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Digging Deeper

Each day poor countries collectively pay approximately 100 million dollars in debt payments to rich countries and multilateral creditors (Jubilee USA). These debts should be canceled because they are unjust and crippling to countries that are already struggling to support their own citizens. However, before there can be debt relief, new institutions and processes must be formed to administer the relief in order for it to be effective (Henry 252).

Some events that contributed to the present day international debt crisis took place over forty years ago. In the 1960s, the US dollar fell in value causing oil-producing countries to raise their oil prices in order to counteract the inflation. These countries made great sums of money and deposited it in Western banks. Then the banks faced a crisis as interest rates suddenly fell. They began to hastily lend out large amounts of money, especially to Third World countries, some of which took out the loans to meet the rising cost of oil. Many of these hasty loans were given without any accountability, meaning that debtor and creditor did not specify what the money would go towards or under what conditions it would be repaid. The result was that about one-fifth of the loans went to the buying of weapons, often to support oppressive regimes. Other loans were stolen by dictators or used for poorly planned large-scale development projects that failed. As interest rates and oil prices rose and export prices fell, impoverished countries began to pay more on their loans and earn less money themselves (Jubilee USA).

Thus, many of the debts owed by poor countries could be called illegitimate. Illegitimate debt usually results from a combination of two conditions. First, the creditor lends out of self-interest and without accountability to a country with a corrupt dictator or government. Then the money is used in ways that do not benefit the people of that country. In the 80s and 90s the Indonesian dictator, General Suharto, took out a loan from the UK of 705 million Euros, of which 525 million was spent on arms. Suharto used these weapons to oppress his own people until he was overthrown in 1998. The Indonesian people of today are still trying to pay off this debt which is quite a task considering that more than half of the population live on less than two dollars a day (Jubilee Debt Campaign).

The weight of debt is a crushing burden on impoverished nations. Because these nations are forced to pay so much money on servicing their debts, they have had to cut public spending on public services that their people need. Between the years 2006-2007, Kenya spent more on debt than on healthcare. Each year eleven million children die of infectious diseases worldwide. Forty million people suffer from Aids and eighty million children do not go to school (Jubilee Debt Campaign). These numbers could be significantly cut if poor countries did not have to throw away so much of their money in debt payments to wealthy countries and institutions.

A few steps have been taken to provide debt relief to poor countries. The Heavily Indebted Poor Countries (HIPC) initiative, formed in 1996, and the Multilateral Debt Initiative (MDRI), formed in 2005, were created by governments and financial institutions to reduce the debts of some of the world's poorest countries (Eurodad). Unfortunately, these initiatives have done little to help poor countries. In order for a country to receive debt relief from these systems, they must first reach a completion point by complying with Structural Adjustment Programs set by the International Monetary Fund and World Bank (Hiatt 22). Not many

countries have been able to reach the completion point because it is a long and strenuous process, involving harsh economic policies like privatization and the lowering of tariffs (Henry 245). By the year 2006, HIPC had only provided a total of about \$41.3 billion in debt relief to the eighteen countries that had reached their completion points. That is just ten percent of the total outstanding debt of all impoverished nations (Henry 246-248).

It is no wonder that these initiatives have done so little for debt relief seeing as they are run by institutions like IMF and the World Bank, which are themselves partly responsible for the international debt crisis. In some cases, the structural adjustment programs of IMF and World Bank have only worsened the conditions of poor countries. In the 1990's, the IMF's SAP in Peru drastically lowered the country's tariffs on corn. This resulted in an influx of cheap United States corn into the country, which drove many Peruvian farmers out of business. These farmers then began to grow coca, for the production of cocaine, as an alternative to corn (Hiatt 22).

Drastic action is needed to solve the international debt crisis. A good first step would be to establish a standard way of dealing with international debt that involves both the creditor and the debtor. In the US a person can declare bankruptcy if they fall into an un-payable debt. Countries who get stuck in un-payable debts have no way out. The ill-advised structural adjustment programs of IMF and World Bank must be thrown out and replaced with constructive economic standards for unstable impoverished nations to follow. Irresponsible and self-interested lending must be put to an end and accountability take its place in order to prevent further un-payable and illegitimate debt.

The Jubilee Act for Responsible Lending and Expanded Debt Cancellation is a bill that could help bring about these ideals. In 2008, the bill was passed in the House of Representatives and by the Senate Foreign Relations committee. It is still awaiting passage in the Senate. This

bill would extend eligibility for complete debt cancellation to sixty-seven poor countries in the global South. It would prohibit harmful standards set on debt cancellation and demand transparent and responsible lending by governments and international financial institutions. The Jubilee act would also call for the US to audit illegitimate debts (Jubilee USA). The key aspect of this bill is that it not only calls for debt relief but also attacks the root of the problem. This bill speaks of shutting down corrupt and irresponsible lending as well as abolishing the strings attached to debt relief. These two things are necessary if debt relief is to be effective. Jubilee Act is a progressive bill that could finally put a good dent in debt.

In Leviticus 25: 8-13, the Bible tells of a year of Jubilee when slaves are freed and land returned to its original owner. Many organizations that support international debt relief use this passage to advocate their cause. But the international debt crisis is so much deeper than this. The way that countries are being oppressed by debt is just blatant injustice. The actual problem stems from greed and corruption of borrowers and lenders alike.

Throughout the New Testament there is an emphasis on caring for the poor and helping the oppressed. The poor are being taken advantage of, and it is our job as Christians to follow Jesus' example by standing up to the injustice. The early church in Acts did all it could to supply the needs of the poor. It would help the poor of today so much if wealthy institutions and nations would stop demanding money from them.

Non-governmental organizations that advocate for debt relief are right to do so. But they must acknowledge the fact that current lending and debt relief processes need to be improved in order for debt relief to be effective.

Works Cited

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