

## Editorial

### *The new worldwide debt crisis*

It's September, the eve of the annual IMF meeting, traditionally the time that the international bankers take stock of their situation. They are nervous, and they have every right to be.

Once again, they must be forced to admit that the bulk of world debt has not only increased, but that it looks even more unpayable than usual. The *Financial Times* of Aug. 31, under the title of "Debt Fatigue in Latin America," actually reports that, since the current system will not allow for a net flow of funds to the heavily indebted countries, debt relief is now being discussed at the highest levels in international banks and Western governments as the only way out.

Don't expect that this will be implemented, however. In the next breath, the *Financial Times* says that debt relief would "mark a sharp break with the principle of conditionality, the foundation-stone of the current approach," and that "wholesale debt forgiveness will weaken creditors' hold over debtors." This, they note, is problematic, to say the least.

So, meanwhile, we can expect to see the fallout from the unpayable debt crisis. This will come in the form of the uncontrollable spread of disease and starvation in Africa, of strike unrest in the East bloc, and mass political upheaval throughout the major debtor nations of Ibero-America.

The crisis overwhelming the Sahel states is an indictment of the entire IMF conditionality system. The "natural disasters" hitting the belt that goes from Nigeria to Sudan, are not only created by man's low-technology looting of the world's rain forests, but also by the failure of infrastructural investment in those countries, due to the IMF's conditions. There is hardly a country in the continent of Africa which is not under the thumb of the IMF's "managers," and which, under that regime, is not paying out more in debt service of all kinds, than it is getting from exports, loans, and other foreign aid.

The much-publicized upheavals in Poland are equally traceable to the international debt crisis. Poland owes tens of billions of dollars to the Western banks, with which it has tried to sustain its economy, while giving the Soviet Union the economic tribute it de-

mands. Ironically, those who support Poland's resistance to the Russian iron fist, have taken the lead in demanding even more stringent adherence by the Poles to the economic "reforms," tantamount to even more devastating austerity. Thus, the "solution" being offered promises to bring even more dramatic privation and political upheaval over the months ahead.

Lastly, we have the situation around Ibero-America, where many of the world's largest Third World debtors are. Here the IMF has been winning all the political fights to impose its own people in the finance ministries and governments—only to create more explosive conditions of political unrest. The most dramatic case, of course, is Mexico. Although the technocratic austerity-mongers in the PRI lost the election, they have insisted on declaring themselves the victors, and in continuing to impose their looting programs. The process is leading to daily defections from the PRI, and the threat of defection from the powerful labor section of that party. The breakdown of regular political processes was dramatized in the unprecedented incidents during President Miguel de la Madrid's state of the union speech, including demonstrations, interruptions, and finally a walkout by more than 100 members of the opposition.

Despite these omens, the international financiers have so far decided to bull ahead with their draconian austerity. In fact, *EIR* was told that numbers of these bankers met in Jackson Hole, Wyoming a couple of weeks ago, to discuss a new round of economic tightening, that would make the situation for Third World debtors, not to mention the U.S. and Europeans, even more unmanageable.

There is extraordinary pressure, of course, to ensure that the world financial system makes it through November. George Bush has even put his best friend in the Treasury to try to ensure that it does. But there's no way to ensure any stability in places like Poland and Mexico, as the IMF programs take hold. Given the insanity of the bankers, it is to be hoped that there are some leaders of Third World nations who are prepared to take sane action on the debt crisis, which they have postponed now much too long.