

# Neo-liberal Adjustment and Globalization: A Southern Perspective

■ *Marcos Arruda*

*It all started with the debt crisis in the 1970s. Following the guidelines of the World Bank, many developing country governments had chosen to seek cheap loans with private banks. They accumulated huge debts, especially in dollars. This Comment begins with an account of the historical roots of structural adjustment. It examines the impact of neo-liberal policies on growth, wealth distribution and the increasing focus of economic power on TNCs and international financial institutions rather than governments and civil societies. The author concludes with proposals for an alternative globalization based on human centred development.*

## The historical roots of the adjustment project

*An unpayable debt*

**W**hy an unpayable debt? Foreign indebtedness and foreign capital were proclaimed as crucial resources to launch durable growth and thus overcome poverty, surely? In the 1960s and 1970s, the policies at the root of foreign indebtedness embodied no special concern for the poor. That was a time when the trickle-down ideology prevailed among governments and corporations in both the North and the South, and also among multilateral organisations. The belief

that capital accumulation and economic growth should first entail income concentration until the economy reached a point where the benefits of that accumulation and growth would “naturally” trickle down to the majority, was widely publicised. The priority was to create an attractive environment for foreign investment, which was proclaimed as one of the main engines of economic development. Countries were also urged to take private loans from Northern commercial banks, instead of resorting to bilateral agencies. The unpopular nature of these policies and the resulting inequality generated widespread social unrest. In order to control this social unrest, the Northern governments, particularly the US, showed no hesitation in promoting military regimes. In Latin America in the 1970s all but four countries had military governments, abiding by the gospel of the free market and the need for foreign investment and loans to fulfill the “development dream”. These were precisely the governments which, lured by the claims of international bankers and the grandiose rhetoric of multilateral agencies, decided to rely on foreign loans to promote huge infrastructure and industrial enclave projects. The terms of those loans included flexible interest rates, which in fact meant that a growing proportion of the country’s financial equilibrium now depended on the monetary policy of those with strong currencies. The explosion of interest rates as a result of a unilateral decision of the US Federal Reserve Bank to multiply its prime rate by three in the late 1970s, hastened the foreign debt crisis, since the largest part of the debt of most developing countries was in US dollars. Such moves raised the amount to be paid so steeply that most of the Southern economies faced the choice of either declaring themselves insolvent or renegotiating their debts generally on very disadvantageous conditions.

## **The International Monetary Fund (IMF) recipe**

The IMF was mobilised to negotiate agreements with the insolvent countries which included the re-scheduling of debt payments in exchange for certain reforms. The reforms were baptized “adjustment policies”. Adjust to what? To the need to keep on paying the interests on their debt in time – this was the priority of the official, private and multilateral creditors.

Adjustment to the dominant interests of foreign creditors was the policy to be followed. And nearly all indebted countries of the Southern hemisphere accepted this condition.<sup>1</sup> Those who sought alternative terms of negotiation were ostracized.

Adjustment was identified with two phenomena: price stabilisation and re-orienting investments toward the development of the export sector. Based on a neo-classical and monetarist approach, the IMF attributed high inflation rates to excessive money supply chasing too few goods. Central to its stabilisation strategy was, therefore, to reduce the level of money circulating in the domestic economy by making credit expensive and by reducing wages. Adjustment implied the contraction of the domestic economy, not only to free up investment for the external sector, but also to force imports downwards, thus increasing the chances of trade surpluses. Governments were forced to cut their spending, with serious impacts on wages, employment and the services they provided. In turn, they would provide incentives, subsidised credit and tax exemptions to the export sector. Each country's economy was taken abstractly as an isolated unit, in order to be stimulated to rush forth onto international markets with its exports, thus capturing growing amounts of foreign exchange which would then be used to service its foreign debt.

Over the years, this economic path wrecked national economies, increased their vulnerability to international imbalances and generated high social costs. It also created explicit resistance against the IMF, seen by the public as an undesirable intruder which weakened national governments. In many Southern capitals, public demonstrations against the IMF and its conditionalities shook the certainties of bilateral and multilateral economic advisers. Behind them was the evidence that adjustment policies were hurting the majority and the sacrifices they imposed did not seem to lead to growth in their domestic economies in the short or medium run, as promised. This type of adjustment ignored the urgent need to find a durable solution to the debt burden of the most highly indebted countries. Its designers refused to face the fact that a crisis of indebtedness involving too many debtors has no sustainable solution that does not engage the creditors in paying part of the costs.

As a result, a vicious cycle of indebtedness was established, whereby the more the debtor countries pay, the more they owe. Total debt-related transfers (debt service minus disbursements) between 1987-94 were equivalent to US\$224 billion. The debtor countries' trade deficit in this period reached US\$547

billion, while total payments were US\$1,445 billion. This meant that the debtor countries largely depleted their foreign exchange reserves and took new loans not for development purposes, but to pay old debts. By 1995 total debt had reached, or put more appropriately, was allowed to reach almost US\$2 trillion.

How sensitive have adjustment policymakers and implementors been to this reality? Is it not fair to ask why UNICEF's estimate that half a million children die every year as a direct result of the debt crisis does not seem to be taken seriously by creditors and multilateral agencies?

It took government and multilateral policymakers a long time to realise that economic stabilisation and adjustment generated unbearable social costs, which had to be addressed simultaneously. By the early 1990s, however, the World Bank had already adopted overtones of neo-keynesianism in its approach to adjustment. While maintaining its stance on the virtues of "free market" economics, it publicly acknowledged that the market was powerless to deal with various aspects of human and social needs; it adopted poverty alleviation as its "overarching goal"; and it brought back the idea that the state had a role to play in compensating for the shortcomings markets.

## Adjusting to competitive globalization<sup>2</sup>

22 pp. Cooperative Globalisation

As a result of the growing isolation of the IMF and the mounting social opposition to neo-liberal adjustment policies and their effects, a new era of adjustment was inaugurated after 1985, this time led the World Bank.<sup>3</sup> The stated goals were now "accelerated growth and poverty alleviation".<sup>4</sup> The means to achieve these would be to effect "changes in relative prices and institutions designed to make the economy more efficient, more flexible, and better able to use resources and thereby to engineer sustainable long-term growth".<sup>5</sup> By what means? "... by unshackling the market mechanism and strengthening its role in economic development... the private sector was to be the engine of growth with the Government playing a supportive role. Economic growth was to be the principal means through which poverty would be eliminated."<sup>6</sup> The World Bank approach, however, was more sophisticated and complex, for at least two

reasons. One, it conceived stabilisation and adjustment as longer term than previously. Two, and most importantly, it re-adjusted its own goal, from making the debtor countries capable of servicing the debt in time to adjusting them to the "realities" of a world becoming global, under the reign of transnational corporations and banks.

This re-definition of the objective of adjustment came to deserve a qualifying adjective: "structural" adjustment. In a recent study, a UN development research agency defines structural adjustment programmes (SAPs) as "the main method of promoting the application of neo-liberal development models in indebted countries of the Third World."<sup>7</sup>

The idea was to change the structure of national economies, in order to make them fit for globalization. This included large-scale and rapid privatisation of state enterprises, the rolling back of the state sector (through deregulation, cuts in expenditures related to social programmes, and the drastic reduction of the state's share in the economy), market liberalisation (which entailed as freeing markets from state controls and regulations but not freeing markets from oligopolies and cartels), and transferring the power of defining the development path, and the economic strategies to make it viable, from national governments to multilateral institutions. The latter was particularly important, because it implied abandoning "any aspiration to self-sufficiency in favour of specialisation by national economies in sectors in which they are said to have what is termed 'comparative advantage'. In the Third World, this generally meant concentrating on exploiting natural agricultural and mineral resources and on manufacturing in sectors in which the advantage stems from low pay and weakly organised labour"<sup>8</sup>.

The collapse of statism in Eastern and Central Europe made the work of the multilateral institutions much easier. Counting on local elites to put structural adjustment into practice, they could retreat to a position of "consultant" and "advisor", even when they actually inspired or even made the decisions. Two concerns guided their quiet political intervention – accomplished either directly, through conditionalities related to their loan portfolio in the country, or indirectly, through pressures by Northern government officials: one, to support the election of politicians who would ensure the implementation of adjustment; and two, to promote with all possible resources the continuity of the governments' approaches to the adjustment project.

Recent examples of this concern in Latin America was the qualified international support given to Carlos Salinas and to

whatever PRI candidate would follow him in Mexico, and support for the change in the Argentinian constitution which granted Menem the right to be re-elected to the presidency of the country. In Brazil, international support systematically favoured anti-Workers' Party candidates, leading to the election of Fernando Collor de Mello in 1990 (who was impeached two years after for leading a pervasive corruption scheme) and later Fernando Henrique Cardoso (who abandoned his party's socio-democratic ideals as he established a privileged alliance with the Liberal Front Party). Not surprisingly given past examples Cardoso is now working for a constitutional amendment that will allow him to run for presidential re-election.)

World Bank President James Wolfensohn, who had shown sensitivity with respect to a worldwide critique of SAPs, agreed to NGOs' proposals for a collaborative review of 15 years of adjustment operations and an exploration of new economic options in conjunction with civil society around the world. In Brazil, a network on the multilateral financial institutions has been in operation since early 1995. It brings together representative social organisations and NGOs in an effort to sensitise civil society about issues of national and global finance, thus enabling citizens to interact with government and multilateral agencies in order to influence their policies and culture.

## Economic and social impacts

As a result of the debt crisis the South became a net exporter of capital to the North. This dynamic led to massive decapitalisation of Southern economies and a growing impoverishment of their societies. The conceptual division between the domestic and the external sectors of their economies materialised in policies which stimulated the external sector while stifling production for the domestic market and effective demand. Debtor countries scrambled to compete with one another in international markets. The result was a massive collapse of the prices of their exports and a profound deterioration of their terms of trade. Export-oriented growth obliges the economy to adjust to global demand, which is led primarily by the industrial countries' demand. It makes the economy vulnerable to the ups-and-downs of international markets and imposes a production pattern which responds inadequately to the needs of the country's majority.

This process has also contributed to the acceleration of income concentration on a global scale as never before. According to UNDP, control over the global income by the richest 20% increased from 70.2% to 76.3% (6.1 percentage points) between 1960 and 1980, to 82.7% in 1989, and 84.7% in 1991. The most recent UNDP report is adamant in its diagnosis: "Widening disparities in economic performance are creating two worlds – ever more polarized."<sup>9</sup>

This extreme concern with correcting balance of payment imbalances without looking at the structure and the dynamics of the whole economy/society resulted in a short-sighted one-size-fits-all policy that failed to identify the range of factors which determine the problems to be overcome in each country. All this has been aggravated by the lack of transparency and participation in the process whereby SAPs are designed.<sup>10</sup>

Looking at the evolution of Latin America and the Caribbean, a region where most countries are undergoing SAP-related reforms, explicitly or implicitly, we find that between 1991 and 1995 inflation collapsed from 418.9% in 1992 to an estimated 25% in 1995;<sup>11</sup> yet, between 1991 and 1995 economic growth remained below an average of 3% per year. Per capita GDP grew by an average of only 1% per year. The debt stock grew by a total of 27.7%, exports grew 63.3%, imports 78.3%. This meant that the debt was serviced at the expense of international reserves and loans to pay loans, rather than from a favourable trade balance (the balance on current account – was systematically negative, having reached US\$50 billion in 1994). The trend toward higher wages based on steep rises in productivity, which were prevalent in the region in the early 1990s, came to a halt, while the region's open unemployment rate rose to 7.4% in 1995. The latter pushed a growing number of workers onto the informal economy. In Brazil, workers employed in urban informal activities in 1993 totalled 11.6 million, or 18% of those employed; up from 9.7 million two years earlier.

Other international agents are also involved in shaping structural reforms in the South and integrating developing countries into the global market economy. One of the most influential is the World Trade Organization (WTO). A major issue being promoted by Northern governments and WTO officials is the liberalisation of trade and investment as an effective means of promoting faster integration into the global economy.<sup>12</sup> Myths are passed to the public as if they were eternal truths.

Many points should be made about those issues, among them:

- Liberalisation of trade cannot be imposed at any cost; protectionism has been a useful tool for Northern countries both to industrialise and to shield their own industries and markets from external vulnerability; free trade is beneficial to developing countries only in certain circumstances.
- Trade liberalisation needs to take into account each country's eco-social development goals, and not only short term goals related to balance of payment problems and the need to attract foreign capital. Whenever such investment is judged beneficial over time, it should be carefully planned and implemented in a timely way so as to maximize gains for the nation and the people, and to minimise social and environmental costs.
- The multilateral investment agreement being pushed so strongly by Northern governments and transnational corporations aims at protecting foreign investment from regulation and controls, something like setting up a global soccer cup with no rules and regulations.
- Neither trade nor investment liberalisation seem to address the central problems of development, namely poverty eradication, social and human development and safeguarding the environment.<sup>13</sup>
- There are at least two different ways of integrating the global economy: one is a subordinate way, whereby the determining factors of the country's development are external to the country's economy. The other is a self-reliant way, in which the country's human and material resources are the determining factor, its self-development as a nation is the priority and the development of external ties is related to complementarity, cooperation and genuine mutual benefits. Presenting the first way as the only option implies the quiet but effective abolition of the nation's and the people's sovereignty and its replacement with the sovereignty of global corporations.



# Neo-liberal adjustment and globalization: opportunities and challenges

The world is undergoing its most pronounced phase of economic liberalism. It has brought enormous technical progress and greater control of the productive process and no longer has any major countervailing adversaries on the horizon. This situation provides a historic opportunity for world capitalism to prove that it is capable of generating sustainable development, in addition to promoting the well being of humankind and the earth. Globalization has a global and not only a local or national, reach, and encompasses all dimensions of human existence, not just in the economic and financial spheres. In fact, the challenge is to accomplish a cultural, psychological and spiritual transformation as much as socio-economic, political and institutional change, involving each and every human person and community in working for another globalization, centered on the human being and her/his communities, on cooperation and on solidarity.

In what follows I will set out what I view as the the main contradictions of competitive globalization and the main challenges they raise for humanity today and in the future.<sup>14</sup> These could be seen as goals and targets to inspire different stabilisation and adjustment policies. Because they shift the development reference from global agents and markets to people, communities and collectives locally, nationally and regionally, they also serve as alternative frameworks for adjustment projects that point towards another globalization.

1. Development centered on **transnational corporations** with their headquarters in industrial countries, and on the illusion of the free market, when in reality competition is more often than not restricted to the large and the powerful, now has the opportunity to prove its worth. It tends, however, to prove incapable of meeting the superior yearnings of the human person and society for the development of their potential. Competitive globalization has taken the conflict between capital and labour to all parts of the world and to the limits of its elasticity. At the same time, it is providing the material basis for workers of the world finally to unite, instead of fighting each other, around the ideal of a responsible humankind in solidarity.

The challenges here consist of:

- initiating, within oligopolized global capitalism, a process of development centered on human communities, based on associative, cooperative and self-managed initiatives; a process that will reduce as much as possible the dependence of its subjects with regard to the macro-markets and their agents; a process that will, ultimately, reconstruct globalization on the basis of the diversity of human communities and cultures spread all over the planet;
- integrating this local development and empowerment horizontally so that each community becomes interconnected in a complementary and creative manner, and in solidarity, with other communities that form the county/commune, municipality, state or province, nation, regions and ultimately our common international community, without having to renounce its own identity and its own path to development.

2. Systems of **smaller-scale and more flexible production** are flourishing. Labour time and human energy are in decreasing demand in tasks related to mere survival. At the shopfloor, such progress demands workers who are better informed and educated, operating in more flexible and less monotonous ways, with greater control over the work and less hierarchy. A trend towards systems of co-management and even co-property is gathering momentum. The potential for the emancipation of labour with regard to waged employment is becoming visible; the recognition of human labour as communicative and creative praxis – rather than just as a means of survival – and as the very core of truly human development, is spreading.

On the other hand, the private appropriation of the mounting gains in productivity is leading to a sharp increase in the rate of worker exploitation. Many enterprises invest all their surpluses in technical and organisational innovation in order to face increasingly stiff competition. The accelerated elimination of jobs and the very slow creation of new job opportunities for an expanding labour force is generating grave tensions. Workers' power to organise is being reduced, as well as the capacity of the state to impose rules and regulations protecting the worker and the environment, to create and manage taxes, to invest and to finance welfare programmes. In developing countries these trends are

aggravated by regressive stabilisation policies and neo-liberal adjustment programmes.

The challenges include:

- establishing a global process of democratisation wherein the benefits of technical and organisational progress and increases in productivity are shared, by means of micro as well as macro level measures, such as the sharing of labour time, the recognition, for the purpose of remuneration of various forms of non-paid work, such as the domestic labour of women, the establishment of a citizen's pay independent of waged labour, and others;
- democratising and strengthening local, national, regional and global institutions, capable of guaranteeing the implementation of codes of conduct, regulation and sanctions on individual economic agents, in particular TNCs, so that they respect a global social contract, of a level above them, centred on the well-being and the sustainable development of society and the human person.

3. The spectacular growth of **global finance** and the increasingly important role of institutional investors are the main forces behind the globalization of markets. In consequence, states have lost their power to regulate financial capital and can no longer effectively stimulate productive investment, control speculation-related inflation, durably stabilise exchange rates and favour the growth of savings. The logic of responding first to the corporate interests of their stockholders has led some financial institutions to justify all forms of speculation, tax and capital evasion, including illegal transfers of profits, laundering of money earned through drug trafficking, arms deals and other immoral activities.

The globalization of financial flows is one of the most prominent features of neo-liberal competitive globalization, because it steals from states and societies their power to finance their own development. It shifts to speculation and unproductive uses resources that are indispensable for human and social development, and deepens the social trough between those who possess capital and those who live by the sale of their labour power. In short it can often substitute speculation for enterprise.

The challenges here include:

- generating participatory and self-managed savings and investment schemes, centred on communities and municipalities, that can be geared to finance their own development initiatives;
- preserving and democratising the capacity of the central government, states and municipalities to finance the development of their respective eco-systems and converting finance once more into a function of productive investment, instead of an end in itself;
- establishing an international agency empowered to regulate the global financial system and to place controls on massive speculation and on illegal and corrupt activity;<sup>15</sup>
- establishing a regulatory global system as well as global juridical institutions empowered to impose morals on the financial system and respect for the priorities of people's development.

4. **Technical progress in telecommunications** has enhanced the potential for the democratisation of communications and for the establishment of relations among persons, communities, peoples and nations, that go beyond commercial relations. Such progress facilitates an exchange of experiences, of potentials and resources, as well as solidarity in aspirations and struggles. It also provides for the expansion of the species consciousness, which aggregates and unifies its diversity without sacrificing it.<sup>16</sup>

On the other hand, progress has expanded the consumerist culture, eroding national cultures and traditional values. The increasingly global and concentrated ownership of much of the means of communication not only inform about events, but also contribute to determine their course. In its trail the very culture of capital is becoming global, centralising and homonegising, thus reducing the meaning of human life to the acts of consuming and accumulating material wealth.

The challenges include:

- developing an eco-social praxis based on a paradigm alternative to that of unlimited economic growth and consumption. This should promote a willingness to limit accumulation and material consumption to the level of ENOUGH – both through respect of the limits of nature,

and through awareness that the more excessive the material possessions of individuals and nations, the lesser their capacity to develop ethically and spiritually;

- using advances in telecommunications to create new means of enhancing interconnections between individuals and peoples, the aim being to use these tools to create two-way communications between citizens, communities, cooperatives and workers groups.

5. **Global power** is now restricted to some hundreds of TNCs, a small number of Northern governments and multilateral institutions. TNCs have a global power beyond that of any other institution. They lead technical progress and are broadening their market access to the world's population, be it as consumers or as producers. However, they have persistently ignored the social implications of their actions. They have a non-democratic nature, they are not accountable for their decisions and actions to global society. Moreover, they continually press for the cancellation of regulations in national and global markets, so they can freely damage the means of survival and the environment of large parcels of the world's population. Their lobbying has been so powerful as to influence state policy and weaken or eliminate useful state institutions, such as regulatory agencies in developing countries.<sup>17</sup> Locally, the globalization imperatives of TNCs are undermining communities and families.

The multilateral institutions have a dualistic nature. They have an indispensable supranational role to facilitate dialogue, negotiation and regulation. On the other hand, they are dominated by the industrial countries, who have stronger voting power, and are vulnerable to the influence of TNCs. Together, they act as the informal quasi-global economic government. They have their own way of promoting a strategy of competitive globalization, in particular the Bretton Woods institutions (i.e. the World Bank and IMF) whose neo-liberal stabilisation and adjustment programmes, are more influential on Southern than on Northern countries.

Among these challenges are:

- reconstituting society – defined as the totality of citizens, whose majority consists of persons living off their own labour – gradually and persistently, as the new subjective agent of history and of its own development;

subordinating private agents to the resulting socially identified priorities and giving the state and multilateral agencies a truly public and democratic content;

- promoting self-organisation and self-management of communities and societies around their own development plans; linking them with other communities and societies in a complementary and cooperative manner, along with assisting them in negotiating their plans with public authorities and private enterprises without losing control of their project;
- redefining the role of the state, gradually removing it from being the dominant political agent, and promoting it to a mere orchestrator of the development of the economy-society as a whole; a similar role should be attributed to the multilateral agencies in their respective geopolitical spheres;
- ✠ ● establishing codes of conduct for transnational enterprises at national and international level, binding them to rules that guarantee fair production and trading practices and avoid restrictive market practices, tax evasion, illegal financial outflows, corruption and other common practices.<sup>18</sup>

6. **Political liberalism** offers **greater freedom of expression** for a larger sector of the population than other systems have done. But its foundations – the right to disagree and alternate representation – are insufficient to fulfill the people power project (“all power emanates from the people...”) in all spheres. And even these rights are jeopardised by the compulsion of consensus and political stability at any cost. The result is the strengthening of the approach which equates the *raison d’être* of the market with that of the state, thus producing new social divisions, feeding ethnic or territorial conflicts and amplifying corruption at state and enterprise levels.

The challenges include:

- making globalization a process that democratises not only the right of opinion, but also the rights and duties of full citizenship for all members of national as well as the global society;
- generating processes of participation that, on the one hand, re-establish each human person and community as

the subject of her/his own development and, on the other, cultivate and integrate the diversity of capacities, expectations and aspirations into a movement for redirecting markets, instilling a democratic content in the state, and rebuilding global society from the diversity of its local and the national components.

In conclusion, it is worth noting that the growth in complex emergencies in the 1990s while often diagnosed as rooted in local/national ethnic and other conflicts should instead also be assessed in terms of the impact of global economic and other policies on the societies affected. Unless the external forces of globalization which contribute to domestic divisions are simultaneously tackled the chances are that conflict situations may re-emerge with regularity and all to tragic consequences. The negative effects of globalization, as well as the structural problems within nations need to be tackled together to overcome the poverty of countries and the polarisation of the world.

### References

- Patricia Adams, 1991, "Odious debts", Probe Internacional, Earthscan, London/Toronto
- Marcos Arruda, 1995a, "NGOs and the World Bank: Is it possible to collaborate critically?" booklet, PACS, Rio de Janeiro
- \_\_\_\_\_, 1995b, "Globalizacao e Ajuste Neoliberal: Riscos e Oportunidades", in Tempo & Presenca, Koinonia, Rio de Janeiro, December
- \_\_\_\_\_, 1994, "A creative approach to structural adjustment", in Cavanagh, Wysham and Arruda, 1994, Beyond Bretton Woods: Alternatives to the Global Economic Order, TNI/Pluro Press, London
- Richard J. Barnett, and John Cavanagh, 1994, Global Dreams: The New World of the Great Corporations, IPS/Simon & Schuster, Washington DC
- Center of Concern, 1993, "Development: From exclusion to inclusion: The 1993 Human Development Report", Jo Marie Griesgraber, Center Focus, n.113, September, Washington DC
- \_\_\_\_\_, 1991, "Structural adjustment, US style", Center Focus n. 104, December, Washington DC
- CEPAL, 1995, "Notas sobre la Economia y el Desarrollo", Diciembre, Santiago, Chile
- DESCO, 1992, "Elementos para el Analisis del Programa de Ajuste Estructural en el Peru"
- Lionel Demery and Tony Addison, 1987, "The alleviation of poverty under structural adjustment", The World Bank, Washington DC
- Peter S. Heller, A. Lans Povenberg, Thanos Catsambas, Ke-Young Chu, and Parthasarathi Shome, "The implications of Fund-supported adjustment programs for poverty: Experiences in selected countries", IMF, Washington DC, May 1988
- Humberto Campodonico, in Pretextos n. 3-4, December, Desco, Lima, Peru
- FACS, 1993, "Ajuste Estructural y Fondos de Inversion Social en Nicaragua", monograph, April, Managua

- ICCAF, 1993, "Structural adjustment and health in Africa: World Bank's Development Report offers no cure", *Economic Justice Update*, N. 7, August, Ottawa
- Interamerican Development Bank, 1985, "Economic and social progress in Latin America: External Debt: Crisis and Adjustment", report, Washington DC
- L'Express, 1992, "L'Afrique Martyre", 8 October Paris
- Madhu Dandavate – 1993, "Distorted economic liberalisation – SAPs in India", monograph
- Brendan Martin, 1993 – *In the Public Interest: Privatisation and Public Sector Reform*, Zed/PSI, London
- Rodrigo Medellín, 1993, "Que Pasa en Mexico a Finales de Sexenio? Un Ensayo – Ilustrado – de Entender el Liberalismo Salinista", Mexico, DF
- NGO Working Group on the World Bank, "Structural adjustment in Sri Lanka: A grassroots perspective – Executive Summary", Geneva, 1994
- OECD, 1991, "Financing and External Debt of Developing Countries", Paris
- Public Services International, 1993, "Structural adjustment programmes (SAPs): The effects on labour and the public sector in Africa", Ekei U. Etim, Ferney/France
- \_\_\_\_\_, 1992, "The impact of adjustment programmes on the public sector in Central America and the Caribbean", by Trevor Evans, CRIES, Managua-Ferney/France
- The Transnational Institute, 1992, "Short changed – Africa and world trade", Michael Barratt Brown and Pauline Tiffen, Amsterdam
- TWN (Third World Network), 1993, "Economic adjustment can also violate human rights", *Third World Economics*, n. 68, Penang/Malaysia, 15 July
- \_\_\_\_\_, 1996, "Clash of views on effects of investment liberalization", *Third World Economics*, n. 138, 1-15 June
- UNCTAD, 1992, "Latin American adjustment and economic reforms: Issues and recent experience", by Patricio Meller, Discussion Papers n. 53, December, Geneva.
- UNDP, 1993, "With a soul and a vision: A new approach to development and a new UNDP", address by James Gustave Speth, Administrator, to the UNDP Staff, New York
- \_\_\_\_\_, various years, *Human Development Report*, New York
- UNRISD, 1995, "Estados de Desorden: Los Efectos Sociales de la Globalización", Geneva
- World Bank, 1988, "Adjustment lending: An evaluation of ten years of experience", Washington DC
- \_\_\_\_\_, 1993, "Implementing the World Bank's strategy to reduce poverty: Progress and challenges", Washington DC
- \_\_\_\_\_, 1992/3, and 1995/6, *World Debt Tables*, Washington DC
- \_\_\_\_\_, 1992a, "Operational Directive 8.60: Adjustment Lending Policy", The World Bank Operational Manual, Memorandum of 21 December
- \_\_\_\_\_, 1992b, "World Bank adjustment lending and economic performance in Sub-Saharan Africa in the 1980s: A comparison with other low-income countries", Ibrahim A. Elbadawi et al., Policy Research Working Papers, Washington DC
- \_\_\_\_\_, 1990a, "How adjustment programs can help the poor – The World Bank's experience", Discussion Paper n. 71. Washington DC
- \_\_\_\_\_, 1990b, "Structural adjustment and poverty: A conceptual, empirical and policy framework", Washington DC
- \_\_\_\_\_, 1988, "Adjustment lending: An evaluation of ten years of experience", Washington, DC



## Footnotes

- 1 "During the decade of the debt buildup, dictatorships outnumbered democracies in the Third World by five to one, arms expenditures amounted to 40% of the debt increase, and Third World arms sales more than doubled. In the mid 1980s, the Stockholm International Peace Research Institute (SIPRI) attributed 15% of the non-oil-exporting Third World's accumulated debt directly to arms purchase. In 1989, World Bank President Barber Conable put the figure at one-third for some Third World countries". Adams, 1991, pp.119-20.
2. The author uses the term competitive globalization because anarchic, deregulated competition is the motto of neo-liberal globalization. Europe, Scandinavia, the US and other countries still have regulatory institutions and bodies of law to deal with the waves of mergers and acquisitions that strike their national economies. But nothing exists on a global scale. Even existing instruments are gradually being eroded under the weight of neo-liberal ideology. The trend is toward decreasing market freedom and growing "market totalitarianism", as cartels and oligopolies are formed or reinforced. This is the outcome and here Arruda evaluates the process that leads to it. Thus competitive globalization contrasts with a profoundly different type: namely co-operative globalization. The latter does not do away with competition, but subordinates it to the dynamics of solidarity, development planning, complementarity and genuine co-operation which benefits all partners.
- 3 While in the early 1980s the IMF was the main negotiator of adjustment programmes, that adjustment was conceived as a short term process, to stabilise and quickly return the economy to growth. That period coincided with a number of demonstrations and riots – the UNRISD study calls them "the IMF riots... which obliged governments to withdraw the adjustment policies or to change them".(pp.25-6). These changes in approach to Structural Adjustment Programmes (SAPs) by both the Bank and IMF as of 1985 are very neat. The structural adjustment approach is more long-term and much more complex and comprehensive than just the monetary and balance of payments measures related to the founding mandate of the IMF. It involved structural reforms which were no longer merely economic – the state itself became a key target, and with it the sovereign power of the state to design macroeconomic policies.
- 4 Statement by a World Bank representative at a meeting with the Sri Lanka Aid Group in Paris, 18 June 1993, as reported in "Structural adjustment in Sri Lanka: A grassroots perspective – Executive Summary", NGO Working Group on the World Bank, Geneva, 1993, p. 1.
- 5 The World Bank, 1988, "Adjustment lending: An evaluation of ten years of experience", Washington D.C., p. 1. See also Lionel Demery and Tony Addison, 1987, "The alleviation of poverty under structural adjustment", The World Bank, Washington DC; Peter S. Heller, A. Lans Povenberg, Thanos Catsambas, Ke-Young Chu, and Parthasarathi Shome, IMF, 1988, "The implications of Fund-supported adjustment programs for poverty: Experiences in selected countries", Washington DC, May.
- 6 Adams 1991, op.cit.
- 7 UNRISD 1995, p.18. The author uses the term neo-liberalism to refer to the revival of economic liberalism in the context of economies undergoing mounting globalization. In the case of liberalisation of the labour market the term "flexibilisation of the labour market" is used to mean the loss of workers' conquered rights, the abolition of labour legislation, and of state intervention on behalf of workers etc. It also incorporates state deregulation, the greatest possible freedom for private capital at national as well as the global spheres. A good critique is made by Franz Hinkelammert ("Las Armas Ideologicas de la Muerte") and Hillary Wainright ("Arguments for a New

Left"). Another interesting author on this is Perry Anderson, in recent articles published in the UK.

- 8 Martin 1993, p.76
- 9 UNDP 1992, 1993, 1996 p.2. UNDP chief, Gus Speth states that the world has become more economically polarised and "if present trends continue disparities between industrial and developing nations will move from inequitable to inhuman". *The Guardian* was even more frank and scathing in its review of the report: "358 people own as much wealth as half the world's population" which the paper referred to as "highway robbery by the super-rich".
- 10 Arruda 1994
- 11 CEPAL 1995, p.5
- 12 TWN 1996, p.15
- 13 This was also clear from the core themes at last year's UN World Summit on Social Development: poverty eradication, productive employment and social integration. The Summit aimed to stimulate debate on global citizenship in a globalised world.
- 14 Arruda 1995c
- 15 "The bulk of those trillions of currency exchanges are speculations and arbitrages, seeking to make quick money on exchange rate fluctuations and on international interest rate differentials. They contribute little to rational long-term investment allocations." James Tobin (UNDP, 1994: 70) also proposes 0.5% tax on foreign exchange transactions as a means of "directing world savings to high-productivity projects", foreseeing a revenue of over \$1.5 trillion a year. A question arising from this is how to ensure that these savings are channelled to relevant developmental investment. The urgent need for poverty eradication is a matter that goes far beyond the increase in transfers from North to South.
- 16 Species consciousness is the awareness, beyond all differences that divide humankind, that we all belong to the same species, are rooted in the same origins and move towards a common destiny as a species. It is the awareness of the natural solidarity that unites us among ourselves and with nature. It is at the root of the willingness to act towards making that natural solidarity a human-made sisterhood-brotherhood, at all levels of life, from the political and economic to the cultural. In the case of humankind, each individual is a physical-mental-spiritual totality as such and, at the same time, a part of broader totalities: community and humankind. In the world of life, we call the reality for variety "biodiversity". In the human world, I call it "noodiversity" (noos in Greek means conscience, will, intention, capacity to think etc.) Species consciousness allows us to develop respect for noodiversity while seeking to build links which result in common projects, common action, cooperation and genuine consensus. It is a methodology and ethics of being human. The challenge being addressed here is how to apply it to local, national and global economies.
- 17 UNRISD 1995, pp.153-68
- 18 UNRISD criticises non-binding codes by saying that they represent a way for TNCs to elude official control, and argues that TNCs "should not be expected to elaborate their own codes with the intention of regulating themselves: this task belongs to an efficient and democratic public administration, supported by a system of international norms". (UNRISD, 1995: xxi)

