

Vatican calls for international debt reform

On Jan. 27 in Rome, the Vatican's Pontifical Commission, "Justitia et Pax," released a ringing call for the immediate reform of the international monetary system, to ensure the sanctity of human lives now being sacrificed upon the altar of usury. Commissioned by Pope John Paul II, the 31-page document, *At the Service of the Human Community: An Ethical Approach to the International Debt Question*, has been delivered to Presidents, cabinet ministers, and financial leaders in virtually every country of the globe by the Catholic Church's official representatives.

International financiers have already felt its sting. Newspapers in developing sector countries, such as *Jornal do Brasil*, announced with banner headlines, "The Vatican Condemns IMF Policies." Wire services carried across the globe the document's central message: "Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity. . . . Economic structures and financial mechanisms are at the service of the human person and not vice versa," the Vatican's document reminds, and when they fail that criteria, they "can be reformed."

An Ethical Approach condemns the International Monetary Fund's "authoritarian and technocratic" policies, stressing that those monetarist policies have brought the world to the brink of an imminent global financial collapse, in which all will suffer. Entire nations in Africa and Latin America have been brought to the edge of survival itself, the document argues, an "intolerable" situation which responsible leaders of the industrialized countries must finally face. Reform must come soon, to prevent unilateral actions which can bring

down the entire system, *An Ethical Approach* warns.

Financial interests are furious. In the industrialized countries, news of the Vatican document has been so limited, that one can almost hear the angry orders delivered from Swiss capitals, "Black it out!" The City of London's favorite Argentine newspaper, *Ambito Financiero*, tried lying. *Ambito* asserted that the document backed the so-called Baker Plan, because it speaks of the debtor's "co-responsibility" with the creditors for the crisis. Indeed, *An Ethical Approach* does criticize debtor nations—for their "negligence" in prohibiting usury—"fiscal fraud, corruption, monetary speculation, private capital flight!"

These financial interests fear that the addition of the moral authority of the Papacy to developing countries' demands for debt relief, may indeed "rekindle hope," and with hope, coordinated action by those countries along the lines of that adopted by Peru's Alan García. As Italy's national television reported on Jan. 27, the Vatican's document argues, "The solution is neither Castro, nor the IMF program, but that of the young President of Peru, Alan García."

The echoes of the Schiller Institute's slogan, "Neither Kissinger, Nor Castro, Long Live García," painted across capitals from Europe to the United States, and cities throughout Ibero-America, are unmistakable.

It is the practice of usury itself which the Vatican demands be driven from human practice, and mankind return to the principles of justice dictated by God's Natural Law. Debts must be recognized in full, the Vatican argues, "except when the loans were granted with usurious interest rates," or used fraudulently, "cases in which in all justice, revision can be requested."

The Vatican's document

The following are excerpts from "At the Service of the Human Community: An Ethical Approach to the International Debt Question," issued by the Vatican's Pontifical Commission "Justitia et Pax."

Presentation

The phenomenon of international indebtedness has sharply increased in the last few years, presenting new challenges to the international community both because of its size and its implications. . . . The accumulation of payments due has reached such a level that many countries are no longer in a position to honor their agreements, and find themselves forced to seek further loans. . . .

Debtor countries, in fact, find themselves caught in a vicious circle. In order to pay back their debts, they are obliged to transfer ever greater amounts of money outside of the country. These are resources which should have been available for internal purposes and investment and therefore for their own development. . . .

External factors heavily condition the evolution of the debt of developing countries. In particular, floating and unstable exchange rates, the variations in interest rates. . . .

When credit agencies consider the situation solely from the economic and monetary angle, they often impose on the debtor countries terms, in exchange for accrued credit, that can contribute, at least in the short term, to unemployment, recession, and a drastic reduction in the standard of living. This causes suffering, first of all for the poorest as well as for certain sectors of the middle class. In brief, it is a situation that is intolerable, and, in the medium term, disastrous for the creditors themselves. Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity.

Faced with demands that are often contradictory, the countries in question have not hesitated to react. . . . Some have advocated radical unilateral solutions. But the majority have taken into account the globality of the problem and its profound implications, not only on the economic and financial level, but also in its social and human dimensions which place before the responsible parties ethical choices.

It is to this ethical aspect of the problem that John Paul II has frequently called the attention of international leaders. . . . Conscious of her mission to shed the light of the Gospel on situations involving the responsibilities of men and women, the Church once again invites all the parties

involved to examine the ethical implications of the question of the external debt of developing countries, in order to arrive at just solutions that respect the dignity of those who would be most strongly affected by its consequences. . . . The Pontifical Commission "Justitia et Pax" expresses its fervent hope that this document might contribute to a clarification of the choices to be made by those who exercise responsibility in this area. . . .

The Commission also nourishes the hope that these reflections will give renewed confidence to those persons and nations most severely tested, by once again strongly repeating that economic structures and financial mechanisms are at the service of the human person and not vice versa, and that relationships of exchange and the mechanisms of finance which go with them can be reformed before shortsightedness and egoisms—be they private or collective—degenerate into irremediable conflicts.

Introduction

. . . The debt levels of the developing countries constitute a serious, urgent and complex problem due to their social, economic and political repercussions. The development of the debtor countries and, at times, their very independence are endangered. The living conditions in the poorest countries have become worse, and the international financial system is going through a series of unsettling shocks. . . .

At the same time that current economic conditions have affected the situation of developing countries to the point that some of them, especially in Latin America and Africa, are on the breaking point because of their inability to meet their debt servicing obligations, the international financial and monetary structures are also being challenged. . . .

Action in emergency situations

In the case of some developing countries, the total amount of the debts contracted, and especially the interest and principal payments due each year, are so high in relation to available financial resources, that meeting these obligations would cause severe damage to their economies and the standard of living of their populations, particularly the poorest classes. In addition, this critical situation is worsened by external circumstances which tend to lower their export revenues (drop in the prices of raw materials, difficulties in access to protected foreign markets) or make their debts all the more difficult to service (high and unstable interest rates, excessive and unpredictable fluctuations in exchange rates). Unable to meet their commitments to their various creditors, some of these countries are on the very brink of bankruptcy. International solidarity calls for emergency measures to ensure the survival of these countries.

The first thing to do is to foster dialogue and cooperation on the part of all. . . . It is also necessary to avoid payment defaults which could destabilize the international financial system, with the attendant risks of a generalized crisis.

Therefore, an ethics of survival should guide attitudes and decisions: avoid breaches between creditors and debtors as well as any unilateral termination of prior commitments; respect the insolvent debtor and do not burden him with immediate and intolerable demands which he cannot meet. Even if such demands are legal, they can become an abuse. With the Gospel as the source of inspiration, other types of action could also be contemplated such as granting extensions, partial or even total remission of debts, or helping the debtor to regain solvency. . . .

Because of their mandate, certain international organizations bear a special responsibility. For example, the International Monetary Fund (IMF) is responsible for helping member States to redress deficits in their balance of payments and to resolve their monetary difficulties. To this end, the IMF has at its disposal the necessary financial resources. . . . In numerous cases, however, the IMF's decisions have been ill-received by the leaders and the general public of countries in difficulty; the decisions in question may seem to have been imposed in an authoritarian and technocratic way without due consideration for urgent social requirements and the specific features of each situation. . . .

Joint assumption of responsibility for the future

. . . The Church . . . restates the priority to be granted to people and their needs, above and beyond the constraints and financial mechanism often advanced as the only imperatives. Inter-state organizations must take care to respect the dignity and sovereignty of each nation, above all the poorest ones. . . .

It is up to the member States, especially the ones with preponderant influence in the decision-making process because of their economic power and level of contributions . . . to turn these sites of power into centers of dialogue and cooperation for the international common good.

Final proposal

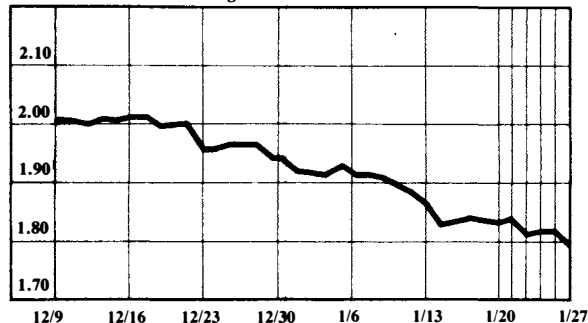
. . . Has the time not come for the industrialized countries to draw up a broad plan of cooperation and assistance for the good of the developing countries?

Without drawing a parallel with what was done after World War II to accelerate the reconstruction and economic recovery of countries seriously damaged during that conflict, is it not imperative to start working on a new system of aid from the industrialized countries to the less prosperous ones, in the interests of all and especially because it would mean restoring hope to suffering populations? Such a contribution, which would constitute a commitment of several years, would seem indispensable in order to enable the developing countries to launch and conclude successfully, in cooperation with the industrialized countries and the international organizations, the long-term programs they need to undertake as soon as possible. May our appeal be heeded before it is too late!

Currency Rates

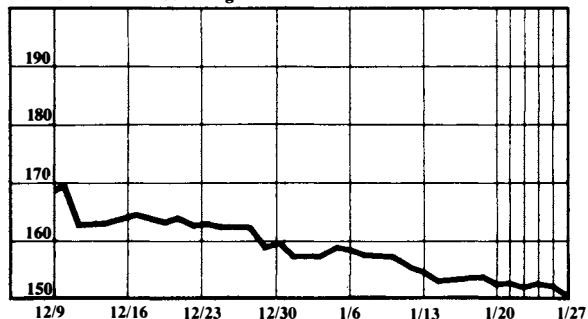
The dollar in deutschemarks

New York late afternoon fixing



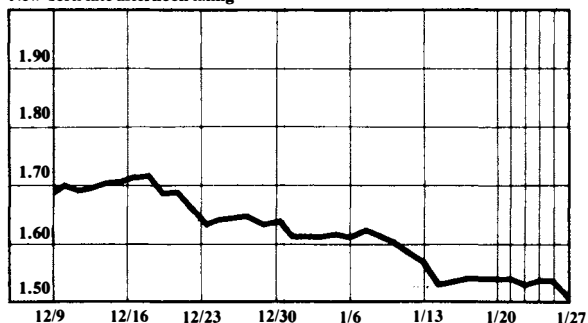
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

