

Obama's IMF pledge could be tough sell in Washington

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By Donna Smith

WASHINGTON (Reuters) - President Barack Obama's pledge to boost IMF resources to help other crisis-hit economies could prove a tough sell for a Congress suffering from bailout fatigue and worried about mounting U.S. debt.

Obama joined other leaders of the G20 countries in London this week promising to triple funding for the International Monetary Fund as part of a package of actions to combat the global economic crisis.

The new funds are aimed mainly at struggling poorer countries, notably in eastern Europe.

"The IMF has to play a big role," Representative Gregory Meeks, a Democrat who heads the House Financial Services subcommittee on international monetary policy and trade, said in an interview with Reuters.

His panel is scheduled to hold a hearing later this month on the G20 meeting and the IMF request.

The IMF could receive up to \$500 billion in new funds, of which \$40 billion would come from China. The United States, Japan and the European Union would each contribute \$100 billion with the rest coming from other countries.

Congress would have to authorize and appropriate its \$100 billion share. Because technically it is a credit line, it will not be counted in deficit numbers that are already starting to alarm lawmakers

But there is already rumbling that, after last year's \$700 billion banking bailout and Obama's \$787 billion economic stimulus plan, Republicans may find the IMF package a little hard to swallow.

"We are spending taxpayer dollars here in Washington at a staggering rate," said Michael Steel, spokesman for House Republican Leader John Boehner. "The Administration has signaled they may need more money for TARP (the Troubled Asset Relief Program), and now they want more money for the IMF."

DEMOCRATS READY TO PUSH

Democratic leaders say they are ready to push the request through Congress.

"We are part of a global economy, where the health of economies around the world has a direct impact on the U.S. economy," said House of Representatives Majority Leader Steny Hoyer.

Analysts predict they could face skepticism from a bailout-weary public as well as from Republicans who have sought to stake out positions as fiscal conservatives.

"There will be significant resistance to this request, but ultimately the success will depend on how effectively President Obama can sell this as being in America's interest," said Eswar Prasad, a senior fellow at the Brookings Institution in Washington.

Ernest Istook, a former congressman who is now an analyst at the conservative Heritage Foundation, said arguments that the IMF funds would not add to the mounting U.S. deficit were not persuasive.

"The American people got bailout fatigue some time ago," Istook said, calling the deficit argument a red herring. "It counts against our economy. That's just

bookkeeping it has nothing to do with reality."

Still, other analysts believe Obama will prevail in his request -- helped, in part, by the sheer scale of the financial problems facing the world.

"I think the people who are running the committees and Congress in general knows we're in the midst of a horrific international crisis and that it will be better for the world to work together rather than separately or even at odds with each other," said Ed Gresser, who heads the trade division in the liberal Progressive Policy Institute.

(Additional reporting by Doug Palmer; editing by Chris Wilson)

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