

# The Dice are Loaded

*In backing the IMF "structural adjustment" packages for Third World nations  
Canada has become an accomplice in economic crime.*

by Brian K. Murphy

In the province of San Felipe de Aconcagua, two hours northeast of Santiago de Chile, I stand on a bluff looking across a dry valley towards the foothills of the looming Andes mountains, and Argentina. With me are members of an agricultural co-operative who point out different features of the landscape, and the key sites for wells they want to dig to develop their dream: an irrigation system to bring the valley back to life.

Shifting the direction of our gaze we take in a large hacienda, lush and green, an oasis in the dry valley. This, they explain, is land now owned by a Chilean army general. It had once belonged to the co-operative. However, the land was foreclosed by the bank when they could not pay off loans during the crisis brought on by the severe economic policies of the Pinochet regime. The landowner, who is a shareholder and director of the bank, purchased the land for a song, and upgraded it with long-term loans for irrigation and infrastructure. Now he prospers, and waits for more land to become available. Meanwhile, the peasants cannot get credit. Many families are giving up and leaving their farms, and the co-op is struggling to hold on to its shrinking landholdings. In 10 years over half of the 2,000 peasant families who once farmed this valley have left to scrape out a living in the meagre slums of the capital or the other provincial towns. Only 850 families remain. If they could dig wells, and irrigate their farms, they are sure that they could survive and thrive, just like the General. But unlike the General, they cannot get credit. So they are looking for international assistance from non-governmental organizations (NGOs) like the Canadian one I represent.

This situation was particularly poignant for me because only days before I had visited with church workers in the vast slums of Lima, where tens of thousands of people are migrating from the countryside annually to join the three million destitute already crowding the arid hillsides surrounding the besieged Peruvian capital. A generation ago most of these people would have sustained a self-sufficient, if meagre, livelihood on the land; today they eke out an existence as urban scavengers and day labourers in a market which has no capacity to absorb the growing mass of the poor.

What I saw in Peru I feared would also be the future of

many rural people in Chile now drifting to the slums of Santiago from potentially productive land like the co-operative in the Aconcagua Valley. Unless there is a change in the economics, the future for the peasants is poverty, and the valley will be the vast landholding of one wealthy absentee landlord, producing crops for export to foreign capitals, not for local markets. And when this transition is complete, and the valley is visited by experts from the World Bank, they will declare it an economic "miracle". But it is no miracle; it is a crime. It is a crime being repeated systematically around the world, with the participation of even those of us who eagerly declare our commitment to alleviating global poverty. The framework for this crime demands scrutiny, and to the extent that Canada is implicated, a renewed and intense debate about Canada's aid policies is required.

## Adjusting the Poor

The immediate focus of this debate should be Canada's intense promotion of the strategies implicit in what is known as 'structural adjustment', the prescriptions imposed on indebted Third World countries by the World Bank, the International Monetary Fund (IMF), and major industrial 'donor' countries, especially the United States, but also Japan, the EEC countries, and Canada. In its simplest terms, structural adjustment encompasses whatever economic policies are required by a government to enhance its capacity to improve its balance of payments, and therefore pay off its debts to the northern financial institutions, or in the words of the World Bank, "to modify the structures of an economy so it can restore or maintain its growth, and viability in its balance of payments, over the medium term".

The specific policies are variations on the monetarist prescription promoted by the 'Chicago School': severe restrictions on credit and money supply; deep cuts in government expenditure and social programs, such as health, education, social security and family welfare; significant increase in government income (essentially through increasing direct and hidden levies on individual income and consumption); devaluation of currency; decontrolling of prices, especially on food; removal of policies and regulations seen as barriers to investment and the free-market, including tariffs and other barriers to exports and imports; introduction of incentives and subsidies (including reduced corporate taxes, and tax shelters for business) to encourage investment and production; diversifica-

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tion and intensification of agro-business for export; privatization and increased efficiency of government-owned enterprises, and general reduction of government payrolls.

This prescription will be familiar to Canadians, since it is a variation on the framework being implemented by the federal government for economic adjustment in Canada as part of its commitment to monetarist policies and continental integration with the United States. Two aspects of the rationale offered by Canadian officials for promoting these policies in the Third World deserve scrutiny. One aspect relates to the 'causes' of the economic crisis; the other relates to the effects of the solution.

Regarding the causes of the economic crisis in the Third World, in February Monique Landry, the federal Minister responsible for Canada's Overseas Development Assistance (ODA) program, presented a major address entitled *Structural adjustment and the growth of nations* at Carleton University in Ottawa. In laying out the rationale for the tough medicine of structural adjustment Mme Landry declared,

We have to recognize, at the outset, that the serious imbalances faced by developing countries over the last few years result, to a large extent, from a very significant increase in commercial borrowing in the seventies and early eighties.... Perhaps more impor-

tantly, inappropriate economic policies and, in particular, over-reliance on government controls caused inefficiency and stagnation. We all know what happened next.

Mme Landry went on to describe a process of collapse in which the economic crisis of the Third World happens in a vacuum of natural forces and mismanagement (where, for example, "borrowed funds were not put to the best possible use", but rather invested in "overly ambitious plans" and "grandiose capital investment projects") and paints a bleak picture of the present prospects of the indebted nations. Having offered a superficial picture of Third World veniality and economic self-destruction, Mme Landry generously offers, "It would be rather irrelevant, at this stage, to affix blame for any of these problems."

This is convenient and self-serving, because it deflects attention from any examination of the role of the industrialized nations (including Canada) in promoting this collapse, and benefitting from it. Whose advice was being followed in implementing the Third World development strategies of the '70s? Where was the Canadian International Development Agency (CIDA) and the Canadian government? How much did Canadian business benefit when 80 per cent of Canada's ODA was tied to purchases in Canada and we promoted mega-projects and large investments in massive

infrastructure development? How many of the "overly ambitious plans" and "grandiose capital investment projects" involved Canadian hydro-electric or nuclear technology and other major purchases of goods and services from Canadian industrial and commercial interests? How many billions of dollars have Canadian banks made in ever-accurring interests on loans which they themselves pushed on over-extended nations? In fact, how much of the assistance that these nations received from the industrialized countries in the '70s was directly conditional on their governments' agreement to implement precisely the "grandiose" projects and strategies which today the donors criticize? Of course it is convenient today not to "affix" blame. If we clearly affixed blame, we would also have to take the responsibility. And we have no intention of doing that.

### How the Other Half Pays

In *Conflicts of Interest: Canada and the Third World*, to be published this December by Between the Lines, Brian Tomlinson uses 1988 figures from the Paris-based Organization for Economic Co-operation and Development (OECD) to analyze the present Third World debt of \$1,300 billion. To put this debt in perspective, and to shed light on the generosity of development assistance from the industrialized countries, Tomlinson calculates that "the developing countries received a total of \$458.1 billion in net development assistance between 1980 and 1988; at the same time, these same countries paid out a total of \$1,167 billion...to pay amortization and services on debt." The IMF itself, reveals Tomlinson, received in payment from poor nations \$4.2 billion more than it paid out. Yet by the end of the decade the accrued debt of poor nations had doubled from less than \$500 billion to well over \$1,000 billion!

To put this in a Canadian context, by 1990 the outstanding Third World loans owed to Canadian banks alone amounted to \$16 billion, and the value of other private Canadian Third World investments was well in excess of \$6.3 billion. Against this we see Canada's total investment of ODA at considerably less than \$2.5 billion annually, fully 60 per cent of which is tied to the purchase of Canadian goods and services, and (using 1987 figures) over 20 per cent of which is in the form of commercial export credits to promote Canadian business in Third World markets.

Most people don't understand how massive debts can accumulate when relatively little net borrowing is occurring, so there is a tendency to accept without question the explanation offered by Mme Landry about the excesses and mismanagement on the part of her Third World counterparts. Another viewpoint is provided by Mr. Tomlinson who, using research from Brazil reported by the Mennonite Central Committee, offers us a glimpse of the vortex from which it seems impossible Third World nations can escape:

Brazil's debt totalled approximately \$50 billion in 1980 and grew to more than \$121 billion by 1988...\$16.6 billion had been loaned to TNCs [transnational corporations], guaranteed by the state, for

various large-scale industrial and infrastructural 'development' projects, many still uncompleted and non-productive...\$18-20 billion never entered the country, but was deposited in Swiss bank accounts by a wealthy elite concerned about the economic and political stability of their country; \$41 billion was required for increased import costs due to the devaluation of the Brazilian currency (imposed as a condition for further loans by the IMF); and \$34 billion has resulted from arbitrary and dramatic increases in interest rates by the Central Banks of industrialized countries...This same study points out that estimated tax evasion by these same TNCs cost Brazil \$6 to \$7 billion annually since 1973, or about \$65 billion in just a decade.

During his October 31 testimony before the Parliamentary Standing Committee on External Affairs and International Trade, the President of CIDA, Marcel Masse, himself fell into the pattern of blaming the victim for these problems and consequences, this time referring to Guyana, where Canada played a direct and controversial role by chairing the international committee which set the ground rules for donor-imposed structural adjustment policies, thus causing food riots in that country. In response to questioning from Liberal MP Lloyd Axworthy, Mr. Masse stated:

If you have a population that is used to consuming at a level of \$700 per head, and suddenly you tell them that you really are sorry but the price of bauxite has gone down, the price of sugar has gone down, you have squandered your accumulated wealth, and now you have to live at a level of \$300 per head, you will unfortunately have riots...If you could have capital flows from the outside that have maintained their standard of living at \$700 per head, then you would not have riots. But this is not the state of the world. These flows are not coming...In this case, unfortunately, the level of consumption will have to come down before it can start to go up again.

The language is objective; the verbs are in the passive voice: as though this is just the way things are and these events and consequences do not have agents, and are not the result of human choice and action, with some people benefitting, and some losing.

One of the clearest critiques of this approach has come in the *Position Paper of the NGO Working Group on the World Bank*, a document issued last October by the advisory body of international NGOs to the World Bank. The Working Group is very critical of the policies of the Bank, and their *Position Paper* has created controversy within international government circles. The paper states:

Northern governments frequently accuse their Southern counterparts of "extravagances" of which they themselves are guilty. Southern governments must make changes—they have little alternative—but it is

not imprudence (the failure to adjust) that has caused the economic crisis. The roots of the crisis lie in a development approach, long promoted in the South by the industrialized countries through institutions like the Bank and serving the interests of Southern elites with ties to international finance, that seeks to more fully integrate local economies into the international economic system. When combined with the North's more recent monetarist policies, which have caused interest rates to soar and commodity prices to tumble, and its protectionist policies, especially in the agricultural sector, this approach has created an economic vulnerability that is now being exploited.

There are real causes to the present conditions in the Third World. The economic crisis flows directly from the world economic system, and from the division of labour and the division of wealth. Therefore the solutions must also be related to the division of labour, and the division of wealth. A situation caused by the international economic order, rather than economic *disorder* in specific Third World nations, must be changed by changing the international economy.

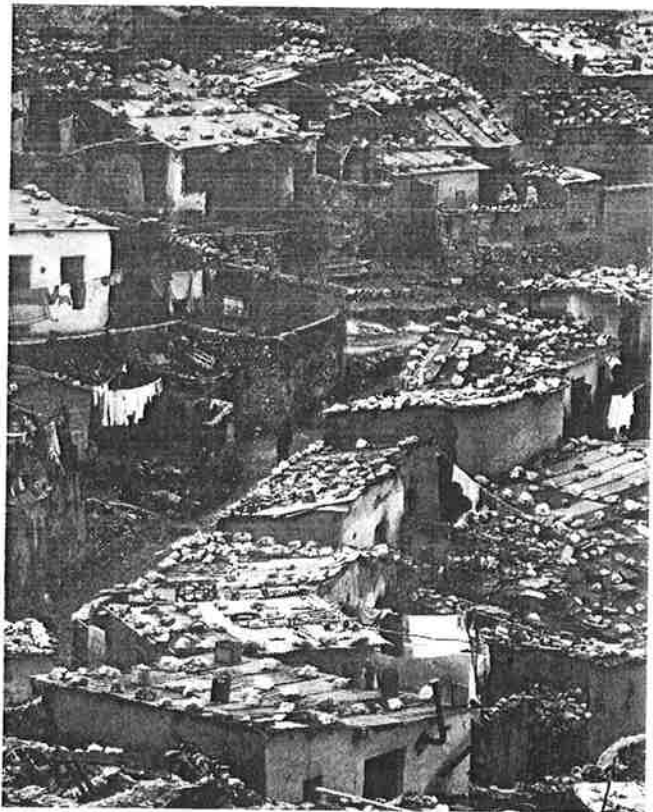
But the obverse is happening. It is as though we really believe that the poor of Guyana have 'squandered' the 'accumulated wealth' of their nation. In fact their land has been ravaged and their national heritage stolen from them, along with their labour, and now the international community is asking what more they have to give. Those who have gained the least from the economic pillage are being asked to pay for the damages.

### Removing the Blinkers

Canada recently completed a review of its overseas development assistance strategy in a document called *Sharing our Future*. Based firmly in notions of human *interdependence*, the strategy emphasizes as its first priority the alleviation of poverty and the promotion of international economic justice and equity through shared global prosperity. Its central strategy is the promotion of deep structural adjustment, with ancillary palliative measures to relieve the devastating 'short-term' consequences which the government acknowledges are flowing from these adjustments and free-market economic policies.

Therein lies a contradiction which imposed logic and hopeful rhetoric cannot resolve. Those who benefit from structural adjustment are already relatively wealthy and secure; those who pay are the poor. There is no evidence that even in the long run, even in another generation, the poor will receive the benefit of the sacrifice they have already paid, let alone the increased sacrifice now being forced upon them.

Marcel Masse told the Committee on External Affairs and International Trade that "structural adjustment policies are not a non-controversial field. It is extraordinarily difficult to measure their consequences, and what is perhaps even more difficult is that the way you will look at their consequences depends very much on the scheme of things



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*Jebel Joffe, Aman, East Jordan — home for thousands of Palestine refugees.*

you have in mind and the way you look at how economies evolve and what is good and bad in these economies."

And he went on to admit that,

...those who already have an advantage in that market have a considerable amount of power in determining its structure. This is really the difficulty. So the countries that are poor or have come to international trade later have much less power to effect their structure. They have to take their structures as given, and of course, these structures were not made at a time or by countries that had then a great interest in helping the poorest countries....

This, of course, raises a critical question about how these policies can ever benefit the poor nations, let alone the poorest of the poor in those nations, with whom the Canadian government professes to be most committed to "sharing our future".

About these dilemmas Mr. Masse offers a philosophical viewpoint: "The question, however, in an imperfect world, is whether there is another scheme that can be put into place that is more efficient, given that these structures exist...the Fund and the Bank are trying to create the most efficient policies, most efficient results, in the structures which exist at present."

I would argue that, to the contrary, the goal should be to *change* those structures, and if we are serious about Canada's aims in the international community, nothing less

would be sufficient. At the very least it is counterproductive to continue to work within those structures and to promote their ends.

Mr. Masse explains that the goal of structural adjustment is to de-emphasize "consumption" and increase "production". He states,

The criterion or objective of helping the poorest people is one we subscribe to, but in practice it is a difficult principle to implement because the poorest people are often quite hard to reach. Also, it is relatively easy to increase their consumption, but they are often the most difficult to deal with when you want to increase their productive capacity in the long term. In my statement I indicated that our fight against poverty should not be concerned only with increasing their immediate consumption but perhaps more with increasing their productive capacity.

### NGOs Respond

The experience of NGOs is clearly the obverse. It is extremely difficult, often impossible, to meaningfully increase the *consumption* of the poor, if for no other reason than they make up the largest majority in poor societies. Under the prevailing 'adjustment' policies, the difficulty is not that the poor do not produce, but that they are not allowed to consume what they produce. And to argue that the poor "are difficult to deal with when you want to increase their productive capacity" is simply to ignore the evidence of decades of struggle by the poor to survive in the face of the pillage of their lands and livelihoods. It is a slander against the wretched of the earth whose misery has been the price of our affluence.

As Michael P. Cracknell writes in the April 1990 United Nations journal, *Development Forum*, "If it is accepted that the aim of economic development is to improve the lot of the people... structural adjustment has been failing miserably. Indeed, it is largely the poor and needy who have been paying the price." Cracknell quotes the April 1989 Report of the United Nations Commission for Africa, *African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation*, which concludes that, "All indications are to the effect that structural adjustment programmes are not achieving their objectives in Africa."

Structural adjustment emphasizes transforming and *increasing* local production while *decreasing* local consumption, thereby increasing the surplus available nationally and internationally as accrued wealth and capital for investment. This means that a diminishing share of the wealth which is produced locally is enjoyed locally. It means that there will be a wider gap between the wealth which is produced by the poor and that share which they retain to improve the quality of their lives. As in the Aconcagua Valley in Chile, instead of producing food for their own consumption and the local markets, the poor are being driven off the land and out of production, and the land is being converted to export crops for foreign exchange and balance of payments to pay the in-

creasing service charges in international debt that was not incurred by the poor in the first place.

The poor are seeing the dislocation of the local economy on which they have subsisted for generations; they work harder, produce more, with less economic power and control, but get less in return in the form of wages, goods, or services, while the surplus of their productive labour is diverted to national and international centres of wealth.

Joseph Collins, co-author with Frances Moore-Lappé of the classic *Food First: Beyond the Myth of Scarcity*, stated in the October 1989 *Multinational Monitor*:

People are poor because they do not have control of the land, because they do not have control of the resources. Supply is not the problem. In virtually every country where people go hungry, enough food is produced. People having the power to lay claim to it is the problem....The reality is that many of the world's hungry people are engaged in the production of food for the world's well-off....If the debt crisis didn't exist, they would almost have to invent it as a way to dictate market-based policies....It is not going to be easy in the Third World to reestablish the food production that is [now] being eroded due largely to the pressure from the multilateral agencies to focus on exports and reduce tariffs.

These policies simply cannot benefit the poor. The poor do more. They receive less. They lose their own economic base. Only when the poor are seen as expendable—their labour a faceless variable in an economic equation—does structural adjustment make 'sense' and take on some meaning. But this meaning can only be based on an assumption that the two billion absolute poor worldwide (66 per cent of whom are under the age of 21 years) are already doomed within global economic structures which cannot, or will not, be changed. If the position of the Canadian government is that it is *impossible* to change these structures or perhaps that we do not have *the will to do so* because it is not in our economic interest to change them, then the ODA policy framework is a sham and hypocrisy, not to mention a direct complicity in the international criminal conspiracy against the poor.

### Structural Transformation

The *Position Paper of the NGO Working Group on the World Bank* states,

A timely question to ask is not "does adjustment go too far?" but "does adjustment go far enough?" In setting the stage for the debt crisis, the orthodox global development model has so manifestly failed most Third World countries and so tragically failed the poor, that talk of 'adjustment' appears to be totally inadequate....If the old model has failed, a new one is needed, going beyond adjustment to 'structural transformation'—transformation to a new development model that places priority on the internal needs



of developing countries and on the well-being of the poor, who comprise the vast majority of these countries' populations.

The dilemmas of this position are clearly articulated by Sithembiso Nyoni of the Organization of Rural Associations for Progress (ORAP) in Zimbabwe. Ms. Nyoni warns that "we cannot reverse the process of underdevelopment by using the same tools, methods, structures, and institutions which were used to exploit and dominate the poor". The poor, she says, are fighting "an internationally well-organized system of domination and exploitation...which would rather see the poor removed from the face of the earth than see them change their situation or have them gain real power over their own fate".

The imperatives of justice which demand our solidarity with the poor, however, do not resolve the dilemma of how to achieve the 'structural transformation' called for by the NGO Working Group, nor does it reveal what this transformed economic structure might look like. But it is a good starting point for developing a Canadian policy which is clearly on the side of the poor, and that does not take present economic structures and institutions for granted but rather joins with Third World peoples in fundamentally challenging these structures, both as they apply in the Third World and as they apply to Canada.

Richard J. Barnet, senior fellow at the Institute for Policy Studies in Washington, writing about the crisis in Africa in the May 1990 issue of *Harpers*, invokes on behalf of the "doctors of development" a reminder of the Hippocratic oath: "First, do no harm!" Barnet insists, "No one can argue against structural changes in failing economies, but structural adjustment at the national level without a structural overhaul of the international economy is bound to fail."

In the exchange between Marcel Masse and the Parliamentary Committee on External Affairs and International Trade, Mr. Masse acknowledged that in 1988 alone over \$50 billion more was paid out from Third World countries to international financial institutions than all income from loans and aid received by those countries in the same period—a phenomenon Mr. Masse referred to as "net reflow", about which he expressed low-key disapproval: "On the net reflow of \$50 billion...my own belief is that it does not make sense for poor countries to transfer money to rich countries."

At the same time if, through our acceptance of coercive structural adjustment and the demands of the international economic system as it now stands, we promote this massive transfer of wealth from the South to the North (including \$1.5 billion net transfer to Canada itself in the one-year period referred to), we can hardly talk honestly of an ODA program committed 'to ameliorate the worst effects of poverty', with the paltry investment of a few hundred million dollars channelled through NGOs to promote humanitarian projects in the social welfare field.

As Canadians we must recognize, and declare in the world community, that the present economic system is failing the majority on the planet, including a large propor-

tion of the population of the industrialized nations themselves. Those of us who are among the beneficiaries of this flawed system are bound, even in our own self-interest, to face this reality. A free-market system is a dubious construct in the abstract: the deck is stacked against those who have not participated in making the rules; and the dice are heavily loaded against the poor. The market system is not 'free', it is not fair, nor is it just.

An economy now biased in favour of the very strongest must attend to the needs of the weakest. This is not only a moral imperative in a humane society, but a pragmatic necessity. Society's decay begins at the margins but quickly spreads to the centre, from which collapse is inevitable. It is our obligation to ourselves and to our world to contribute to the efforts of people around the globe to organize themselves economically, to create sustainable alternatives within local economies, and to exert their social, economic and political participation with others in common cause to bring about permanent change with justice and opportunity for all.

Poverty is not natural; it is created. People are not merely poor; they are impoverished. Economic justice can only be created by supporting and assisting the poor to organize and transform the structures which protect wealth and perpetuate their poverty. This is the declared goal of Canada's overseas assistance program. Now it must become Canada's *strategy* as well. This will require fundamental changes in philosophy and analysis on the part of CIDA and the government. Canadians should insist on the quality of information and public debate that can make this happen.

As Richard J. Barnet put it in his *Harpers* essay,

The support that government, churches, foundations, and a variety of dedicated individuals are giving to small businesses, nongovernmental schools, clinics, children's homes, and credit unions is not only saving and changing lives but is laying the foundation for political transformation. However, these democratic possibilities can be nurtured only by making structural changes in the world economy to reverse the processes of impoverishment....The world economy will not work as long as developed countries base their hopes on growth while the prospects for billions of people in Africa—in Asia and Latin America too—continue to shrink.

It remains to be seen whether Canada will provide moral, political and economic leadership in promoting the radical changes in the global economy which are required. The first sign will be the degree to which the Canadian government can develop the capacity and the will to move away from its adherence to the orthodox structural adjustment policies promoted by the United States, the transnational private banks, and the multinational global financial institutions. It is up to Canadians to demand that these policies be re-viewed and revised, and that the new era of leadership for Canada in the global community, which was promised in *Sharing our Future*, begin. ■