even after a withering round of devaluation in late 1985 we continued to call, shrilly and insistently, for more devaluation, and more public sector unemployment and real wage cuts, and more "demand management" policies, and more price deregulation of essential goods used by the poor, and more regression in the tax system, et al.

This explicit and confrontational Fund posture is illustrated in the following excerpt from the Briefing Paper for the 1987 consultation mission, as cleared and approved by you in late June, 1987. (You may recall that that Paper became the essential reference point, and the formal basis for our discussions with the government of Trinidad and Tobago, during the course of the mission and subsequently).

The Paper reads as follows:

> "Over the ... period (1982-85), real GDP contracted sharply, and real wages continued to rise under heavy union pressure; unit labour costs in manufacturing relative to Trinidad and Tobago's main trading partners increased at an average rate of 20 per cent (per year)..."
>
> "A further devaluation of the Trinidad and Tobago dollar is needed ... The mission will propose a significant initial devaluation (e.g. from TT $3.6 to TT$ 5.0 per US dollar) perhaps to be followed by further small step adjustments..."
>
> "The degree to which exchange rate adjustment is successful will depend to a great extent on the incomes and demand management policies pursued by the authorities. The recent fall in export income makes a significant decline in real wages unavoidable ... To give full effect to the exchange rate adjustment being sought, the mission will stress the need to have exchange rate changes pass through fully to domestic prices of tradeable goods. This consideration may require a revision of the

Government's price control policy which limited the increase in domestic prices of essential imported goods following the reunification of the exchange system in January 1987".

I resort to the above quotations to establish the fact that we placed extraordinary importance on the RULC; our entire case for massive and continuing devaluation, and equally massive and continuing real wage cuts, depended on what we said was happening to that index. And this is not surprising, for there can be very few instances in Fund history where such a drastic increase in domestic labour costs over such a short period as we claimed for Trinidad and Tobago, was not followed by traumatic adjustment of exchange rates and real wages alike. As responsible international financial/economic inspectors, we were well within our right to carry a particularly poignant message to the Trinidad and Tobago authorities, and to warn them, in no uncertain terms, that we and the international community that follows us so blindly and so unexceptionally, would have no option but to turn away from the country and label it "a leprosy case" in the event that they could not see fit to drink our deadliest medicine.

But there is a catch in all this - viz: the RULC Index for Trinidad and Tobago was never close to what we were proclaiming it to be so loudly and so insistently and so definitively. What we had done over these years was to "manufacture" statistical indices - the RULC and several others - that would allow us to prove our point, and push a particular policy line, irrespective of economic realities and circumstances of the country.

Obviously, more details on just how we managed to misrepresent the RULC are needed - details of sources and statistical material and facts and figures and calculations and recalculations and Fund technical notes and Fund working sheets. And on this matter, I wish to state immediately that while I did participate in the work of all three Fund missions that visited Trinidad and Tobago between 1985-87, I did not become aware of the RULC scandal until last year, when I worked on the national income, prices and employment sectors of the economy. Not surprisingly, it has not been very easy to decipher any exact methodology underlying the 1985/86 calculations; most of the records for these years appear to have been destroyed prematurely. Even so, I have managed to put together some key elements of the jigsaw puzzle; this gives a fairly clear picture (from the technical stand point) of what we did in 1985-86. As for 1987, I have kept records of the various facets of our work on the RULC during the mission and subsequently.

On the basis of calculations made by our divisional statistician last year after the Fund mission returned from the field, the Relative Unit Labour Cost in Trinidad and Tobago increased by 69 percent only, instead of the 145.8 percent as stated in our 1985 reports, and the 142.9 percent as claimed in the 1986 Fund documents. Between 1980-85 the RULC actually rose by a mere 66.1 percent instead of our assertion of 164.7 percent made in the 1986 reports. Over 1983-85 relative unit labour costs moved up by only 14.9 percent, not by the 36.9 percent that was mooted to the world community in 1986. In 1985, instead of rising by the 9 percent that we had stated in the RED and Staff Report, the RULC Index fell by 1.7 per cent. And in 1986 relative unit labour costs slid downward spectacularly by 46.5 percent although there is no record of this in the 1987 report or anywhere else in official Fund documentation.

2. REFUSING TO "OWN-UP" TO THE TRINIDAD AND TOBAGO AUTHORITIES OR TO THE INTERNATIONAL COMMUNITY AFTER OUR "MISTAKES" WERE EXPOSED

Let me come back now to what happened in 1987 after there was "internal acknowledgement" that "mistakes" were made in 1985-1986. And let me say immediately that nothing happened - nothing at all. When, in the course of the mission last July, past misdeeds were pointed out, and a pledge won that we would "come good" once and for all, it was my understanding that we would make full amends during the consultation discussions with the Government, and that the mission's subsequent reports prepared for our Executive Board and for the international community would substitute revised figures for those of 1982-1986. But our previous "mistakes" were never mentioned to the authorities. Privately, it was conceded that in light of the corrected RULC figures, the instruction in our Briefing Paper to try to force the government to undertake more massive devaluation now and "step" increases thereafter was really beside the point. However, in statements to the authorities, and in the Aide Memoire presented to them, issues relating to the RULC in 1985, and the latter's performance in 1986 were side-stepped, and we went on glibly to ask for more devaluation, greater public sector lay-offs, further major real wage cuts and the whole gamut of demand management measures, as if the Briefing Paper's evaluation of the RULC was still absolutely valid, and eminently relevant for July 1987.

Back in Washington, the revised RULC index was prepared for publication in the RED and Staff Report. But it was not to be; all reference to RULC was deleted from all text, and from all tables, and from all charts. The reason for this action was obvious enough: public acknowledgement and publication of the corrected series, and demonstration of the dramatic downturn of the index in 1986, would have devastated the case for further devaluation now, and for the comprehensive and blistering demand management and wage/employment contraction measures that were being pushed down the throat of the Government, and for which we were seeking, ex post, formal endorsement from our Executive Board and, beyond our Board, from the entire international community. So, suddenly, what just a few weeks before had been branded "the most important statistic" that we would encounter in Trinidad and Tobago, became transformed into a nauseating irritant to be dropped as a hot potato, because it could no longer fit into the economic scenario that the Fund, with increasing insistence over several years, had tried to have enacted in the country.

3. GETTING YOUR PRIOR AUTHORIZATION FOR DRACONIAN POLICIES BY FEEDING YOU FALSE INFORMATION IN MISSION BRIEFING PAPER

Let me go on to the third indictment against Fund staff in their dealings with Trinidad and Tobago in 1987 - ie; the blatantly unfair portrayal of unmitigated confusion, and of governmental policies gone hopelessly astray, and becoming absolutely irrelevant, as painted in the Mission Briefing Paper dated June 29, 1987. Such a picture of accelerating macro-economic mismanagement and policy paralysis was deemed necessary so as to force you into giving approval to the mission for a mandate that would allow use of our iron fist.

(a) Stating the Facts

The Briefing Paper from the Western Hemisphere Department that was approved by you in late June makes the following observations:

> "... Notwithstanding a downward revision of the Government's expenditure program, the overall public sector deficit rose to 20 per cent of GDP in 1986 and was financed entirely from domestic resources, including a build-up of unpaid bills by the Government equivalent to 9 percent of GDP. Because of the sharp drop in oil exports, the external current account shifted from near balance in 1985 to a deficit of US$0.7 billion (13 percent of GDP) in 1986..."
>
> "The newly elected Government that took office in December 1986 has been attempting to design a strategy to deal with Trinidad and Tobago's economic and financial crisis... Notwithstanding (the measures they took) the approved budget for 1987 implies an overall government deficit equivalent to about 20 percent of GDP..."
>
> "...To stem the loss of net international reserves by the end of 1987 and to begin to replenish the Central Bank's gross reserve position thereafter, it is estimated that Trinidad and Tobago would need to reduce its current balance of payments deficit to the equivalent of around 6 percent of GDP in 1987 and 2 percent in 1988. The achievement of this target would require a decline in the overall fiscal deficit to around 9 percent of GDP in 1987 and to 3 percent of GDP next year..."
>
> "Consistent with these targets, Trinidad and Tobago is projected to need foreign official inflows (mainly from foreign banks) on the order of US$250 million a year for the next few years... It is not clear, however, that Trinidad and Tobago could secure new borrowing in the scale just mentioned, especially in view of the government's decision not to request a stand-by arrangement from the Fund."

"The mission will encourage the authorities to implement fully the changes in wage policy introduced in the 1987 budget ..., although these revisions have been challenged on legal grounds by the public sector unions. In addition, cutbacks in all categories of government expenditure will need to be made if the large unfinanced gap in prospect for this year is to be eliminated. In this connection, the staff will discuss the means by which the large domestic arrears incurred by the Central administration last year can be paid in an orderly fashion."

"The fiscal program also must deal with the gross inefficiencies of the public enterprise sector which received sizable transfers and subsidies from the Central Administration (which transfers amount to 14 percent of GDP in the 1987 budget). Broad- based adjustments in public utility charges and enterprise prices, as well as wide-ranging rationalization measures and lay-offs are likely to be required. The privatization or closing of certain enterprises also may be warranted".

It is on the basis of the above "facts" that the Briefing Paper went on to seek (and receive) your approval for our 1987 stance towards the country as outlined earlier. But now I must pose the question: just how true were those "facts"?

We get an inkling of where the truth lies in the Mission's Debrief to you of July 29, 1987. Grudgingly, the following confession is made:

"...the deterioration in the fiscal accounts was less pronounced than previously estimated on the basis of unconfirmed reports of a large accumulation of unpaid government bills at the end of 1986 amounting to TT$1.1 billion (around 6 1/2 percent of GDP) over and above the recorded cash deficit of the public sector of around 9 percent of GDP..."

"Contrary to expectations, the mission found evidence that real wages declined last year for the first time since the beginning of the decade signalling the beginning of an adjustment process and the adverse of the severe contraction in demand and output that has occurred since international oil prices began to decline in 1981- 82..."

"The Government reduced sharply the payment of transfers and subsidies to the state enterprises sector which had amounted to the equivalent of around 10 per cent of GDP in previous years."

"... Government expenditure has been held around 12 percent below last year and near equilibrium was achieved in central government operations in the first half of the year..."

A further insight into the truth is given in the Aide Memoire of July 21. It states as follows:

"Because of tight controls on government payments, the overall fiscal deficit has been scaled back from an estimated 8.8 percent of GDP in 1986... to a projected 5.8 percent in 1987 while the current account balance of payments deficit is projected to fall from 10 percent of GDP in 1986 to around 3.5 percent in 1987."

The foregoing excerpts from various documents tell two different stories. They tell, first, that the staff, for purposes already stated, was not being truthful to you in the Briefing Paper of June 29. But they also tell something of the staff's methodology of approach in a captive country. They illustrate the way we wheel and deal and change the justification for, and the premise of our action at every twist and turn.

That methodology of approach defines yet another layer of professional dishonesty and malpractice to be investigated. It is one thing to be untruthful so as to get your permission to use the Fund's heaviest steamroller for a joyride in a Third World country when the Moon is Full; it is quite another to knock down all signposts and shelve all pretensions at road etiquette when the ride gets underway. You know, once we get in the vehicle that you give us (let us call it Steamroller, Heaviest), the moonlight takes over and does something to us; it transforms us into werewolves. And as werewolves we become something much more dangerous than slap-happy spoilt brats of Power and Influence riding slip-shod across the country.

(b) How We Went About Fooling You so as to Get Permission to Use Steamroller (Heaviest) in Tropical Moonlight:

Falsification and cover-up before (Briefing Paper), during (Aide Memoire) and after (Debrief and Staff Report).

The following is a summary of statements illustrating Lies That We Tell and How We Cover Them Up Afterwards:

WHAT WE SAID IN THE BRIEFING PAPER OF JUNE 29, 1987	WHAT WE SAID TO THE GOVERNMENT IN THE AIDE-MEMOIRE OF JULY 21, 1987	WHAT WE SAID TO YOU IN THE DEBRIEF OF JULY 29, 1987
1)"The overall public sector fiscal deficit to 20 % of GDP in 1986":	The fiscal deficit of the public sector was only "an estimated 8.8 % of GDP in 1986"	The fiscal deficit of the public sector in 1986 was "around 9 percent of GDP
2) The fiscal deficit was financed in part by "a build-up of unpaid bills by the government equivalent to 9 % of GDP"	No mention	The statement of Briefing Paper relating to unpaid bills by the Government, was based on *"unconfirmed reports." Such un-*confirmed reports" in our hand at the time the Briefing paper was written indicated that the unpaid bills "amounted to TT$1.1 billion (around 6 1/2 percent of GDP). Actually, they were virtually zero.
3) "Notwithstanding (the measures that the Government took) the approved budget for 1987 implies an overall government deficit equivalent to about 20 percent of GDP."	Table 2 shows the government deficit arising from the approved budget for 1987 as equivalent to 15.3 percent of GDP	"on the basis of ... measures that the government took, government expenditure has been held around 12 percent below last year and near equilibrium was achieved in central government operations in the first half of the year"
4.) Achievement of the balance of payments target (of the Fund) would require a decline in the overall fiscal deficit to 9 percent of GDP in 1987 and to 3 % of GDP next year, which is a level that could be financed largely with external resources without worsening Trinidad and Tobago's external debt position."	"The overall fiscal deficit has been scaled back to a projected 5.8 percent (of GDP) in 1987."	"Government spending has been reduced well below last year's level ... this will result in an overall deficit of around 6 percent of GDP this year."
5) Over the ... time period (1984-85) real wages continued to rise under		

heavy union pressure; unit labor costs in manufacturing relative to Trinidad and Tobago's main trading partners (i.e., the RULC Index) increased at an annual average rate of 20 percent during the period 1982-85	No mention of the RULC Index	No mention of the RULC Index
6) "A further contraction in economic activity, combined with the increase in the Government's unpaid bills, resulted in a decline in private sector claims on the financial system of 7 percent in 1986."	Table 3 shows liabilities to the private sector (deposits) declining by 3.8 percent	"Private financial savings (in 1986) actually declined by 4 percent" (Staff Report)
7) "The external current account deficit moved from near-balance in 1985 to US$0.7 billion (13 percent of GDP) in 1986."	"The current account balance of payments deficit is projected to fall from 10 percent of GDP in 1986 to around 3.5 % in 1987"	No mention is made of the balance of payments outcome in 1986
8) Government transfers to the public enterprise sector "amount to 14 percent of GDP in the 1987 budget."	No mention	"The Government reduced sharply (in 1987) the payment of transfers and subsidies to the state enterprise sector which had amounted to the equivalent of around 10 percent of GDP in previous years." The 1987 budget allocations and transfers to State enterprises was equivalent to 8 percent of GDP (Table - 1987 RED).

Except for (1) above, I have deliberately chosen to highlight figures where the true result was already known by the Fund, or could have been made easily available to us, when the Briefing Paper was written. In the case of the current account of the balance of payments, we had in our possession a detailed balance of payments statement for 1986 as well as summaries of that statement from various documents released by the Central Bank and the Central Statistical Office. And we had full access to the 1987 detailed budget documents well before the Briefing Paper was prepared. Also, we could have ascertained for most series latest updates from the authorities. I repeat and reiterate, therefore, that we chose deliberately to misrepresent the statistical series identified in (2) through (7) so as to get your permission to impose our highly clouded and subjective judgement and punishment on the country.

On Item (1) - the fiscal outcome for 1986 - I admit readily that we did not know all the facts at the time of the Briefing Paper. In this respect, the detailed figures on revenue and expenditure needed to be checked and verified by us in the field. However, we did have a fairly good idea of the size of the deficit through the budget documents, and through reports of the Central Bank and the Central Statistical Office; all these showed the deficit, on our format, to be considerably less than 20 percent. Yet the Briefing Paper chose to ignore all available evidence and make a very definitive statement about the overall deficit being equivalent to 20 percent of GDP, and the arrears of unpaid bills to 9 percent of GDP. Given these categorical and unconditional "truths", you must have found the subsequent matter-of-fact statement that information on arrears had been based on "unconfirmed reports" somewhat surprising. And why did the Briefing Paper speak triumphantly of a build-up of arrears equivalent to 9 percent of GDP when "unconfirmed reports" then, as referred to in the Debrief, had mentioned just 6.5 percent of GDP? I'm dying to know.

Although the list of items on Table 2 is far from exhaustive, it serves to bring into focus the depth of our deception in "fixing" the Briefing Paper. Translating the GDP figures of Table 2 into money terms, the following Briefing Paper misrepresentations emerge:

- we jacked up the fiscal deficit for 1986 by TT $1.9 billion over its actual level;

- we invented, literally out of the blue, TT$ 1.5 billion of "unpaid bills", by the Government (build up of domestic arrears that never were);

- we augmented the approved 1987 budget deficit by around TT$ 850 million over its actual level;

- we overstated the decline in private sector deposits in banks in 1986 by some TT$ 250 million;

- we showed the deficit on the current account of the balance of payments as being above TT$ 500 million above the actual level;

- we inflated government transfers to the public enterprise sector in 1986 by some TT$ 1 billion over the actual level.

These are not minor deviations due to technical factors, or sloppy calculations on our part. Nor can we plead ignorance of what was happening, or lack of available information.

4. HOW THE MOONLIGHT TOOK OVER AND TRANSFORMED US INTO WEREWOLVES: FUND FINANCIAL PROGRAMMING IN TRINIDAD AND TOBAGO IN 1987

So far I've been dealing with what we do to get your permission to use our spankingly exciting Steamroller (Heaviest) when the Moon is Full. But as I said before, there is another matter to be looked into viz; how the Moonlight transforms us into Werewolves, and how we go about Baying for the Blood of Innocent Victims all along the way. With your permission, I will turn now to this aspect of your staff's activities in Trinidad and Tobago by describing firstly, the joys and pathos of Werewolf's particular brand of financial programming.

You know, construction of a financial program - and it is our self-imposed duty to construct financial programs for all the countries that we visit - has been the excuse that we use to cover up almost every act of shame and ignominy that we commit on missions to the developing world. As you are aware, construction of a program necessarily involves an estimation of the gap between resource availability and resource use, and specification of ways and means to fill that gap. So at some critical stage in formulating the program we must decide on two things : (a) the financial resources presently available to the country, and how these resources may be augmented; and (b) the "outrageous" spending that the government wants to indulge in, and how we could roll back that spending so as to make (a) equal to (b). Sometimes we define the gap as a fiscal imbalance (or deficit), and sometimes we speak of a "balance of payments shortfall" (loss in international reserves). Really, for an open economy such as Trinidad and Tobago, it doesn't matter how we define the gap, because there is a fairly determinate relationship between the fiscal accounts and the balance of payments; adjustment in one implies compensatory adjustment in the other.

In recent times in Trinidad and Tobago we have defined the gap in terms of its fiscal manifestation and that's a big deal, that's a very big deal. Indeed, action on our part in making such a choice represents the totality of objective technocracy that as professional economists we bring to bear on the Trinidad and Tobago economic scene. The follow-up work that we do in specifying a gap, and in proposing adjustment measures to fill it up, can best be forgotten - mercifully so. And as I say that, don't lift your hand in protest. Don't lift it because I'm not saying that the established methodology that should be used in defining a gap - the one that we teach government officials who visit the IMF Institute at headquarters on short, technical courses - is worthless. No, no, if we practice what we preach everything could come out smelling like roses. But we never do that. Certainly, in Trinidad and Tobago, as in many other developing countries, we usually do not use the correct methodology - in fact, we usually use no methodology at all except the analytical requirements to maintain the "integrity" of our brief.

(a) Details of What We Did in Tropical Moonlight

The following quotations deal with issues of financial programming in Trinidad and Tobago in 1987, and our definition of a fiscal gap.

From the 1987 Briefing Paper:

> "It is estimated that Trinidad and Tobago would need to reduce its current account balance of payments deficit to the equivalent of around 6 percent of GDP in 1987 and 2 per cent in 1988."
>
> "... The achievement of the above defined current account balance of payments deficit target would require a decline in the overall fiscal deficit to around 9 percent of GDP in 1987 and to 3 percent of GDP next year... which is a level that could be financed largely with external resources without worsening Trinidad and Tobago's external debt position..."
>
> "... Given the size of the current fiscal imbalance (around 20 percent of GDP) a broad range of adjustment measures will be required to achieve the proposed public sector target..."

From Aide Memoire of July 21, 1987:

> "...It is projected that Trinidad and Tobago will confront large external and domestic gaps on the order of 3 percent of GDP per annum during the period 1988-1992 ... It is unlikely that refinancing or new borrowing can eliminate all of the financing gap projected over the medium term, if Trinidad and Tobago's external debt position is not to deteriorate from its present level. Therefore further adjustment measures, over and above the policy action contemplated in the government reconstruction program, should be introduced involving changes in external sector, fiscal and monetary policies."

From 1987 Staff Report:

> "The mission has prepared a medium term scenario for the balance of payments and central administration operations on the basis of economic policies now in place (ie, excluding the impact of intended policies as detailed in (1) of (2) above)... The exercise incorporates targets for the replenishment of the Central Bank's gross international reserves to a level equivalent to 5 months of imports over the next 2-3 years ..."

Review of the above statements tells us in no uncertain terms that the 9 percent of GDP total public sector deficit for 1987 that the Briefing Paper was aiming to achieve through use of our Steamroller (Heaviest) was in fact scaled back to under 6 percent of GDP by the Government through non-devaluation adjustment measures that had been put into place well before the mission arrived. Of course we were shocked and dismayed to discover that the Government could have found it possible to adjust the economy thus without our intervention.

(b) Stiffening the Targets

What exactly did we do when we found that the Trinidad and Tobago authorities had already achieved the adjustment in the fiscal accounts that we were going to get them to achieve in our own peculiar way?

Well, we stiffened the targets that you had approved in the Briefing Paper, and that we were supposed to ask the authorities to achieve on the basis of the somewhat fictitious figures that we had presented to you.

In stiffening the targets we went to them and said something like this: "our detailed research tells us now that the 3 percent of GDP deficit that we had mentioned before for 1988-92 is no longer acceptable; you must reduce it further. And have no fancy idea of reducing it further on your own. No, no, you have to let us dictate to you what to do; you have to leave room for us to use the Steamroller (Heaviest)."

Now before coming to the question of how we would make them to reduce the 3 percent deficit further, let's look at the authenticity of our initial claim that a 3 percent deficit would be unsustainable in the years immediately ahead.

We justified the latter claim with the following arguments: (i) such a deficit (of 3 percent) would entail a deterioration in the foreign debt situation; and (ii) it would not allow achievement of a reserve target of 5 months of imports (6 months in the Staff Report).

(i) Deterioration in foreign debt situation

We never did define to the authorities what we meant by this statement. What really were we after? Was it stabilisation in the debt service ratio, or stabilisation of annual amortization payments, or stabilisation of debt outstanding in relation to GDP? Was it a halt to the worsening of average terms, or a lengthening of average maturities? Why say? Nobody asked us to define anything; we had no explanation to give to anyone. What was evident, however, was that on the basis of outstanding debt and debt structure at the end of 1986, there remains considerable scope over the next three to four years, and taking into account the possibility of rescheduling, for net inflows equal to, and indeed exceeding 3 percent of GDP without deterioration in any of the debt indices identified above.

(ii) Accumulating international reserves equivalent to five months of imports (Aide Memoire of July 21, 1987) or six months of imports (Staff Report of September 25, 1987)

I want to ask a question; it is this: what developing country on earth going through the economic trauma of Trinidad and Tobago, and starting from a stock of almost zero reserves, would want to subject its people to more and more unemployment and hardship and deprivation for the sake of holding surplus and redundant funds on deposit in US and European banks and in doing its bit (in Fund parlance) to finance the US deficit? What other country on earth, placed in Trinidad and Tobago's hapless and worsening economic plight, would choose to sow dragon's teeth of social unrest and civil disturbances and political chaos so as to be able to accumulate US and European and Japanese Government bonds, not in pursuit of a policy of efficient management of a needed reserve portfolio, but merely to satisfy your staff's pique? What other impoverished country that had just seen a 20 percent cut in real wages would invite another 20 percent cut for the pleasure of helping to restore what you may choose to call "global balance" or "international financial orderliness" in a grossly inequitable and highly biased and disorderly world economic system? I will not address these broader issues now, but I want to point out that your staff's delimitation of a gross and net reserve target (gross and net reserves are virtually the same in Trinidad and Tobago since there are no significant reserve liabilities) at a time when the country is living from hand to mouth, and finding greatest difficulty to make ends meet on a day to day basis, savor of being a sick joke.

Let's make some comparisons with other CARICOM countries. In Jamaica where we have pumped over US $500 million of our own money during the last eight years, net reserves are still highly negative, and in Barbados - which, partly through our endeavors, continue to have reasonable recourse to international money markets - liquid net reserves is about US $60 million, (or 1.5 months of imports) - somewhat less than what that country borrowed from international commercial banks last year.

Or perhaps it is fairer to make a comparison with other oil exporting countries? Let's look at Nigeria (which had a stand-by program with the Fund and which is far richer in oil than Trinidad and Tobago). Net reserves there remain about two months of imports. In another oil exporting country, Ecuador, where we have a high visibility stand-by, net reserves in relation to imports are even less than in Nigeria. For all developing countries as a whole - excluding the Middle Eastern countries, Venezuela and Mexico, China, India, and Indonesia and a few other traditionally large reserve holders such as South Korea and Taiwan - net reserves in 1986 represented little more than about one month of imports. But for Trinidad and Tobago in its present economic predicament we are asking for six.

5. DISMISSING THE GOVERNMENT'S OWN PROGRAM: CONFLICTS WITH A MORE IRRESISTIBLE CAUSE

The less-than-three-percent fiscal deficit requested in the Aide Memoire (we are now squeezing more blood from them than you authorized us to squeeze in the Briefing Paper) became weighted down with a new caveat, viz; it must exclude any deficit reduction that the Government itself may achieve over 1988-90 through measures initiated on its own. In other words, "further adjustment measures over and above the policy action contemplated in the government's reconstruction program" must necessarily be put into place (ie; Steamroller Heaviest must be activated); nothing the government can conceivably do can stop that.

Let's look at the "policy action contemplated" that under no set of circumstances could save the country from the fate of Steamroller Heaviest. In this respect, the Aide Memoire stated as follows:

"The mission understands that the new government is committed to a medium-term program of adjustment and recovery in response to the economic crisis facing the country. Although many details of this program are yet to be defined, it appears that the government's medium term economic strategy involves the following key elements:

1. A reduction and rationalization of public sector operations in the economy through a reduction in levels of employment and wages, the redeployment of some existing personnel, and a reorganisation of the state enterprise sector involving recapitalisation, divestment and possibly liquidation; and
2. The promotion and reactivation of petroleum production, agriculture and tourism through an increase in private, public and foreign investment and fiscal incentives involving changes in the petroleum tax regime and reforms in the domestic tax structure and its administration."

Well, wouldn't this policy package, even if implemented somewhat sporadically over the next three years, serve to reduce the deficit, perhaps even significantly? After all, they define a set of fairly comprehensive fiscal measures (when you add to them the work being done on tax reform as part of the Government's "intended program"). Necessarily, any analysis with pretensions to objectivity would have started by quantifying with the authorities the likely fiscal impact of the Government's own program over the relevant programming period, in relation to "gap" targets on which some sort of basic consensus regarding magnitudes had been arrived at between the authorities and the Fund.

But we never even dreamt of following this procedure in Trinidad and Tobago. To do so would have been *tantamount to putting the final nail in our coffin, in so far as Steamroller (Heaviest) was concerned. For if on* top of the RULC's highly improved performance, we were to discover that the authorities had the beginnings of a viable program to keep the fiscal deficit in line with available financing, we would have had to return to Washington with our tails between our legs. Such a course was absolutely unthinkable; the Fund never works that way. So we steadfastly ignored the authorities' protestations that they had started on a track of major adjustment and reconstruction and that, in their view, there was a realistic alternative to our Deadly Medicine.

Of course we knew how to tell them to keep their program to themselves in a nice and polite way; in the Aide Memoire we insisted that "The Fund mission generally supports the thrust of the Government's economic strategy and policy initiatives ... but believes that those policies do not go far enough in addressing the country's economic problems and in laying the basis for sound economic recovery..."

And having thus made room for himself, Werewolf jumps on his Steamroller (Heaviest) and starts running amok. Most of the policy sections of the Aide Memoire and the Staff Report outline details of the Fund's Deadly Medicine as the only way out for Trinidad and Tobago, inclusive of massive devaluation, total freeing of the trade and payments system, escalating interest rates and domestic prices, rapidly falling real income of the poorest of the poor, massive job retrenchment in the public service.

In Part IV of this Letter the generic "whole works" scenario of the Fund, and the interlocking elements of Steamroller (Heaviest) that we were setting up for Trinidad and Tobago are reviewed at some length. Here it is enough to reiterate that we made it very clear to the authorities that nothing else but Our Deadly Medicine would do, irrespective of the rationality and relevance of any and all alternatives that would dare to take into account social factors (including the need to distribute the burden of adjustment in some equitable fashion among differing sectors of the population), and political susceptibilities. If there is anything that we can learn about ourselves from our activities in Trinidad and Tobago, it is that we will never tolerate even the slightest deviation from our Purpose.

6. STATISTICAL MONKEY-BUSINESS ONCE AGAIN: REAL EFFECTIVE EXCHANGE RATE AND THE TERMS OF TRADE

I must quote now from the 1987 Staff Report to show exactly how we managed to "sew up" the case for devaluation by asking Trinidad and Tobago once more to stand absolutely still for our convenience as we did sleight of hand on other statistical series - this time, the Indices of Real Effective Exchange Rate and the Terms of Trade.

I quote as follows:

"While recognizing that a significant real depreciation of the currency had occurred since late 1985, th staff noted that the external value of the Trinidad and Tobago dollar was still around 10 percent higher in rea effective terms than in 1980, while the external terms of Trade had declined by about 50 percent since tha time."

I have a question; it is this: why choose 1980 as the base year from which the chart most *recent* movements in the effective exchange rate and the terms of trade? What is the rationale for this procedure?

Well, we can get a fairly definitive answer by looking at the chart on page 22 A. That chart shows that from the last quarter of 1981 through November 1985 the effective exchange rate rose precipitously by 45 per cent. However, the devaluation of December 1985 sent it tumbling down by over 30 percent. And reflecting the fact of continuing depreciation of the US dollar, to which it is pegged, the TT dollar continued to depreciate further, with the real effective exchange rate falling by an additional 8.6 percent between January 1986 and July 1987.

With this little bit of history in mind let's return to the question: why choose 1980 as the base year to chart rises or falls in the effective exchange rate?

The answer is simple - we had to; we just had to. We had to because any base period after 1980 would have shown a decline in the real effective exchange rate of the TT dollar as of today, or as of mid-1987, or whatever. And of course we could never afford to show a decline in the Index; that was absolute anathema.

It was anathema because to do so would have demolished entirely whatever remaining case we thought we had for more government-induced devaluation. In the circumstances, come hell or high water, we had to "prove" that the effective exchange rate had risen - from the last century, if need be. Luckily, 1980 intervened and saved our skin.

Really, in a comparison of this nature, probably the most relevant base period would be the year when oil prices began the secular fall that was to culminate in the dramatic denouement of 1986. That beginning year, of course, was 1982. Alternatively, a case can be made out for using the year immediately preceding the start of the oil bust (ie; 1981) on the reasoning that this was the last full year or undiminished prosperity, with all systems still on "go" and with both real expenditure and real GDP still rising. Use of 1981 as the base year would show that the TT dollar's real effective exchange rate as of June 1987 had declined by 5 percent. If 1982 is used instead, the decline escalates to over 16 percent. Hardly a case for further, government-induced devaluation on the basis of a secular appreciation of the real effective exchange rate!

The same reasoning is applicable for the terms of trade, which can be defined as just a fancy way of saying what everybody knows - ie; that the price of oil, which accounts for 80 percent of the country's merchandise exports, fell progressively after 1981, while the price of imports rose somewhat, or remained relatively stable. During 1982-85 (before devaluation occurred) the terms of trade went down by less than 10 percent, but in 1986 it fell by around 40 percent, reflecting a drop in the unit price of oil of a similar magnitude. Over the last two years or so, the terms of trade have improved modestly from the trough of 1986.

Large and somewhat discordant movements in the terms of trade, as experienced by Trinidad and Tobago in recent years, cannot constitute a case for further devaluation. On the other hand, they signal a special need for international financial assistance, and we do have within the Fund - theoretically at any rate - a somewhat non-conditional facility (the Compensatory Financing Facility) to help countries in such a predicament. Will we allow Trinidad and Tobago to draw on this facility? We have continued to say no. We have continued to say "devalue first, and enter into a commitment to have a stand-by with us. Let Werewolf draw blood before anything good internationally can begin to happen to you." But I have a feeling that the Fund may want now to review its stance on this matter, in spite of the instructions in the Draft Brief for the June 1988 mission.

7. THE IMPLICATIONS FOR TRINIDAD AND TOBAGO OF OUR STATISTICAL TRICKERY DURING 1985/88

It behooves me at this stage to summarise briefly the implications for Trinidad and Tobago of our multi-dimensional statistical trickery as described so far in this Part of the Letter. And in this respect, let me say at once that what we did, had a direct and absolutely critical bearing on the country's capacity to cope effectively with the myriad economic problems that surfaced after 1982 (precipitated by secularly declining oil prices) and that turned into an avalanche of all-inclusive woes (after the dramatic oil price collapse in 1986).

Even in vastly reduced economic circumstances and with international reserves dwindling, the country opted to remain a Fund creditor under our Designation Plan until towards the end of 1986. Such a tactic was heroic or foolish, or both. At any rate, with its "graduation" from World Bank loans, and with virtually no bilateral aid programs from donor countries, the only scope for easing the burden of domestic adjustment through use of foreign savings lay in a phased program of prudent recourse to international capital markets. The scope for such recourse was considerable, given Trinidad and Tobago's relatively low debt service ratio and quite modest stock of outstanding external debt relative to GDP.

During 1984 and early 1985 - there was no Fund mission to Port of Spain in 1984 and therefore we could not, over that period, articulate credibly to others our policy stance for the country - the authorities did in fact manage to achieve their foreign borrowing targets; this served to give a much needed breathing space for effecting a range of fiscal and demand management policies consistent with norms of social justice and economic equity, including some measures to protect the poor and the underprivileged sectors of society.

Alas, our subsequent decision to start anew a virulent campaign of misinformation and statistical misrepresentation, so as to force the government into submission, resulted - as we fully well knew it would - in the sudden and dramatic freezing up of virtually all foreign funding. In turn, this has served to create a situation where the country finds it difficult to restore a semblance of financial balance, much less set its sights on the resumption of economic growth. In punishing Trinidad and Tobago for not biting our bullet, we have equally forced it to operate within a set of economic and financial parameters that not only rule out an international cooperative effort on its behalf, but subverts the logic of the market place by constraining severely the operations of international money markets in the country. In actual practice, the choice that we have given the government is either to accept our Deadliest Medicine or to go it alone as an international outcast. Either way, the consequences are accelerating economic chaos and ultimate social disintegration.

8. WHERE WILL IT ALL END?

In concluding this Part of the Letter, I want to remind you that Trinidad and Tobago is only one country from the host of Third World nations where we are perpetrating the same economic nonsense, with the same catastrophic consequences for "screaming-in-pain" governments and peoples forced to bend on their knees before us, broken and terrified and disintegrating, and begging for a sliver of reasonableness and decency on our part. But we laugh cruelly in their face, and the torture goes on unabated.

Where will it all end? Where will it? What are we doing to the world?

If only the Fund could begin to rethink, sir! If only it could disengage itself from Myth and Illusion that it is Good and Just, and ponder its verifiable role in bringing the world to new depths of shame and cynicism, and introducing in our century a new immorality where disregard of even the most elementary tenets of justice and fair play becomes accepted international practice that may never raise an eyebrow, or elicit a justifiable scream of protest from those who watch the carnage.

We need to ponder on these things, Sir, because the premise on which they are based - a merciless and uncaring and inhuman world - may prove to be one of the most monumental errors (and there are a lot of these) - that the Fund has ever made.

Yours sincerely,

Davison L. Budhoo