



Import liberalization assures that loaned money will return quickly to the G7 conglomerate via trade. This effectively turns these loans into grease for the wheels of large exporting economies. Markets are pried open and the kind of trade protection that is necessary for an emerging economy to survive is undermined. In short, the billion dollar loans that come from the IMF and the World Bank are only granted through the auspices of G7 trade advantage. That is, the U.S. Congress will not sanction an IMF loan if the conditions of the loan are not imminently profitable for U.S. business interests. As long as this is part of the loan restructuring apparatus then these loans are not really granted in good faith to the original constitution of the Bretton Woods Institutions like the IMF and World Bank. In the long run imbalance of trade in conjunction with tiers of interest are a sure formula for economic failure and a nation's eventual impoverishment — the exact opposite of the ideals espoused by the IMF and the World Bank — i.e., 3rd World development. Instead we have a sign on the dotted-line war of attrition and devastation waged by New Age carpetbaggers armed with G7's money monopoly.

In the end loan pressure cuts into the very things development is supposed to provide, social progress and economic independence. Compounding interest and trade liberalization thus become the silent oppressors of three-quarters of the world. Add that real interest rates around the world are hovering at an unprecedented and usurious 4%, the international credit cartel is laying a heavy and brazen hand upon the land and its people.

William Greider sums it up aptly in his *Secrets of the Temple*:

In time, when future generations are able to look back on this system with clear eyes, they may recognize its true ugliness: the rich nations of the world are acting like ancient usurers, lending money to the desperate poor on terms that cannot possibly be met and, thus, steadily acquiring more and more control over the lives and assets of the poor. This is done mainly by commercial banks and private capital, but amplified and policed by public lending institutions. Citizens on the wealthy end of the global system may claim to be innocent of these practices, but their ignorance and indifference make them complicit too.

In recent years there has been outcry for the need to forgive some or all of these LDC loans. An international coalition by the name of *Jubilee 2000* is one critical force behind this concern. Originally conceived in 1990 by Martin Dent, a political economist at the University of Keele, *Jubilee 2000* receives its inspiration from the 'Year of Jubilee' as described in Leviticus 25 and the Christian concept of the forgiving of obligations every fifty years. Dent's campaign initially drew its support from communities of faith, but in the last three years secular and non-governmental organizations have picked up the cause.

The *Jubilee 2000* platform is aimed at the debts of all impoverished nations, but focuses on 41 countries, 33 of which are in Africa, that fall into the category of 'Heavily Indebted Poor Countries' (HIPC). The platform calls for the complete cancellation of debts that qualify as *unpayable*. (*Unpayable debts* are defined as debts more than two and a half times a country's annual exports.) The cancellations are not to be tied to structural adjustment programs. There must be an understanding that both the lender and borrower share responsibility for the original debt, and that the main benefactors of the relief will be the common people.

Presently the coalition has sixty offices worldwide and has collected some 20 million signatures on their petition for debt cancellation. It has staged massive demonstrations at recent G8 summit conferences, including 70,000 protesters at the summit in Birmingham, England in 1998, and 40,000 at Köln, Germany in June 1999. (And several thousand more at the Seattle WTO conference in late November 1999.) Due to this pressure, there has been movement in the G8 for debt relief. What just ten years ago would have been unthinkable is being considered. An initiative for HICPs was launched in 1996 in Washington, D.C. by concerned world leaders and Washington social institutions. In 1998 the World Bank and the IMF attended the HIPC initiative meetings in Paris and for the first time entered into the dialogue. A month later, the first of these new debt relief programs was offered to Mozambique.

Unfortunately, the IMF's new HIPC arrangements do not meet the conditions of the *Jubilee 2000* platform. It is not complete cancellation and the package still contains structural adjustments. There is even suggestion among IMF critics that the new debt arrangements benefit the international lending institutions more than the HIPC. That is, the restructuring really amounts to further assurance that the credit cartel will continue to receive its interest payments and that the debt reductions were only to keep the HIPC solvent enough to remain a viable source of bank income. For all the "feel good" trappings of these concessions — even with President Clinton's public statements on the need for debt cancellation, there is no reason to believe

NOTES

1 The Group of Seven has added the former Soviet Union to its number making eight. For the purposes of this article, however, the G7 have been the sustaining force behind the international banking community.

2 The G7 fractional reserve monetary system is a system of "credit money." It allows a bank to extend credit in great excess of its banked reserves. (Generally, a bank needs only 3% in reserves of what it loans out — i.e., a \$3000 reserve entitles a bank to loan out \$100,000.) In this way "credit money" or "synthetic money" is created whenever a loan is made. It appears only as a deficit on an electronic ledger and disappears as it is paid back. In other words, the only thing that is real about the money loaned is the bank's judgment of the financial potential of the borrower — can they make this money work? Meaning the banks risk only some small portion of the loan in return for a borrower's fee and the regular payment of interest.

3 Yes, one hand shakes the other. The United States, the world's largest importer of oil accepted the new oil prices only on the condition that OPEC's profits would be placed in American banks. In a round about way, the increase in oil prices was given back to the United States by allowing American bankers to make money off OPEC's profits. Think of this — Standard Oil buys a billion dollars worth of crude for its refineries from Saudi Arabia. Saudi Arabia then places that billion dollars in Chase Manhattan, which is partly owned by the Rockefellers of Standard Oil. Chase Manhattan then loans this money out and earns back many multiples of the original expense of the crude oil. OPEC gets its price increase and the Rockefellers make percentage gains on every dollar of that increase. One Rockefeller's money buys OPEC crude, and then OPEC gives that same money to another Rockefeller to invest. In a sense, Standard Oil gets the money coming and going. Meaning the crude is simply free grease for their money making machine.

that the international leaders will ever forgive these debts entirely. What is going on is really a lot of public relations and smoke, veiling a powerful credit cartel.

For all the view points that complicate this discussion, there is historical precedent for debt forgiveness of this magnitude. It is not something that should be considered unreasonable charity in this age of capitalist rule. The London Agreement in 1953 vastly reduced Germany's debt to England from World War II. This was relief from a war debt generated by one of the most despicable of all despotic regimes. In another extreme instance, the United States paid an estimated \$1.36 trillion in the 1990s to bail out several of its largest banks after the massive savings & loan fraud of the late 1980s. This amounted to a wholesale forgiveness of what was really unconscionable acts by greedy bankers. And most of the bailout money came from U.S. taxpayers. (Incredibly, \$1.36 trillion would be enough to eliminate nearly three-quarters of the 3rd World debt! An act of charity for the world's most needy individuals — not a bunch of profiteering go-go bankers and sleazy real estate agents.)

At the very least, there is provision in international law for the cancellation of what is called "Odious Debt," debt incurred by corrupt dictatorships for personal gain. When these LDC loans are reviewed, it should be noted that large portions were granted to the likes of Marcos in the Philippines, Suharto in Indonesia, Somoza in Nicaragua, Mobutu in Zaire, or the apartheid government of South Africa. But this almost seems secondary to the larger question. These debts are simply mathematically unpayable under the trade conditionalities that the lenders demand. They are also illegitimate because of the economic conditions surrounding the loans of the mid-1970s (a huge international oil deal) and the outside factors that caused the interest rates to double and triple over a period of payment (the cost of the Vietnam War). Moreover, they are immoral because of the high percentage of government revenues that must go to pay them, the resulting lost social programs, the exploitation and devastation of the environment that debt pressures incur, and the present usurious interest rates that are being charged. *If the intent was development, then why must the value of the original loan be paid ten times over?*

To continue to milk the 3rd World for interest payments on generations of debts that go back as far as the origin of the Vietnam War is criminal, especially considering the circumstances that now exist in the LDCs. It is no far stretch to say that it is all odious. What the international credit cartel and its backers are doing is nothing less than war. A heinous war as ugly and every bit as devastating as any the world has seen. The death tolls, though they accumulate slowly through infant mortality, improper medical attention and malnutrition, will eventually exceed the death tolls of all wars ever fought. And it is not soldier against soldier knowingly at war. It is the impoverished slowly squeezed to death by the hunger of international finance. In effect, huge portions of the 3rd World have become prisoners of war camps, contained by an invisible barbed wire as real as synthetic money.

The ambiguity and hypocrisy of the situation is nauseating. Forty years ago one of the stated purposes of 3rd World development was population control. Concerns for overpopulation and dangerously high 3rd World birth rates first came to public awareness in the late 1950s and early 1960s. Along with dissemination of birth control devices, it was believed that development brought about social progress, education and demographic transition — that is, when increased awareness through education brings population restraint by choice. Unfortunately, as long as the payment of these debts is prioritized over the advance of social programs and education, demographic transition does not occur. And population control becomes something considerably different. The excess of people are simply starved off the face of the earth through crushing interest payments.

At the bottom of this dark situation breeds a dangerous elitism. Suggested is that there is something superior in the 1st World. It makes the rules. It monopolizes the creation of money, and in its own roundabout way, it decides *who has and who doesn't*. All of this undermines the ideal of a global democracy. It reinforces the strength of our world feudal state. And it widens the gap between classes of people. There is a certain social polarization in progress. It is time for the monied aristocracy to find benevolence. If they cannot, their greed will torch the anger of their working class subjects. Without change, without letting up on the yoke of unpayable debt, the feudal lords and their credit managers risk testing the tenets of Mr. Marx anew. It will take only a single spark to start a prairie fire.

Dan Armstrong's most recent article for the NCTE was his satirical spoof of the *Times Eagle* editor in the May/June '99 issue, "When They Said Repent (I Wondered What They Meant): An Inside Look At Y2K".

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