INTEREST AND ITS ROLE IN ECONOMY AND LIFE (PART 7 OF 8): THE ILLS OF INTEREST II

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Description: The various ways in which interest has harmed society. Part 2: The devastating ills of interest on an international level.

Category: Articles Systems in Islam Economy

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On an international level, the situation is much more devastating and dangerous. There is no question that when looked at from an international perspective, interest kills people. The debt servicing of lesser developed countries today is so great that they must sacrifice essential health and nutritional needs. It is dumbfounding to think that untold numbers of children are dying daily in lesser-developed countries due to the "tool" of modern capitalism: interest. Some African governments are forced to spend more on debt servicing than they spend on health or education.[1]

In this context, the UNDP (1998) predicted that if the external debt of the 20 poorest countries of the world was written off, it could save the lives of 20 million people before the year 2000. In other words, it means that uncancelled debt was responsible for the deaths of 130,000 children a week up until the year 2000.[2]

Ken Livingston, Mayor of London, claimed that global capitalism kills more people each year then were killed by Adolf Hitler. He blamed the IMF and World Bank for deaths of millions due to their refusal to ease the debt burden. Susan George stated that every year since 1981 between 15 and 20 million people died unnecessarily due to debt burden "because Third World governments have had to cut back on clean water and health programs to meet their repayments."[3]

Debt, with its increasing amount of interest compounded upon it, is dangerous for any nation because it means loss of sovereignty and control.[4] This aspect, incidentally, is no accident. Lesser developed countries—especially their elites and corrupt rulers—are not free of guilt when it comes to the issue of the debt that they have accumulated. At the same time, if they did not borrow and get in debt, pressure would definitely be put on them to do so. Caufield noted:

> Thus it has been with the World Bank; refunding operations have become more and more of the total of its lending. The result has been an accumulation of debt by the Bank's borrowers—and a gradual loss of sovereignty as well. No creditor is willing to keep refunding forever without asserting some control over the way the debtor conducts business. In earlier times, the great powers did not hesitate

> to use military force to bend recalcitrant debtors to their will. In his classic essay, "Public Debts," published in 1887, the American economist Henry Carter Adams wrote that "the granting of foreign credits is the first step toward the establishment of an aggressive foreign policy, and under certain conditions, leads inevitably to conquest and occupation."

The Bank's approach to its debtors is not so crude. Instead of sending in the Marines, it offers advice on how countries should manage their finances, make their laws, provide services to their people, and conduct themselves in the international market. Its powers of persuasion are great, due to the universal conviction that, should it decide to ostracize a borrower, all other major national and international powers will follow its lead. Thus, by the excessive lending—born of an underlying inconsistency its mission—the Bank has added to its own power and depleted that of its borrowers.[5]

> John Perkins' now famous *Confessions of an Economic Hit Man* [6] details contemporary economic intrigues. While describing his job of evaluating projects, he wrote:

The unspoken aspect of every one of these projects was that they were intended to create large profits for the contractors, and to make a handful of wealthy and influential families in the receiving countries very happy, while assuring the long-term financial dependence and therefore the political loyalty of governments around the world. The larger the loan, the better. The fact that the debt burden placed on a country would deprive its poorest citizens of health, education, and other social services for decades to come was not taken into consideration.[7]

Perkins' work has now been followed up by *A Game as Old as Empire: The Secret World of Economic Hit Men* and the *Web of Global Corruption* edited by Steven Hiatt.[8] Hiatt writes,

> Debt keeps Third World countries under control. Dependent on aid, loan reschedulings, and debt rollovers to survive—never mind actually develop—they have been forced to restructure their economies and rewrite their laws to meet conditions laid down in IMF structural adjustment programs and World Bank conditionalities.[9]

The current debt situation, with the major role that interest is playing in it, is potentially very devastating for the world as a whole. In *Global Trends 2015*, the Central Intelligence Agency (CIA) recognized:

> The rising tide of the global economy will create many economic winners, but it will not lift all boats. [It will] spawn conflicts at home and abroad ensuring an ever-wider gap between regional winners and losers than exists today. [Globalization's] evolution will be rocky, marked by chronic financial volatility and a widening economic divide. Regions, countries and groups feeling left behind will face deepening economic stagnation, political instability and cultural alienation. They will foster political, ethnic, ideological and religious extremism,

> along with the violence that often accompanies it.[10]

Noreena Hertz has an excellent chapter in her work, *The Debt Threat: How debt is destroying the developing world… and threatening us all*, delineating many of the dangers that the massive debt—and, again, which would not be as massive without the ever-growing aspect of interest—poses for the world today. She details the dangers of extremism, terrorism, depletion of the world's natural resources, and more. To cite just one aspect, she writes:

> Debt's ugly progeny—poverty, inequality, and injustice—are also called upon to justify, and even legitimize, acts of the greatest violence. Only a few weeks after the World Trade Center was attacked, leading African commentator Michael Fortin wrote: "We have to recognize that this deplorable act of aggression may have been, at least in part, an act of revenge on the part of desperate and humiliated people, crushed by the weight of the economic oppression practiced by the peoples of the West." Fortin's language—"crushed," "oppression," "desperate," "humiliated"—is deliberately evocative. And it is manifestly clear that there is an audience with whom such words powerfully resonate.[11]

In reality, there are yet other ills related to interest that could be discussed but the above should suffice for the purposes here.

Footnotes:

[1] Cf., Noreena Hertz. *The Debt Threat* (New York: HarperBusiness, 2004), p. 3.

[2] Ali Mohammadi and Muhammad Ahsan, *Globalisation or Reconolisation? The Muslim World in the 21st Century* (London: Ta-Ha Publishers, Ltd. 2002), p. 38.

[3] Mohammadi and Muhammad Ahsan, p. 43.

[4] Again, simply the removal of interest from such debts would work wonders to alleviate the position of the world's poorest. The amount of interest paid by these poor countries is astronomical. Caufield noted, "By 1978, one-quarter o all the money borrowed by non-OPEC Third World countries was used to pay interest on existing debt. The situation wa particularly bad in Latin America, where borrowing doubled between 1976 and 1982, and 70 percent of new loans went t pay interest on old debt... By 1982, the situation had become truly absurd. Latin America was owing hundreds of billion of dollars a year, and spending all of it— more—on keeping up payments on its past debts." Catherine Caufield, *Masters of Illusion: The World Bank and the Poverty of Nations* (London, England: Pan Books, 1996), p. 137. Even when "debt relief" is granted, payments are delayed but it is demanded that the interest still accumulates on it. According to Gwynne "Even though the banks may allow a country such as Poland to 'reschedule' its debt—allowing it twenty years instead of ten to repay, for example—the interest payments keep coming. And it is interest that shores up the bottom line of a bank's profit-and-loss statement." S. C. Gwynne, "Selling Money-and Dependency: Setting the Debt Trap," in Steven Hiatt, ed. *A Game as Old as Empire: The Secret World of Economic Hit Men and the Web of Global Corruption* (San Francisco: Berrett-Koehler Publishers, Inc., 2007), p. 35. Payer noted this phenomenon all the way back in 1974, but virtually nothing has been done to correct it. See Cheryl Payer, *The Debt Trap: The International Monetary Fund and the*

Third World (New York: Monthly Review Press, 1974), p 46.

[5] Caufield, p. 336

[6] John Perkins, *Confessions of an Economic Hit Man* (San Francisco: Berrett-Koehler Publishers Inc., 2004), *passim*.

[7] Perkins, p. 15.

[8] Steven Hiatt, ed. *A Game as Old as Empire: The Secret World of Economic Hit Men and the Web of Global Corruption* (San Francisco: Berrett-Koehler Publishers, Inc., 2007)

[9] Hiatt, p. 23.

[10] Quoted from Hertz, p. 156.

[11] Hertz, p. 161.

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