

ALSO DEBTORS ARE PARTNERS

by

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This paper emerges from the context of Sub Saharan Africa and specifically of Uganda. In these countries, national wealth is conditioned by international debt and a discourse on wealth is necessarily a discourse on debt. The reason of this being that their right to national wealth is denied by their duty to international debt.

PART ONE

THE NATURE OF THE CRISIS

In this first part of the paper, the focus is on describing the nature of the debt crisis, namely its origin, the responsibility for it, the response of creditors to the crisis and the consequence of this on debtors.

1. WEALTH AND DEBT

The issue of debt is inevitably tied to the global trend involving all countries in the world in one global destiny. We could call this destiny more prosaically system. Globalisation appears to be leading humanity towards a single overall system. A system, however, that may not be the same for all in the sense that it could be “good” for some and “bad” for others. To a great extent, globalisation is effected by the economic drive cutting across all boundaries and cultures. In other words, wealth represents the main drive to globalisation and to the common destiny or system of humanity. Hence our ability to manage global wealth will determine our global destiny.

The most challenging and dramatic division of the present world is the one between the rich and the poor with the rich confronted by the mass of the poor and the poor by the might of the rich. Presently, our global destiny is conditioned by this contrast threatening to become hostility and aggression. The issues of wealth, debt and poverty have been extensively considered and the suggestions that have emerged have been generally pertinent and practical. One is left wandering about what else can be said. What can still be said is that these suggestions have not worked as expected. They seem to have

remained theory. The issues of debt and poverty continue unabated. Hence there is reason to continue seeking a way out of this impasse.

In actual fact, the problem related to world poverty and the international debt is not only continuing, it is getting worse. There are reasons to fear that this issue is heading for a violent confrontation. This challenging possibility requires a feasible and a long term solution to wealth distribution and debt management. "The world financial system has managed to cope with most of the short term problems of the debt crisis. Whether it can continue to do so and whether the long term problems of the debt crisis and world economic system can be solved is a matter of importance and speculation"¹. A. Castagnola, after having argued in favour of a radical solution to the debt crisis, concludes by expressing the fear that the modifications of the strategies so far effected to solve the crisis will probably have positive effects only after social and ecological disasters of an extent not yet experienced will have occurred².

2. THE ORIGIN OF THE CRISIS

The problem of international debt originated with the petrol crisis of 1971 that set the debt trap by expanding the availability of money, and it deteriorated with the petrol crisis of 1979 that tightened the debt loop by restricting the availability of money.

Following the first petrol crisis of 1971-73, the OPEC countries found themselves with an enormous amount of liquid assets. Savings shifted from industrial countries to petroleum exporting countries that used a very limited amount of those assets for imports. That caused a considerable increase in savings. Lacking occasions for investments, the OPEC countries deposited their liquidity in the banks of industrial countries. These banks found themselves with an excess of liquidity and with the problem of investing it. The request for loans in industrialised countries was not forthcoming as such countries were experiencing a general contraction of their economies due to the very increase of energy costs by OPEC countries. The banks turned their attention to developing countries in view of investing their abundant liquidity with them. Developing countries were lured into requesting loans from these banks that granted them easily. "World Bank envoys, bankers and foreign co-operation ministers from the Northern countries bombarded African governments persuading them to request loans, then carrying out large infrastructure works using the equipment and know-how of the Northern countries."³

African governments accepted willingly because interests rates during that period of 1974-77 were extremely low, to the point that getting into debt became a bargain. Indebtedness became rewarding in the sense that debts could yielded negative interests. Moreover the big projects financed by such loans were increasing the prestige of their government. The loans were also quite often accompanied by large commissions paid by firms and governments of industrialised countries fighting for clients. The corruption of developed countries nourished that of developing countries consolidating political patronage and perpetuating corrupt regimes⁴. A tricky condition that borrowing countries did not sufficiently notice was that debts were entered at variable rates of interest

implying that an increase in the interest rate would have had to be entirely met by the debtor.

In 1979, a second petrol crisis caused another sudden rise in the petrol price. But this time the financial market reacted differently. The monetary policies, first in the US and England and then in other industrialised countries became restrictive. Steered by the lending institutions, interest rates underwent a sudden and considerable rise (from 6% in 1980 to more than 20% in 1982), the liquidity in the world was reduced and international loans became difficult to obtain. International commerce was slowed down and imports from developing countries were reduced restricting the capacity of these countries to reimburse their loans. An increase in the value of the dollar increased the cost of debt making it more problematic to repay.

3. THE RESPONSIBILITY FOR THE CRISIS

Creditor institutions have not been generally upset by the manner in which the debt crisis originated and developed. For them, whatever happened, the debt had now to be paid. Their argument has been that justice demanded contracts to be honoured and what was borrowed to be returned. Creditors have a right to that and debtors have the corresponding duty to attend to it. Of late, various reasons have been given for creditors to reduce, to delay or to cancel repayment of the debt. But the right of the creditors to be paid has been rarely challenged and a debtor is expected to accept responsibly the duty to honour it. Yet, the solution of the debt problem begins from a reconsideration of the rights and duties of both creditors and debtors from which it will emerge that the right of creditors to receive “their” due stands vis-à-vis an equal right of debtors to retain their “due”.

Creditors’ Right

Creditors uphold their right and consequently the duty of their debtors to pay them by indicating how the difficulties of debtors to do so are of their own making. Namely debtor countries have their responsibilities for the debt crisis. Such responsibilities are ascribed to their failure in adopting sound economic and social policies catering for the real needs of their people and of their countries. Debtor countries took on their debts too easily, namely without an accurate examination of the conditions related to their reimbursement. They borrowed to excess and then they squandered the funds on poorly conceived and on ineptly administered projects. Very little of the borrowed money went to sound economic and social investment. Money was used to build prestige projects for the benefit of a ruling elite. A fifth of the total funds was spent on arms. A large amount, difficult to estimate, was lost to corruption. The massive flight of capital from poor to rich countries further testifies to the irresponsibility of debtor countries. “The entire capital flight from the Third World is estimated to 800-1000 billion Swiss Francs (700-

800 billion US Dollars). This means that approximately half the total amount of these countries' debts could be found in private accounts abroad.”⁵

Debtors' Right

Debtor countries and their supporters object to the one-sided considerations of the debt crisis. The creditor governments and international lending institutions have their part of responsibility in this crisis. To begin with, the creditor institutions originated and, to a great extent, nourished the debt crisis in the intent of attaining their interests.

Borrowers may not have been careful in taking up loans. But lending institutions had a well established and highly professional expertise to evaluate the solvency of the borrowing parties. Granting loans to support developmental projects and complex structure without considering realistically their feasibility and the local possibility for their maintenance, was unprofessional and irresponsible. Initially the lending parties might not have been entirely aware of the conditions of their borrowers. But it did not take long to realise the shortcomings of their lending schemes. Yet they continued to lend money, the refund of which implied enslaving entire populations for years to come.

Creditors find two things particularly irresponsible on the part of their debtors, namely the flight or return of capital from developing to developed countries and the military spending of poor countries. Huge capitals have really been moved from developing to developed countries. But it may be asked why the lending institutions failed to take appropriate action when such transfers were common knowledge, and why the lending banks continued to accept such capitals thus facilitating their flight. Moreover the flight of capitals benefited only the political and financial elite of developing countries not their people who were actually further impoverished by such capital transfers. In all this, the people were the innocent party that had subsequently to bear the consequences by working hard to pay for loans which they never received. A similar argument can be used for the corruption of the same leaders. Concerning the military expenses, it is true that many loans were wasted in them. But here too, military expenses were the work of a restricted clique and not the people of the country. The arms were often used against the people. Asking now the people to pay for the pending debt means asking them to pay for the arms used to terrorise them and to kill their relatives.

The waste of funds by a debtor country through corruption, the transfer of capital or the arms trade has little to do with the people of that country. The blame goes to the leaders who were facilitated in such appropriation by the tacit collaboration and support of their donors.

4. THE REACTION OF CREDITORS

After the second petrol crisis in 1982, the international debt was four times higher than it had been following the first petrol crisis in 1972. But at the same time, the rate of interest on that debt had gone up by 20%. At this point debtor countries had realised the endless spiral they had been caught in. In August 1982, the Mexican minister of finance Jesus

Silva Herzog declared that Mexico could not pay its debt. That announcement caused panic in the financial market. Almost 40% of the credits of US banks were in Mexico. Wall Street feared a crumble. If Brasil and Argentina had followed suit, it would have meant a total of 250b \$ of debt that, unpaid, would have brought about an unprecedented crisis in the financial world. Measures were promptly taken, concessions were easily granted, and the crisis was contained.

But the startling declaration by the Mexican minister of finance gave a lesson to creditor institutions. If indebted countries were left to themselves to solve the debt problem, they could have come to form a cartel putting up a powerful front against their creditors. Such a moratorium of indebted countries would have been disastrous for the international financial system. That danger required the financial powers to monitor the situation of their debtors. They did it by considering each indebted country as a case apart. At the same time, a privileged consideration was given to indebted countries occupying a strategic position in the financial world, like Mexico and Brazil, and that could have swayed debtors into developing a common strategy in dealing with their creditors⁶. That divisive approach prevented indebted countries from declaring their impossibility of solvency. The measures taken were ultimately aimed at securing that the debt mechanism continued to work, namely that debt remained “sustainable”, and that the loans granted, notwithstanding crises and tensions, continued to yield.

5. THE CONSEQUENCE ON DEBTORS

The economic and social effects of the measures taken by creditor countries have been disastrous to developing countries, especially in having caused a deterioration of the life condition for the majority of the population particularly for those in Sub Saharan Africa.

The indicators of development highlight that from 1980 to 1993, the growth rate of the per capita income of developing countries has been -0.8% namely negative, the growth rate of their per capita consumption has been 1.2% namely extremely modest, and the growth rate of their capital accumulation has been -2.8% namely seriously negative. There is also the indicator of human capital frequently neglected as it cannot be easily quantifiable. Human capital in developing countries is degenerating due to the deterioration of material infrastructures like hospitals and schools, to the cut in public expenditures and to the drop in family income. Attendance to school decreases, morbidity and mortality increase, technical adjournment is neglected. In such a distressed condition, human capital is seriously compromised.⁷

The continual need to service foreign debt curbs the growth of capital derived from internal and external investors. Internal investors want to protect their capital from the fiscal imposition in their country and from the depreciation of their national currency and so they export it abroad. This flight of capital from developing to developed countries perpetuates the poverty of the latter. At the same time, foreign investors are slow to invest their money in countries mistrusted by their own internal investors.

The sustainability of the debt is assessed by relating the present value of debt to the present value of exports. The capability of a country to export is thus the main term of reference in assessing the country's ability to sustain the payment of its debt. Exports are being considered the solution of the debt problem. Creditor banks and governments urge the policy of export on their debtors to the point that exports have become a form of extortion or forced labour. This labour burden, mostly agricultural, is generally borne by the rural population (90% in Uganda) that, notwithstanding their labour contribution, has no returns from it in the form of health, education and similar social services.

At the same time, the debt to be paid makes exports extremely difficult. The financial policy that has led to the monetary restriction and to the increase in the debt interest, has reduced industrial production. Consequently, the value and the demand of raw materials diminish. This means that the exports of developing countries diminish too, as such exports consist mainly of raw material. The debt crisis has set off a chain reaction that ultimately leads debtors into the impossibility to pay their debt.

The payment of international debt does not only disfigure the developmental activity of poor countries. It also distorts the international aid to them. "Each year, the developing countries pay to the West three times more in debt repayments than they receive in foreign aid. Contrary to a common assumption, wealth is not moving from the rich to the poor countries—but from the poor to the rich."⁸ From 1980 to 1996, Sub Saharan Africa paid twice her debt and yet in 1996 SSA was indebted three times more than in 1980. Presently, Africa pays yearly four times more for her debt than for health and education.⁹

During 1993-94, for every 3 \$ paid by the International Development Agency (IDA), an organ of the World Bank, 2 \$ returned directly to the World Bank through the debt mechanism and part of the remaining dollar went to the IMF. In 1995, indebted countries have given to the WB and to the IMF \$ 1b more than the total sum of help they received.¹⁰ "You must be aware that despite the considerable sums dedicated to bilateral and multilateral aid, the flow of capital from Africa toward the industrialised countries is larger than the flow of capital from the industrialised countries toward this continent", said François Mitterand, then President of France, at the meeting of the seven most industrialised countries (G7) in July 1994.¹¹

The flow of wealth from the poor to the rich countries is not only deceptive. It is actually deadly, costing the life to millions of people. According to UNICEF, while \$ 9b would save the life of 21m people in Sub Saharan Africa, such help cannot be given because countries indebted with the WB and the IMF cannot have loans from them. At the same time, the Sub Saharan countries pay yearly \$ 13b to honour the debt.¹² The mayor of London Ken Livingstone stressed: "Susan George estimates that in any year since 1981, between 15 and 20 million people have died unnecessarily from the debt burden because Third World governments have to cut back on clean water and health programmes. Every year the international financial system kills more people than world war two."¹³

Uganda is classified as a Highly Indebted Poor Country (HIPC). At the same time, Uganda is indicated as a model of developing country for its economic recovery resulting

from her compliance to the policy of WB and IMF. “While this (recovery and development) may be certainly the case in and around Kampala (and perhaps in other large towns), the same or even greater number of people (particularly in the villages) seem to be sinking deeper into poverty. ... The 5% GDP growth seems to have so far failed to trickle down to the African villages except by way of some token or symbolic development.” The author exemplifies symbolic development as finding a cellular telephone in a remote village that has no electricity, or a Coca-Cola where there is no drinking water, or a school child with a battery-operated toy but being bare-footed, or a beautiful car in a remote area that lacks a decent access road. This development, the writer concludes, “is not only comic, but sadly tragic.” The author concludes: “If the economic growth of Uganda or any third-world country has to be judged, as I think it should, by whether the majority of people have sufficient food, clean water, and basic health facilities, then the mere struggle for rapid modernisation will not offer any hope to the majority of Ugandans.”¹⁴

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The conclusion is that the international debt continues. If one cannot oversimplify in assessing the situation of chronic insolvency, the ineffective measures taken, and the resulting escalation of debt, one can however say that the debt issue is not only economic. Much, if not most, of the logic behind debt is political. The indebtedness of poor countries is paying well economically and even better politically to Western powers. The North does not want to surrender a very efficient instrument of economic control on the political and social scenery of the South. Debt is a strategic tool that cannot be easily substituted and eliminated. At the same time, debt is a subtle form of colonialism or, as some consider it, of outright slavery. Indebtedness has proved the most serious obstacle on the way to economic expansion, political independence and human development in Africa.¹⁵

PART TWO

POINTS FOR A SOLUTION

Most of the measures taken to solve the debt crisis seem to have actually compounded it. The main reason was probably that such measures tended to be elaborated unilaterally by the creditors striving to save their interests rather than to solve the problem. A genuine solution to the debt problem requires a bilateral approach as the debt is the result of a bilateral venture. A debt cannot possibly have a unilateral solution. Debtors and creditors are partners in initiating a debt and in terminating it. This basic equality of the two sides is the first point to be established in seeking a genuine solution to the debt problem. The second point is culture. The reciprocal consideration of debtors and creditors entails attention to the life context of each other or, as today one prefers to say, to the culture of each other. The consideration of culture ought to come before the consideration of debt. Having established the premises of equality and culture, this second part of the paper will

elaborate some suggestions framed in justice and ethics for a solution to the debt problem.

6. EQUALITY

Unilateral and Deceptive Approach

The origin and development of the debt crisis has been characterised by the unilateral manipulation of the creditors. The initiative to press loans on developing countries and later the decision to raise considerably the interest rates and the value of the dollar were the result of the political choices made unilaterally by creditor institutions to their advantage. The subsequent interventions to “alleviate” the debt were accurately measured to guarantee economic stability for the world of creditors and political domination over the countries of debtors. Presently, the World Bank and the IMF have the power to blackmail any of the developing countries. Debtor countries cannot move politically or economically without the approval of the World Bank or the IMF. Except for South Africa (economically powerful) and Sudan (relations have been severed), Sub Saharan Africa is literally dependent from the WB and the IMF.¹⁶

Joseph Stiglitz, former chief economist of the World Bank, said, “The world’s poor countries are being denied a seat at the table where key international economic decisions are made even if those decisions hurt them. ... The interests of poor countries have not been adequately represented in a lot of the international fora.” For him, the challenge is “to establish a framework in which economic policies are made which affect everybody”, making sure that those affected “can have a voice in those decisions.”¹⁷ Debtors have been systematically neglected in dealing with the debt issue in which they are as much partners as the creditors. Both parties need to participate in solving the debt problem with the same voice and equal opportunities. If debtors are denied that equality, the considerations related to debt will be lopsided or one-sided.

It is significant to notice the reaction of some Ugandans invited to sign a petition for the debt relief by Jubilee 2000 at the end of 1999. They refused. Their reason was that such request was yet again another example of their affairs being managed without their participation. As they explained, the debts were contracted without their participation. The money loans were administered without their participation. The solution to the debt crisis was discussed without their participation. Now the decision to request the debt write off was again reached without their participation. The people have never been a part in all this, from the first request of a loan to the present request of a write off. They did not sign.

The above considerations testify to a lack of fundamental equality. One of the greatest achievements of modern society has been the recognition of human rights. At the same time, one of the greatest challenges arising from such recognition has been their universal application. The universality of human rights derives from the equality of human beings. Practically everyone professes adherence to the principle of equality but its implementation comes up not only against individual and social interests but also against

the various interpretations of this principle and the conceptual confusions over it. The minimum definition of equality over which everybody seems to agree is that all persons are to be treated identically, excepts when sufficient reasons exist for treating particular individuals or groups differently. This assertion places the onus of justification firmly on its opponents. Namely it is inequality, not equality, that needs to be proved and this is a great accomplishment for human equality.¹⁸ It can now be taken as generally recognised that all rights are the same for all human beings and that no social, racial or other criterion can be allowed to cause inequality.¹⁹ Being equality a basic human right, a debtor does not humbly beg for it, it is not graciously granted to him, or he does not thank gratefully for it. Equality is not given by anyone or to anyone because everyone has it by simply being a human being.

The debt crisis needs to be reconsidered but by everyone on an equal basis. “*Octogesima Adveniens* (1971) recognised that in the new context in which human beings are better informed and better educated, two aspirations persistently make themselves felt—the aspiration to equality and the aspiration to participation, two forms of human dignity and human freedom.”²⁰ Participation in dealing with the debt issue should not be restricted to “top leaders” on both sides but involve also a significant representation of their respective societies. A country whether debtor or creditor does rarely speak with one accord. Quite often, people and leaders are in disagreement over common policy in which case participation is the only way forward. Participation is needed also to help clarify the complex language of economics used to explain the debt issue. “Poverty has become, under liberal market economics, a highly technical subject. It now requires people with higher degrees in economics, business, development theory, ... to be able to explain poverty. And these experts explain it in terms of GDP, trade flows, inflation control, ... and a host of other figures and statistics. This, in effects, means that the factors that render the African masses poor are not only global, but they have become increasingly more complex. ... The poor loose even the possibility of understanding the nature of their poverty and the factors that render them poor. This is scary.”²¹

Paternal, Offensive, and Ambiguous Approach

The lack of participation by both creditors and debtors including a significant participation from their respective countries in dealing with the debt issue results in a behaviour by creditors that C. Onyango-Obbo describes as paternalistic, offensive and ambiguous.²² His words are very appropriate deserving that they be extensively quoted.

To begin with, creditors have taken unilateral decisions to solve the debt crisis including the apparently generous initiative to write off the debt altogether. Creditors have in fact paternalistically downgraded debtors. “One can’t help feeling that there is something funny under the seductive surface of the debt write-off proposals. First, they are paternalistic because they presume that the mostly African and Asian heavily indebted countries can realistically only reduce their debt through the forgiveness of merciful industrialised countries. There has not been so far a world meeting in which poor country governments are asked to present plans on how they can work to pay their way out of their indebtedness. It is presumed that they are too stupid, lazy, and corrupt to do so”.²³

Secondly, the unilateral solutions of creditors are actually insulting as they assume that Africans are inferior. “One of the central arguments supporters of HIPC make is that the monies were lent to corrupt, brutal regimes by the West, which all the while knew they wouldn’t repay. Why, they ask, should this debt burden be borne by today’s relatively more democratic governments, and a people who were helpless to stop thieving and cruel regimes from preying on national treasuries? This argument is compelling indeed, until we lift the veil. It again assumes a discontinuous view of African history: That the history of these poor countries begins and ends with the rise and fall of a bad government. Somehow, it’s too much to ask the present generation to bear responsibility for the previous one. It’s a different story for Germany. Present day Germans have the moral stamina to do the right thing whenever they have to pay reparations to survivors and families of Jews who were slaughtered by Adolf Hitler and his Nazis during the Second World War. But the African doesn’t. He or she is, by implication, morally inferior.”²⁴

Finally, the initiatives of creditors give rise to ridiculous and unfortunate situations. “Some of the benchmarks for qualifying for debt write-offs are ambiguous at best. A poor country which “controls” its budget deficit, operates “transparent” accounting practices, continues to liberalise the economy and adopts “good governance” is on the way to debt relief. The limitations of these standards became clear in Uganda recently where the levels of defence spending are a big issue with donors. Uganda opened its defence books to donor scrutiny, and made some progress on keeping this item within budget. The Secretary of Defence recently revealed how it was done: the government merely hid its excess military expenditures under budget items in other ministries. In other words, it cheated. Is there something more going on here than just raising the hopes and massaging the conscience of the Bretton Woods institutions and uneasy voters in the West? After HIPC came, life did improve for some people in Uganda: The political brass graduated to bigger and more expensive cars”.²⁵

7. CULTURE

Creditors have been not only unilateral in their approach to the debt crisis but also culturally self-centred. If culture is, according to B. Lonergan, “a set of meanings and values that imbue a certain life style,”²⁶ then cultural differences entail different ways of understanding and appraising issues, including the one of debt. Hence, for instance, terms like wealth, property, market value, money, debt and similar ones often considered to mean everywhere the same thing, are culturally loaded and their understanding needs to be referred to the cultural context within which they are used. Cultural understandings and values change but such change is effected through the gradual process of acculturation by which new values and concepts need to come to terms with the previous ones.

It is sometimes objected that wealth and debts are quantified in numbers which are not culturally dependent. It can be admitted that numbers as such are objective or neutral. However, the numerical quantification of wealth and debts is the last step in the process of assessing them. Before that numerical quantification there is the need to consider what wealth is for oneself and for others, within one’s culture and in others. Such consideration

needs to refer to the values, the thinking, the life vision of a people and that are the mind or soul of a culture. Thus, for instance, houses, animals, relations, and skills may be numerically the same but this does not imply that they have the same value across cultures.

Books on economics are in most cases echoing the Western thinking on the subject.²⁷ They define wealth as being generally possessed by an individual. In African societies, for example, this individuality of wealth is not stressed. In such societies, the ownership of wealth is preferably related to the community extending from the family to the community around it, like the village and the clan, and gradually moving out to larger groups and eventually reaching out to the largest community that encompasses all others. One needs to consider carefully what belongs to an individual, to a family, to a community and to one's society. Within such complex and multiple ownership, issues related to property become potentially explosive leading to tensions and also to conflicts, as the number of cases about property rights in local courts testify.

Land is another sensitive issue related to wealth. Land is not a plot bought or sold at will. The land belongs to the community and to persons in a balance that only one who has grown within the community can fully understand. The land means rootedness, belonging, identity, ancestry, tradition, culture, and the place of rest after life. Hence, land is not only property but above all the identifying dimension of the person and of the community.

The property of wealth "must be capable of being transferred" and the concept of this transfer is also culturally dependent. One of the most significant wealth transfers is the one related to "bride wealth" namely the goods given by the family of the bridegroom to the one of the bride. This is in no way the purchase of a wife, as the related term "bride prize" misleadingly implies. The "bride wealth" is a public sanctioning of the marriage contract. Traditionally the bride wealth consisted mainly of cows which were not "commercial" but mainly used in marriage and in sacrifice.²⁸

The different understanding of wealth transfer is illustrated by a Lugbara proverb saying that a cow may go to a new owner but the peg to which it was tied remains behind. Namely the cow retains a link with its former owner. The change of property is never complete. Another proverb asserts that the control which a foreigner gains over the land is as short lived as the life of a cock. Land is bound to return to its former owners quite fast.²⁹

A term closely related to wealth is money. Money has no intrinsic value in itself. Its value is derived from the confidence that the people put in it. This confidence needs the foundation of social stability which has been frequently lacking in poor countries. Consequently, the possibility of saving money and building capital in those countries was limited. As the creation of capital entails the sacrifice of shifting resources from consumable to non-consumable goods, the lack of interest on the part of poor countries to build capital is sometimes interpreted as reluctance to undertake sacrifices.³⁰ However, the issue here is not personal sacrifice but social stability, the lack of which undermines

the possibility to save money and to build capital. Incidentally, evidence indicates that people in poor countries have a remarkable stamina for sacrifice.

Developing countries are said to have a vast human capital which they can exploit for development. Human capital consists of “the skills, capacities and abilities possessed by an individual which permit him to earn income. We can then interpret a period of formal or informal training and acquisition of these skills as a process of creating human capital, just as the construction of machinery, buildings, etc., creates physical capital”.³¹ Human capital in developing countries is mainly at a potential level, lacking as it does an adequate training to be able to organise work in a competitive manner.

8. JUSTICE

Various arguments have been brought forward in support of cancelling the international debt. The following are some examples.

The overall right to life. The right to survival is prior to any other right including the right to property and consequently to the reimbursement of the debt. The debt must be cancelled when it becomes unbearable, threatening survival itself.

Debtors are below the poverty line. The condition of poverty in which many indebted countries live is appalling and yet rich creditors continue to extort the payment of debts with interests from such people. This is immoral.

Debt denies human dignity. Human dignity exists when a person and a community enjoy their rightful autonomy. The debt burden deprives persons and communities of the possibility to organise their private and social life as they think best. Debt places their destiny in the hands of others.

Debt payers are not responsible for the debt. Entire populations are made to shoulder a burden for which they are not responsible. The poor are forced to pay for the wrong choices made by others and for the misjudgement and the irresponsibility of their governments and of their creditors.

An unjust system forces debts on the poor. The international mechanisms eluding the control of the poor countries have originated and nourished the debt crisis. The poor countries are at the mercy of an economic and political system causing endless misery to the people.

The first duty of a government is to its people. It is the primary duty of governments to provide for the welfare of their population. When the debt servicing prevents this provision, a government must shoulder the responsibility of not refunding the debt.

Debt is disadvantageous also to creditors. Indebted countries participate very little to international commerce. Africa, with her 700m inhabitants, shares only 4% of it. If indebted countries were freed from their debt they could invest productively their resources now used for paying their debts and enter the world of commerce contributing, among others, a higher demand of goods from the North.

General and Social Justice

The above arguments are valid but only if the debt were valid. The arguments assume the fundamental validity of the debt namely that the present international debt should be, or should have been, paid. But in actual fact, the debt does not exist both because the contractual terms of the debt have been substantially altered and because the debt has been by now overpaid. Hence justice requires that the debt issue be set aside simply because it has no more reason to exist. “The demands of justice must be satisfied first of all; that which is already due in justice is not to be offered as a gift of charity.”³² The issue of debt is first of all an issue of justice, and of general justice to begin with.

In ancient Greece justice was initially understood as a response to a kind of pre-established order to which one had to comply. For Plato justice pertained to the fulfilment of the entire human being individually and socially resulting in a personal and social harmonic whole. Aristotle contrasted justice as a total virtue to injustice as a total vice, namely as justice blended persons and communities into an harmonic whole, injustice did the opposite creating dissonance in individuals and society. The debt issue is a pervasive injustice undermining “order” and “harmony” in individual and social life, and creating dissonance in the world. As an issue of general justice, debt demands that it be treated comprehensively and that it be done away totally, since anything unjust related to it is enough to prevent that harmonic wholeness called general justice.³³

Recently, the concept of social justice has emerged which is in some ways analogous to the ancient concept of general justice. Social justice is generally understood as the kind of justice directing the individual to seek the common good with emphasis on organised action as the way to achieve that goal.³⁴ Social justice requires particular attention to the hierarchy of values by which, for instance, the right to life comes before the right to property. The right to life implies the right to work, to security, to assistance, and to eliminating inequalities and misery. Social justice respects the person’s free initiative and creative urge, at the same time co-ordinating everything to the common good.³⁵

Particular Justice

The concept of general justice was gradually developed and specified as a particular virtue referring to personal relations among individuals (commutative justice) and to social relations between authority and individuals (distributive justice). This development facilitated the practical application of general justice to specific cases, like the one of the debt issue that interests both commutative and distributive justice. This paper stresses the relationship of debt to commutative justice.

International debt started with a contract between two parties. As it is the case in such bilateral agreements, that contract implied the respect of each party for the rights and duties of the other party. Those rights and duties constituted the core of the contract manifested by the letter in which it was expressed. If changes concerning the rights and duties of the contract had been introduced, then the letter of the agreement would have to be checked to ascertain whether it still represented the original contract. In fact the contract has undergone changes that affected its substance namely the rights and duties of the parties concerned. The changes in the contract have altered its substance such that the terms of the contract, as they now stand, are no more binding.

Moreover, if one considered, besides the substantial modifications to the original contract, also what has already been paid vis-à-vis the initial loan, one would have more evidence to conclude that the debt issue is over. Considering what was due and what was actually paid to creditors and considering also the change undergone by all currencies and not only by the dollar, the debt appears to have been not only paid but actually overpaid. At this point, one can conclude that the real issue now is not the debt but rather rectifying the distorted assessment of it and, if need be, paying compensation to debtors for damages.³⁶

Total Justice

A final point is that while the issue of debt is generally considered to have originated about 30 years ago, in Africa the issue is actually referred further back to the time of colonialism, to the exploitation of Africa by the predecessors of the present creditors. The colonial powers of the North disposed at their own will of the natural and human resources of the peoples of the South. The debt that the people of the North have towards those of the South enormous. "It is surprising that this crime has not been sufficiently reflected upon in history, although it is mentioned now and then. Only at the threshold of the third millennium has John Paul II seen a parallel between this inhuman act and the crimes of the Nazi regime."³⁷ The relationship between the Nazi crimes and the crimes resulting from slavery and colonialism is gaining momentum. It could mark a change of tide. It could revert positions, turning creditors into debtors and debtors into creditors.

9. ETHICS

The vaster frame of justice is ethics. Ethics is ultimately needed to effect the change leading to a genuine solution of the debt problem. At this point, a reference to the Ethics of Liberation of the prominent philosopher Enrique Dussel seems to be proper. Dussel proposes to rethink history and to redress the unjust world system by starting from the

victims, namely from those who feel on themselves the negative effects of economic globalisation. These victims cannot live; they can only testify to the death of life. Yet history is reshaped by those at the margin of the present order. They have the inventiveness to initiate a new order as they have always been the creators of novelty.

The West can learn from the cultures of these victims, but it is generally reluctant to do so. It believes that its formula of development has been the most beneficial. Western scientific research and technological development seem to be having the best vis-à-vis the rest of the world. Yet, it is necessary to discover the limits of this development. It is not possible to continue indefinitely on the line of quantitative growth. Development needs to be qualitative, or it will not be development at all. Here is where other cultures could come to the rescue. Humanity should learn from the wisdom of the poor.³⁸

The challenge goes to the peripheral cultures of Africa, Asia and Latin America where the majority of humanity is, at the margin of development and excluded from the possibility of an autonomous and authentic integration in the current world process. These cultures should not have a peripheral, inauthentic or imitative thinking but institute a thinking ensuing from within the concrete historical reality they suffer from, and be the founding generation of that thought. A thought that gives absolute priority to human life and that continues to develop an Ethics of Life.³⁹

10. THE AFTERDEBT

In the light of the above arguments, the major problem now is not the debt but rather the afterdebt. If the issue of the debt is liquidated but the causes that originated and nourished it are left to stay, they will produce another crisis similar to the present one. There is a need to break out of the present set of economic principles. “The free market economy has entrenched itself as the *only* viable economic system. It is this liberal economic vision that the IMF and the World Bank have been consistently prescribing for Africa.”⁴⁰ There should be other alternatives for managing the world economy.

Kai Nielsen argues that justice requires extensive redistribution between North and South, assuring that this can be done without impoverishing the North, though to do so would indeed involve a radical reordering of the socio-economic system of the North.⁴¹ Nielsen concludes that, from the moral point of view, justice requires an extensive reorganisation in North-South relations. However, nothing like this is going to happen within the present socio-economic order. The capitalist masters have an interest in maintaining something like the present North-South state of affairs. To stabilise their position they may favour some minor redistribution of wealth that would however not touch their power base. Capitalism can only accept a more efficient version of the present that, in turn, requires great injustice and inhumanity. “If we are morally serious and not ideologically blinkered, we will realise that it is our central social task to get rid of capitalism. But concretely how this is to be done, given capitalist dominance in western industrial societies, is anything but obvious.”⁴² This proposal may sound unrealistic. It nevertheless indicates the determination and the need to proceed to a radical change of the present economic order.

The difficulty to enact this change leading to an afterdebt characterised by the absence not only of the international debt but also of the unjust system that caused it, could have an answer in the celebration of Jubilee 2000. The original jubilee of Leviticus 25 was actually meant to effect what the afterdebt intends to be. The biblical jubilee pledged to re-establish an economy based on justice and equality. During that jubilee year, the slaves were to be set free and the land to be returned to its former status. That “non-violent revolution” was founded on faith, namely on the belief that the land and the people belonged to God. Any other consideration could not have motivated the freedom being granted to the people and to the land. The afterdebt demands that same faith to support the new order for the afterdebt.

The journey of liberation begun in Exodus towards the promised land was to be completed by the social liberation provided by the jubilee. In the case of Africa, forty years ago she set off on her journey of political liberation. Africa is now trying to conclude her struggle by attaining the social liberation of her people enslaved by an unjust system. Jubilee 2000 is here to remind everyone that liberation is for both the land and the people.

NOTES AND REFERENCES

¹J. Peirson, “Debt Crisis”, in A. Bullock and O. Stallybrass (eds.), *The Fontana Dictionary of Modern Thought*, London, Fontana Press, 1988, p. 203.

²A. Castagnola, “Una Soluzione Radicale”, in *Terre del Fuoco*, No. 11, February 1999, p. 127.

³“The Infinite Debt Spiral”, in *The World Guide 1999/2000*, Oxford, IteM, Instituto del Tercer Mundo, 1999, p. 74.

⁴Ibid.

⁵B. Bujo, *The Ethical Dimension of Community*, Nairobi, Paulines Publications Africa, 1998, p. 176.

⁶There were isolated attempts like that of the Peruvian President Alan Garcia in 1985, the Brazilian government of Sarney in 1987 and Cuba’s Fidel Castro encouraging a common strategy but to no avail.

⁷O. Garavello, “Una crisi che viene dal Nord”, in *Nigrizia*, Anno 115, No. 10, Ottobre 1997, pp. 33-34.

⁸“Millennium Sparks Call for Debt Cancellation (Africa News)”, in *Catholic International*, Baltimore, June 1998, p. 243.

⁹“The Infinite Debt Spiral”, in *The World Guide 1999/2000*, Op. Cit., p. 74.

¹⁰T. Van Hees, “Serve una soluzione radicale”, in *Nigrizia*, Op. Cit., p. 43.

¹¹“The Infinite Debt Spiral”, in *The World Guide 1999/2000*, Op. Cit., p. 74. The statement is correct, except for the specification that the sums of aid were considerable. In 1960, the target for such aid to developing countries was fixed by the United Nations to 0,70% of the gross domestic product (GDP) of developed countries. The heads of State gathered in Rio in 1992 vowed to treble that target. In actual fact, two years ago the aid represented only 0,33% of the GDP. This cannot be considered a considerable sum.

¹²T. Van Hees, “Serve una soluzione radicale”, in *Nigrizia*, Op. Cit., p. 43.

¹³“Hear, Hear”, in *New African*, No. 385, May 2000, p. 11.

¹⁴E. Katongole, “Theological Perspectives on Poverty”, in D. Carabine and M. O’Reilly (Eds.), *The Challenge of Eradicating Poverty in the World: An African Response*, Kampala, Uganda Martyrs University Press, Konrad Adenauer Foundation, 1998, pp. 71-73. Katongole stresses the ensuing challenge to the Church. “I am disturbed by the massive poverty rampant in many African villages, and I am particularly disturbed by the fact that Africa, which is the poorest and most backward continent, is at the same time a Christian continent (at least south of the Sahara). ... The nation state is not simply a recent event in Africa, it has largely remained a highly superficial and inefficient superstructure. ... If there is any institution that has penetrated and touched even the remotest African village and person, it is the church. ... I believe that the church has to move ... beyond a mere claim for what has been called the “preferential option for the poor” to preaching a gospel that can make a *material* difference in the people’s lives here and now.” (Op. Cit., pp. 64-65)

¹⁵O. Garavello, “Una crisi che viene dal Nord”, in *Nigrizia*, Op. Cit., pp. 31-32.

¹⁶“The Infinite Debt Spiral”, in *The World Guide 1999/2000*, Op. Cit., p. 76.

¹⁷“Africa’s Friend”, in *New African*, No. 383, March 2000, p. 10. Developing countries “enter the market as unequal partners --- and leave with unequal rewards.” (R. Rowe, “Unequal partners --- unequal rewards,” in *The Courier*, No. 134, July-August 1992, p. 97.)

¹⁸M.D. Biddiss, “Equality, Principle of,” in A. Bullock and O. Stallybrass (eds.), Op. Cit., p. 280.

¹⁹D. Robertson, *Dictionary of Politics*, Harmondsworth, Penguin Books, 1985, p. 97.

²⁰C.C. Curran, “Official Roman Catholic Social Teaching”, in J.F. Childress and J. Macquarrie (Eds.), *A New Dictionary of Christian Ethics*, London, SCM Press Ltd., 1986, p. 432.

²¹E. Katongole, Op. Cit., pp. 70, 71.

²²C. Onyango-Obbo is Editor of *The Monitor*, a daily newspaper of Uganda.

²³C. Onyango-Obbo, “HIPC Rewards Bad Boys in Designer Suits”, in *The East African*, No. 256, Sept. 27-Oct. 3, 1999, p. 11. The title of the article refers to a letter on the BBC “Focus on Africa” programme of 24th September 1999 reproving the African leaders who had gathered in Nairobi to discuss the continent’s debt. It was grotesque, the letter said, to see our rulers arriving in designer suits, expensive cars and so forth, to ask donors to forgive profligate Africa its debts.

²⁴The author makes a point here about the easy complacency of Africans to their leaders. “We can’t escape the facts. Africa has appalling leaders partly because we let bad leaders rule us. ... Venal and pillaging governments are not a natural condition in Africa. They are a social phenomenon that can be changed. We must come to terms, as a people, with our failure to confront villainy often enough” (Ibid.)

²⁵Ibid.

²⁶M. Montani, *Filosofia della Cultura*, Roma, LAS Libreria Ateneo Salesiano, 1991, p. 167. Lonergan’s definition of culture considers the latter’s inner dimension. Culture has also an outer or external aspect or “body” referring to what is outwardly and easily perceived, consisting of the entire set of material objects and forms of behaviour. The inner aspect or “soul” or “mind” of culture is given by the collective mental and spiritual heritage such as systems of symbols, ideas, beliefs, aesthetic perceptions, values and meanings that explain the outer aspects of culture.

²⁷The power of creditors is not only financial or political but also cultural. Their values, meanings, and language set the paradigms of world economy. Some conclude that the strongest asset of the West is actually its culture.

²⁸The Karimojong are a pastoralist people in North Eastern Uganda. They own and value large herds of cattle. Yet they live what other Ugandans consider a despondent life. Aware of this opinion, the Karimojong asked the president of Uganda to help them out of their “poverty”. The president pointed to their cattle remarking that they were richer than many other Ugandans and Europeans. The remark did not impress the Karimojong for whom cattle was not economic “wealth”.

²⁹A.T. Dalfovo, *Lugbara Proverbs*, Rome, Comboni Missionaries, 1990, p. 67 n. 147, p. 96 n. 268.

³⁰G. Bannock, R. E. Baxter and R. Rees, *Dictionary of Economics*, Harmondsworth, Middlesex, Penguin Books, 1986 (III ed.), p. 61.

³¹G. Bannock et al., Op. Cit., p. 204.

³²*Apostolicam Actuositatem*, No. 8.

³³R. Spiazzi, *Principi di Etica Sociale*, Bologna, Edizioni Studio Domenicano, 1989, pp. 116-117.

³⁴*Mater and Magistra* (1961) understands common good as embracing “the sum total of those conditions of social living, whereby human beings are enabled more fully and more readily to achieve their own perfection.” The term “social justice” was introduced by *Quadragesimo Anno* (1931). (C.C. Curran, *Op. Cit.* pp. 431-432.)

³⁵“A renewed and sophisticated interest in the justice of the political community has emerged since the publication of John Rawls's *A Theory of Justice* (1971). Conceived as “the first virtue of social institutions,” justice concerns the fitting assignment of rights and duties, and of the benefits of social cooperation, to persons who participate in political society as free, and equal, and in pursuit of plans of life according to particular conceptions of the good. ... For Rawls, a deeply egalitarian conception of justice emerges from this procedure; rights to equality of liberty and opportunity are to be guaranteed, and social and economic inequalities must work to the benefit of the least advantaged persons in society.” (J. Macquarrie and J. Childress (eds.), *Op. Cit.*, p. 331.)

³⁶In 1997, an international team of legal experts gathered at Saint Agatha of the Goths in Italy and issued a Charter declaring that the international debt was a case of usury. They initiated proceedings to take the case to the International Court of Justice at The Hague. The Charter is called *Carta di Sant’Agata dei Goti. Dichiarazione su usura e debito internazionale*.

³⁷B. Bujo, *Op. Cit.*, p. 177.

³⁸F. Comina, “Dalla parte delle vittime”, in *Jesus*, Year XXI, No. 2, February 1999, pp. 40-42.

³⁹E. Dussel, *Concordia*, “Quo vadis, Philosophie?” R. Fernet-Betancourt (Ed.), Band 28, 1999, pp. 87-89. This issue of *Concordia Journal* publishes the results of a world-wide survey among 100 philosophers last year. One of the questions was on the priorities of philosophy at the beginning of the twenty-first century. A vast number of answers indicated ethics as the priority.

⁴⁰E. Katongole, *Op. Cit.*, pp. 68, 69.

⁴¹K. Nielsen, “Global Justice, Capitalism and the Third World,” in R. Affield and B. Wilkins, *International Justice and the Third World*, London and New York, Routledge, 1992, p. 17.

⁴²K. Nielsen, *Op. Cit.* pp. 32-33.