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## **The Terrorism of Debt**

**by Wanda Fish**

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Imagine two scenes in different parts of the world.

In our first scenario, three hooded gunmen raid an embassy. After a bloody gun battle, the terrorists take the Ambassador and other survivors as hostages. They demand the release of certain prisoners, or they will destroy the embassy and kill their hostages.

In our second scenario, three grey-suited executives raid a country. The collapsing economy has left the government powerless to administer essential services. Failed crops, internal corruption, and natural disasters have taken their toll. People are desperate and dying. The IMF and World Bank executives outline the terms and conditions of the \$50 billion loan.

The terrorists in the first scene are eventually captured and executed for terrorist crimes. The bankers in the second scene are rewarded for their successful hijacking of the country's economy. Their corporations will be paid many times the loan over the next decade. The debt trap will cripple and imprison the country's future earning capacity. The executives receive bonuses and promotions that take their collective salary to a sum greater than the salaries of all the lowest paid workers in the country they had signed up to the debt trap.

Over the past fifty years, the IMF and the World Bank have forced economic "development" that benefits the wealthy lenders and multinational corporations in the industrialized north and enslaves the world's poor majority in developing and third world countries. These international loan sharks have hijacked the economies of more than 60 countries. Loans, international assistance, and debt relief are given only when countries agree to conditions set by the Bank and Fund. Free trade, market liberalization, and privatisation of essential resources and services are demanded if "financial stability" is to be achieved. While crippling interest payments force cuts in health care, education and other social services for millions of people around the globe; the banks and corporations that "rescued" those countries report record profits. Humanitarian crises, like wars, have become lucrative

business for those who have money to lend.

Ten years ago, economist J. W. Smith warned,

"The size of the debt trap can be controlled to claim all surplus production of a society, but if allowed to continue to grow the magic of compound interest dictates it is unsustainable. The third world debt has been compounding at over 20 percent per year between 1973 and 1993, from \$100 billion to \$1.5 trillion [only \$400 billion of the \$1.5 trillion was actually borrowed money. The rest was runaway compound interest]. If Third World debt continues to compound at 20 percent per year, the \$117 trillion debt will be reached in eighteen years and the \$13.78 quadrillion debt in thirty-four years."

--J.W. Smith, *World's Wasted Wealth II*,  
(Institute for Economic Democracy: 1994), p. 143.

More shocking than the magnitude of the figures (how does one fathom a quadrillion dollars?) is the chilling fact that the debt trap robs all the surplus production of an entire society. Debt does much more than forcing a country to work for nothing. This form of terrorism punishes the children, abandons the sick, and enslaves the adults.

Every hour, one Filipino child dies because of debt-related poverty. Millions of children die every year in the Third World because they are too poor to buy food or medicines. Their families work extraordinary hours to earn less than \$2 a day. Filthy slums with inhumane living conditions are prolific in most countries in the world, and are no longer exclusive to the third world.

An estimated 100 million children live and work on the streets in the developing world, including 40 million in Latin America. Although many of these street children have some family links, they spend most of their lives on the streets begging, selling trinkets, shining shoes or washing cars to supplement their families' income. These children rarely go beyond a fourth-grade education. The 25 million children without families live in the streets with other street children. They sleep in abandoned buildings, under bridges, in doorways, or in public parks.

These young victims of debt resort to petty theft and prostitution to survive. Many are addicted to inhalants which offer them an escape from reality and hunger pains -- in exchange for a host of physical and psychological problems, including hallucinations, pulmonary edema, kidney failure, and irreversible brain damage. These children are abused, even murdered, by the people who are supposed to protect them.

"His name was Nahamán, a 13 year old in Guatemala. One night, while walking on the streets, he was kicked to death by four policemen who found him and decided to punish him. His crime? He was a street kid . . . a subhuman without pedigree, a vexing reminder of Guatemala's malignant inclinations, the mortifying embodiment of a fallen society, a scapegoat. And, in death, a martyr. When we buried Nahamán on March 14th, 1990, his gravestone read: *'I only wanted to be a child, but they wouldn't let me'.*"



--Nahamán's Story, Casa Alianza  
Nahamán was killed in March 1990

While indebted countries struggle to pay mounting interest on debt loans, their hospitals, schools, water supply, electricity, and public transport deteriorate rapidly with reduced

budgets. Disease, destitution and general lack of sanitation characterise many Third World cities. The children who do survive are unable to read and write as government budgets for health and education are cut to the bone as a result of debt service. In Niger, one of the poorest countries in the world, the government spends three times more on debt repayment than on health and education.

Sub-Saharan Africa pays \$10 billion every year in debt service. The countries of Sub-Saharan Africa are experiencing a pandemic with terrible consequences. In South Africa one in five people has HIV-AIDS, and in Zimbabwe one in four. One in seven Kenyans has the virus. In Botswana, the country with the highest rate of infection in the world, more than one-third of all adults are HIV positive. Twenty million people, or the entire population of Australia, have died in Sub-Saharan Africa since the pandemic began. If current trends continue, there will be than 40 million AIDS orphans in Africa by the end of this decade.

Despite their extreme health crisis, 23 African countries spend more money on debt repayment than they spend on healthcare, which attracts only \$2.5 billion, or a quarter of their debt service. This does not concern the banks that loaned the money. Their only objective is to make their rich clients even richer. The Kenyan widow dying of aids and leaving five orphans is not entered into the ledger books. However, the GM food that the starving widow and her children are forced to eat is entered into the ledger books. The humanitarian crisis has created a market for modified food that the rest of the world didn't want. After all, beggars can't be choosey.

By contrast, the wealthiest individuals in the world can choose or buy anything they want. At the top of the list is Bill Gates whose net worth in 2003 is forty billion dollars, or four times the annual debt service of sub-Saharan Africa and sixteen times the annual expenditure on health and education in those countries. The world's 497 billionaires in 2001 registered a combined wealth of \$1.54 trillion, well over the combined gross national products of all the nations of sub-Saharan Africa (\$929.3 billion) or those of the oil-rich regions of the Middle East and North Africa (\$1.34 trillion). These five hundred people also possess greater wealth than the combined incomes of the poorest half of humanity.

Think about that fact for just a minute. Five hundred obnoxiously wealthy people have too much while nearly three billion people have nothing. Allow the full meaning to play out in your mind. While five hundred people have enough money to buy several countries, half of humanity struggles on less than \$2 a day and can barely buy enough food to stay alive. It gets worse. Anything extra our third-world worker can earn will go into debt service payments. The banks profit, and the shareholders increase their wealth. The five hundred at the top of the tree have just made a profit out of poverty.

After the G8 summit in Okinawa in 2000, President Obasanjo of Nigeria made this comment on Nigeria's debt:

"All that we had borrowed up to 1985 or 1986 was around \$5 billion and we have paid about \$16 billion yet we are still being told that we owe about \$28 billion. That \$28 billion came about because of the injustice in the foreign creditors' interest rates. If you ask me what is the worst thing in the world, I will say it is compound interest."

When President Obasanjo spoke out, the developing world was spending \$13 on debt repayment for every one dollar it received in grants.

While most people would be aware of the debt burden of the third world, they would be surprised to learn that the United States is also a heavily indebted country. The accumulated debt of the world's richest country, the USA, is more than two trillion dollars. The exact amount owed by the whole of the developing world, including India, China and Brazil, is \$2.5 trillion. This means that three hundred million Americans owe as much to the rest of the world as do five billion people in all the developing countries. The inequity doesn't stop there. While developing country economies struggle with debt service repayments totaling more than \$300 billion per year, the US must only pay \$20 billion to service an almost equivalent amount of debt. Jubilee, an international movement working to remove the third world debt, classifies the United States as a "heavily indebted prosperous country".

If the money is not coming from the United States, where is it coming from? Who actually owns the money that was loaned in the first place? Some of it comes from illegal activities and is recognised as "dirty money". US and European banks launder between \$500 billion and \$1 trillion of dirty money each year, half of which enters the coffers of American banks. According to Catherine Austin Fitts, a contributing editor to *From the Wilderness*, and formerly Assistant Secretary of Housing under George Bush, the four largest states for the importation of drugs are New York, Florida, Texas and California. She points out that the top four money-laundering states in the U.S. (good for between 100 and 260 billion per year in 1999) were New York, Florida, Texas and California [See "Narco-Dollars for Beginners, "How the Money Works" in the Illicit Drug Trade," 2001]. The connection goes on. Eighty per cent of all Presidential campaign funds also come from New York, Florida, Texas and California.

While the World Bank and IMF are the main targets of activists working to remove third world debt, these two international banking institutions are influenced by various national banks, financial consultancies, and former politicians who manage the wealth of the world for their wealthy clients. The "Group of Thirty" established in 1978 is a private, nonprofit, international body composed of very senior representatives of the financial private, public and academic sectors. This select group of controllers aims "to deepen understanding of international economic and financial issues and to examine the choices available to market practitioners and policymakers". The most powerful decision-makers and influencers in the financial world are members of this magic circle, which includes major national banks, universities, former politicians, and global consultancies.

Despite the impressive collection of financial wizardry and power, The Group of Thirty and annual Economic Summits have failed to neutralise the terrorism of third world debt. Those who manage the global economic system are focused on the shareholder value of banks and corporations. The system is "successful" as long as it returns more wealth to the wealthy. Yet these financial experts are myopic about the future. The current level of debt worldwide is unsustainable and must eventually lead to the total collapse of a global economy that expects increased productivity from the poorest and unhealthiest workers on the planet.

The Universal Declaration of Human Rights, adopted by the United Nations General Assembly in 1948, is built on the principle that human rights come from the "inherent

dignity" of every person. The Declaration states, "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

When the United Nations wrote that declaration 55 years ago, mankind was recovering from the trauma of a world war and the horrifying genocide of millions of innocent civilians. At that time it was necessary for mankind to ratify basic human rights and the principle of human dignity.

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How then do we wage war on the "terrorism of debt"? The Global Exchange website suggests ten actions that will democratize the global economy. These are not easy or quick fixes, and each action will require dedication and persistence. The following summary is a starting point:

**1. No Globalization without Representation**

The WTO (World Trade Organisation) must be replaced by a body that is fully democratic, transparent, and accountable to citizens of the entire world instead of to corporations. We must build support for trade policies that protect workers, human rights, and the environment.

**2. Mandate corporate accountability**

Mandate corporate responsibility so that corporations have to prove their worth to society or be dismantled. Now many corporations advocate weakening of labor and environmental laws and their pursuit of free trade has delivered a global economy of sweatshops and environmental devastation. Corporations must be accountable to public needs, be open to public scrutiny, provide living wage jobs, abide by all environmental and labor regulations, and be subject to all laws governing them. Shareholder activism is an excellent tool for challenging corporate behavior.

**3. Restructure the Global Financial Architecture**

Currency speculation earns short term profits for wealthy investors but does nothing for long term development. A tax of .1% to .25% on currency transactions would be a disincentive for speculation, would not affect real capital investment, and could create a huge fund for building schools and medical clinics throughout the world.

**4. Cancel all Debt, End Structural Adjustment and Defend Economic Sovereignty**

Support the Jubilee action to cancel all third world debt, end structural adjustment, and defend a country's right to make economic decisions that will benefit the welfare of its people, not multinational corporations.

**5. Prioritize Human Rights - Including Economic Rights - in Trade Agreements**

Trade rules must comply with higher laws on human rights as well as economic and labor rights included in the United Nations Declaration of Human Rights. We should promote alternative trade agreements that include fair trade, debt cancellation, micro-credit, and local control over development policies.

**6. Promote Sustainable Development - Not Consumption - as the Key to Progress**

International development should not be export-driven, but rather should prioritize food security, sustainability, and democratic participation.

**7. Integrate Women's Needs in All Economic Structuring**

Family survival around the world depends on the economic independence of women. Economic policies need to take into account women's important role in nutrition, education, and development.

**8. Build Free and Strong Labor Unions Internationally and Domestically**

The union movement needs to be reborn. As corporations increase their multinational strength, unions are struggling to build bridges across borders and organize globally. Activists can support their efforts and ensure that free labor is an essential component of any 'free trade' agreements.

**9. Develop Community Control Over Capital**

**Promote Socially Responsible Investment**

Communities should be able to develop investment and development programs that suit local needs including passing anti-sweatshop purchasing restrictions, promoting local credit unions and local barter currency, and implementing investment policies for their city, church, and union that reflect social responsibility criteria.

**10. Promote Fair Trade Instead of Free Trade**

We need to build networks of support and education for grassroots trade and trade in environmentally sustainable goods. We can promote labeling of goods such as Fair Trade Certified, organic, and sustainably harvested.

It is time to reclaim our humanity and to "equalize" the economy so that we can fairly run, not unfairly ruin, our world. Economic theory will not feed, clothe or shelter us when we have used up the last poor worker. The current system is doomed to fail and will cost more millions of lives. If we start now, our grandchildren will be able to enjoy a world where human dignity is the most valued currency.

Let's start to fix it today.

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