

ODIOUS

FROM PAGE 1

new conditions of domestic austerity in exchange for new credit from the IMF (International Monetary Fund) and the international banks. Each time a nation approached default, the international banking system was threatened anew, and each time, Paul Volcker (Fed Chairman) and his aides from New York and Washington would play the crisis managers.

In a more fundamental sense, the debt crisis had its origins in the collision of purposes with the Federal Reserve itself. In the late '70s and early '80s, the Fed and other regulators had failed to impose prudent limits on the money-center banks and the zealous lending to the 3rd World. They had issued mild warnings, but they had not tried to stop the risky lending. Then starting in 1979 Volcker launched his aggressive campaign to break inflation, rationing money tightly and imposing stern discipline on the world economy. The global liquidation collided with the mountain of LDC debt.

What began as big banks making excessive loans — because there was money to be made off the OPEC price increase — initiated dynamics that would eventually enslave three-quarters of the world with unpayable debt. As the LDCs lined up one after another at the loan window of the IMF or the World Bank, the bankers became trustees in each country's economy as part of the new refinancing program. That is, in the intricate web of international finance, new loans were procured so that interest payments on old loans could be maintained, so as not to bring down some of America's biggest banks (Citibank, Chase Manhattan, Chemical Bank, Morgan Guaranty, Bank of America, to name a few) and the rest of the international banking community with them. Stipulated in these new loans was that the IMF would send its own financial managers, as economic supervisors, to the LDC in question to make sure this new loan was used properly. Unfortunately, in many cases a third and fourth such "austerity" loan was necessitated to keep the system afloat. This method of maintaining these generations of loans became a horrid strike against the people, the resources and environment of the LDCs, as substantiated by the World Food Summit Technical Papers in November of 1996:

During the mid-and-late 1980s, the conditionality required by the IMF and the World Bank on stabilization and sectoral adjustment loans were perceived as stringent, rigid and unbending. The resultant belt-tightening and austerity were often associated with wrenching drops in real incomes and levels of living, primarily hurting those least able to adjust. Some countries have rebelled at the severity of the adjustment measures imposed by the IMF and the World Bank, often in the face of civil unrest in opposition of imposed austerity.

In an effort to revitalize the LDC economies and to accelerate the loan payments, the IMF managers instituted programs that borrowed heavily from the futures of these 3rd World countries. Thus to service loan repayments, currencies were devalued; forests were sold off to transnational lumber companies to be clearcut; mineral rights were sold off to be strip-mined; social programs were reduced back to bare bones; and critical imports, food and medical supplies, were cut for lack



of funds. Though employment temporarily climbed as outside companies came in to reap the harvest, it was at reduced wages and with eventual layoffs after a resource had been exhausted. Generally, all fiscal sources were squeezed to service these debts — that were generated out of "synthetic money" created by loans that were foolhardy in the first place! In some cases half a country's export earnings went (and still do go) to paying interest on these re-serviced debts. Michael Renner of the Worldwatch Institute describes this in *State of the World 1997*:

Most people in highly indebted African and Latin American countries suffered a severe drop in living standards during the 1980s. In Mexico, for example, real wages declined by more than 40% in 1982-88. In 1983, a basket of basic goods for an average family of five cost 46% of the minimum wage; by 1992 it cost the equivalent of 161%. Deepening disparities have widened the political rifts; one result was the uprising of impoverished peasants in the southern state of Chiapas in early 1994.

In his own vivid language, Subcommandante Marcos, resurrection leader in Chiapas, expressed this ignored reality of

DEBT

these debt stresses to the rest of the world via the internet from the La Lacandona Jungles in August of 1992:

In Chiapas, Pemex (the national oil company) has 86 teeth clenched in the townships of Estacio'n Jua'rez, Reforma, Ostuaca'n, Pichucalco and Ocosingo. Every day they suck 92,000 barrels of petroleum and 517,000,000,000 cubic feet of gas. They take away the petroleum and gas, and in exchange leave behind the mark of capitalism: ecological destruction, agricultural plunder, hyperinflation, alcoholism, prostitution and poverty.

Loans made in the name of development and economic independence have become shackles. These over "zealous" loans of the 1970s were unwarranted, at least in size, from the beginning. They placed undo pressure on LDCs to industrialize more quickly than their situation allowed. And, in some cases, corrupt LDC leadership eagerly took the money for immediate gain while mortgaging away their country's hopes for the future. For the rest of the world, these loan pressures apply needless hurry to the harvest of Earth's natural resources and exacerbate an already radical and precipitous financial stratification of the global populace.

In retrospect the situation seems ludicrous. When the validity of the loan will eventually depend upon the long-term health of the borrower, we have loans literally assuring long-term economic malaise. Instead of using these loans to influence a sustainable economy, the financial institutions went for strip-mining in order to protect their ledger sheets — at the cost of all involved. Even education, the clearest gift of industrialization, has been sacrificed. And for the most part, all of these loans remain in serious doubt today, screaming again and again for restructuring every few years.

There is yet another layer of dubious propriety to these LDC loans. In her book *Lent & Lost: Foreign Credit & 3rd World Development*, Cheryl Payer makes a sound argument that World Bank and IMF conditionality loans are a form of entrapment:

The use of credit to pry markets open is also obvious in the 'conditionality' of the IMF and the World Bank... Import liberalization represents the surrender of all or part of the domestic market to foreign sellers and is, incidentally, about the worst possible policy that can be imagined for any country short on capital. But to sellers, credit is considered a cheap way to buy markets.

Like credit cards that stream through the U.S. mail, the offer of credit is a hook, a way to ensnare borrowers of questionable risk in a cascade of accruing interest. Credit in the developing world is no different — except more is at stake. IMF austerity programs for loan restructuring are just that — imposed austerity. In addition to the trimming of social programs, education and unwarranted resource harvest, the catchment of import liberalization adds insult to the injury. The strongest national economies of the world today — the United States, Germany, Japan — attained their success through heavily protectionist import-export laws and tariffs. Import liberalization and trade conditionalities imposed from the outside are not the way to build economies. They are certain strikes against the emerging LDC markets. It is 1st World colonialization disguised as financial assistance.



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BETTER OPTIONS REMAIN

BY NORMAN SOLOMON

The arrival of 2000 reminds us that life is short. Deadening routines often squander our time, while evasions take unnecessary tolls in human suffering. But much better possibilities remain.

Every day, a nationwide media barrage encourages us to be cynical and passive. Endless dramas of politics and grand commerce — amorality plays — are performed with great zeal. We're supposed to cheer. But many of us find the glorified spectacles to be dispiriting rather than uplifting.

The words of America's leading politicians reverberate through a national echo chamber. They tout global supremacy and higher market share as ultimate virtues. Dissenting voices are mostly circumspect. Pundits debate how — but not whether — the U.S. government should use such measures as diplomatic arm-twisting, financial blackmail and military might to impose its will on the world.

Meanwhile, news outlets are echoing discussions on Capitol Hill about how to fine-tune the economic status quo — widely portrayed as wonderful at the end of 1999. But a Boston-based organization, United for a Fair Economy (www.stw.org), offers a reality check, reporting information that can't be found in the media spotlights:

~"The record-breaking economic boom of the 1990s has left Americans more polarized and debt-ridden," researchers found. A rising tide "has lifted the yachts to tremendous heights, but many Americans are bailing out their boats after decades of sinking real wages."

~Ten years ago, there were 66 billionaires and 31.5 million people living below the poverty line in this country. Today, "the United States has 268 billionaires and 34.5 million people living below the official poverty line — about \$13,000 for a three person family."

~Economic inequality is rampant in America. "The top 1% of households has more wealth than the entire bottom 95% combined." The situation is much worse than it was a quarter-century ago: "Since 1977, the top 1% has doubled its share of the nation's wealth to 40%."

~Currently, the people on the Forbes 400 list of richest Americans "have as much wealth as the 50 million households in the bottom half of the population."

~While news stories hail the glorious achievements of the stock market, a lot of people in the United States "are just plain broke. They have nothing to tide them over in case of a health crisis or unemployment, much less save for college or retirement. Nearly 1 out of 5 households has zero or negative worth (greater debts than assets), compared with 1 in 10 in 1962."

The questions that journalists pose to elected officials and candidates rarely confront such economic realities. Instead, the repeated queries have a pre-fab quality — matching the slightly zombie-like verbiage of most politicians, whose language was aptly described several decades ago by George Orwell: "When one watches some tired hack on the platform, mechanically repeating the familiar phrases...one often has a curious feeling that one is not watching a live human being but some kind of dummy."

Faced with a nonstop swirl of media coverage it's tempting to succumb to chronic cynicism. But journalists — and the rest of us — are better off if we can develop an attitude of idealistic skepticism. In 2000 and beyond, giving voice to candor will be a minimum prerequisite to create conditions for realistic hope.

"I have come to believe over and over again," the poet Audre Lord said, "that what is most important to me must be spoken, made verbal and shared, even at the risk of having it bruised and misunderstood... For it is not difference which immobilizes us most but silence."

While 14 million people in the United States are extremely poor — living at less than 50% of the poverty level — for the most part their plights are dismissed by mainstream journalists as scarcely more consequential than lint in the pockets of the powerful. The same goes for the approximately 1,000 children around the world who die every hour from diseases that are easily preventable. According to UNICEF, the cost of saving their lives would amount to about 10% of the Pentagon budget.

To criticize this institutional madness can seem bold, even brave. How sad.

"One day posterity will remember," wrote Russian poet Yevgeny Yevtushenko, "This strange era, these strange times, when / Ordinary common honesty was called courage."

Hopefully, we'll find more strength for such honesty in the 21st century.

Norman Solomon received the 1999 'George Orwell Award' for his book *The Habits of Highly Deceptive Media*, a collection of his syndicated columns about media and politics. Jonathan Kozol wrote that "The tradition of Upton Sinclair, Lincoln Steffens and I.F. Stone does not get much attention these days in the mainstream press" but Solomon keeps that tradition "alive and well". Co-founder of the media-watch organization FAIR, Solomon is a former Oregonian living in California.