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WORLDNETDAILY COMMENTARY

## Bailing out Brazil – Or Robert Rubin?

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What has happened to Paul O'Neill? Our tough-love treasury secretary seems to have undergone a road-to-Damascus conversion to the Clintonite policy of bailing out bankrupt Third World regimes.

Last month, O'Neill scoffed at the idea of bailing out Latin America. The money, he said, would probably wind up in Swiss banks. But last week, Uruguay got \$1.5 billion to stop a run on its banks. Then came a \$30 billion dollar IMF bailout of Brazil. Now, the World Bank and Inter-American Development Bank are offering Brazil another \$7 billion.

This \$37 billion comes on top of \$15 billion the IMF sent Brazil last year and a \$41 billion Brazilian bailout in 1998.

Why is Uncle Sam bailing out these deadbeats – yet again –

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when Americans have gotten zero help from the government while a two-year bear market has gutted their 401(k)s and stock portfolios?

Read Friday's New York Times and you will find the answer.

Sam isn't bailing out Brazilian peasants, he's bailing out big banks. Last week, Brazil was in a panic, on the verge of default, and reporter Edmund Andrews explains why this was so "frightening."

"Brazil's ... external debt of \$264 billion is more than double that of Argentina's, and American banks like Citigroup, FleetBoston and J. P. Morgan Chase have much greater exposure to Brazilian loans than to Argentine ones."

How great is the exposure?

"American banks have about \$25.6 billion in outstanding loans to Brazilian borrowers. Citigroup, the biggest lender to Brazil, has \$9.7 billion in Brazilian loans." That's right. Forty percent of the U.S. bank exposure in Brazil is the fault of America's biggest and dumbest bank. And who is the resident financial wizard at Citigroup?

"Robert H. Rubin, who was treasury secretary under President Clinton and engineered international rescue packages for Mexico, Russia and many Asian countries, is now a Citigroup director."

Andrews pointedly adds, "A representative for Citigroup could not say whether bank executives had lobbied in favor of a rescue package for Brazil." But the day the Brazilian bailout was announced, Citigroup's stock shot up 6 percent.

The career of Robert Rubin is instructive. As lead pony at Goldman Sachs, he led that investment bank into plunging billions into Mexican bonds. As head of the White House Economic Security Council, he failed to see the Mexican default barreling up the tracks. But as treasury secretary, he was able to shovel billions of U.S. dollars down Mexico way, thus saving the Goldman Sachs investments.

Last fall, we learned Rubin phoned Treasury to suggest to a

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friend that he might call Moody's to urge them not to downgrade the credit rating of Enron. Citigroup had loaned Enron \$750 million. Yet, the committee investigating Enron, chaired by Joe Lieberman, has yet to call Rubin to explain what exactly he was up to and what other calls he made on Enron's behalf. Having friends in high places can save a lot of grief.

In fairness, Rubin is probably not responsible for sinking that \$9.7 billion into Brazil. For this is not the first time Citigroup has had to have Uncle Sam post bail for its binges in Latin America. Citigroup has a recidivism rate to rival Darryl Strawberry's.

Yet, some of us saw O'Neill's pirouette coming. Two months ago, I wrote, "A prediction: President Bush and Treasury Secretary Paul O'Neill will emulate Bill Clinton and Bob Rubin and get into the bailout business, big-time as Dick Cheney would say, because no wants to be the one left standing there when the music stops."

Why the abandonment of principle by the president and O'Neill? Because neither wants to be in the wheelhouse when the ship hits the reef.

With Brazil's external debt at \$264 billion, this \$37 billion only kicks the can up the road. Brazil is bust, and putting bankrupts deeper in debt only pushes off the day of reckoning and write-offs. O'Neill is throwing tens of billions of good U.S. tax dollars down a rathole to chase the lost loans of Citigroup and J. P. Morgan.

Moreover, the Brazilians have had enough of IMF austerity. In the latest poll for the October presidential election, leftists "Lula" da Silva and Ciro Gomes had 60 percent of the vote between them, while our man, the IMF's man, the incumbent party's man, was pulling 11 percent.

The only question left is who is going to eat the losses from the idiot Latin loans of America's Big Banks. Because there are guys like Robert Rubin around, with friends in high places, it always comes down to the taxpayer.

That's the way the world works in 2002, even though it

stinks.

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