

Bretton Woods and Related Agreements Act

Fourth, there should be improvement in the equity and efficiency of the social sector by restructuring public expenditure both between and within sectors by improving the targeting of interventions and their cost effectiveness.

Fifth, there should be compensatory programs to protect basic health and nutrition during the low-income adjustment. Two major elements of such policies are public works employment schemes and nutrition interventions encompassing targeted food subsidies and direct feeding for the most vulnerable.

Sixth, and perhaps the most important, is monitoring of the human situation, especially of living standards, health, and nutrition of low-income groups during the adjustment process so that needs may be identified and the effectiveness of adjustment programs assessed and modified accordingly. Monitoring of human conditions, especially the health and nutritional status of the population, particularly that of vulnerable groups, should be given as much weight in monitoring adjustment as monetary variables have in the conventional approach.

In other words, when there is need for some kind of international intervention in the economy of one of these struggling nations, instead of imposing the kind of cut-backs and decimation of the local economy that the IMF has done traditionally, there should be a kind of structural adjustment that places the priority on human needs.

There has been a number of suggestions made in the last few weeks and months for debt forgiveness. When I think of debt forgiveness I think of a story which we studied in Grade 10 called *The Revolution at Satan's Trap* by Norman Duncan. The story was about a small outpost in Newfoundland where the local people were indebted to the trader. No matter how many fish they caught they were always indebted to John Woll, the trader. By a combination of circumstances it so happened that they finally had him in a situation where he had to agree to a form of debt forgiveness and had to restore to the people what was rightfully theirs. However the story ended as follows:

And within three years John Woll possessed again all that he had yielded, and the world of Satan's Trap wagged on as in the days before the revolution.

In other words, debt relief without changing the system does not really change anything. Debt relief by itself is not going to help unless something is done about commodity prices.

The IMF, acting as international monetary policemen, has forced low commodity prices on the Third World which keep them in debt. Then it keeps dribbling these nations small amounts of money, sometimes just enough to keep them from defaulting but never enough to enable them to get out of debt. I mentioned earlier that the UN committee which considered this issue said that there was need for \$5 billion a year. We are falling far short of the amount which is desperately needed if Africa is ever to get out of the deep pit into which we have

helped to put it as a result of the ecological destruction it is facing right now.

We must realize the basis of debt. Often democratically elected Governments are now faced with having to repay debts which were contracted by dictators. It is interesting to note that three-quarters of the debt of Nicaragua was contracted by Somoza. Twenty per cent of Third World debt is for the purchase of military goods. A great deal of it ends up financing elite consumption and megaprojects which often have very little developmental impact upon the great mass of the people. Sometimes these debts were contracted and in fact forced upon Third World countries by banks in Europe and North America simply because they wanted to make quick bucks.

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In the September 1983 issue of *Harpers*, a Mr. S. C. Gwynne wrote an article entitled "Adventures in the Loan Trade". He told how as a young loans officer 25 years of age he had visited some 28 different countries in a period of six months, flogging money for a medium-sized bank in the mid-western United States. He described how he knew that when he made those loans they would simply not be repaid adequately, but in order to make them one only needed to get the guarantee of the government or the local national bank. By the time they defaulted on the loans, he and the other people who had been involved in making the loans had passed on to some other job.

The entire loans business that took place in the middle 1970s was simply a way in which the western banks became very greedy. They pushed money without adequate investigation into the ways in which loans would be repaid.

Susan George, in an excellent book entitled *A Fate Worse Than Death* made an excellent analysis from the perspective of someone concerned with development itself. She pointed to the impossibility of ever having debts, which amounted to over a trillion dollars for the Third World as a whole, paid in full, in hard currency. At the same time she opposed a policy of total debt forgiveness. As she pointed out, this often simply kept local elites and local dictators in place.

Instead, Susan George calls for a new type of restructuring, a new type of approach to the whole debt problem. It was radical in the sense of going to the root of the problem. She tied debt to the whole issue of development and democracy.

The repayment of debt should be tied to the development and democracy issues as well. For example, a country's bilateral debt could be dedicated to a development fund to which each debtor country would make regular interest payments. The development fund would have broadly based management from that country, including people from the rural area, proper representation for women and for different ethnic groups. Susan George said:

The development fund would finance projects and programmes determined by consultation and consensus, focusing primarily on rural areas. Various groups (village councils, associations of young people, women, artisans,