PART II

TECHNICAL ECONOMIC ASPECTS

Chapter 1

THE DEBT CRISIS: ITS GLOBAL CONTEXT

Dr. I.L. Bashir
and
Professor A.T. Gana

THE EXISTENCE AND NATURE OF THE CRISIS

The pains and pangs of the current economic crisis have agitated the minds of scholars, bureaucrats, politicians and ordinary men and women to examine its genesis, its dynamics and its solution. The crisis, in its various forms, has meant different things to different people, depending on the minds and experiences of the groups discussing it. In general understanding, however, the situation is characterised by:

1. national indebtedness
2. severe balance of payment problem
3. falling domestic output
4. inflation
5. unemployment
6. general hardship

In Nigeria's experience, these attributes became increasingly unbearable as from the late 1970's. Up to 1977, the problem of indebtedness was minimal. In 1970, external debt only amounted to US$488.8 million. Thereafter, it evendeclined sharply to $234.5 million in 1971 and then rose again to $496.9 million at the end of 1977.[1] All this time, because of the oil boom, borrowing was on small scale. From the late 1970, however, things changed. The volume of debts became increasingly alarming. Consequently, the

International Capital Market (ICM) became dominant in the Nigerian Political Economy. Jumbo debts were to support balance of payment and to establish the steel industry, which up to today is not yet in operation.

With the increasing demand for international capital, debt from the ICM rose astronomically from N1 billion (Nigerian Naira) in 1979 to N5.5 billion in 1982 and then on to N40.5 billion in 1987. At the 1987 level, it represented 40.2% of the national external debt. In 1982, trade arrears made up for the balance. Total trade arrears jumped from N2.0 billion in 1982 to N47.6 billion or 47.2% of the total external debt.[2] Thus Nigeria's outstanding external debt rose from N1.3 billion in 1978 to N10.6 billion in 1983 and then to N100.8 billion or $234.4 billion in 1986. The astronomical rise of the indebtedness in 1986 is partially and mainly explained by the devastating devaluation of the naira following the introduction of the Structural Adjustment Programme (SAP) as from that year.

With increasing resort to ICM, the dynamics of which attracted the lender to introduce shorter maturities, amortization and interest payments increased, thus compounding the contradictions in the debt crisis. Consequently, service payments rose from N106.1 million in 1980 to N1.3 billion in 1983 and then on to N3.6 billion in 1987. Although this figure shot up due to the devaluation of the naira in the newly created second tier Foreign Exchange Market (FEM), there was nevertheless a significant rise in absolute terms from the 1980 mark. Similarly, the debt value in comparison to export value, i.e., the debt- export ratio, rose from 13.3% in 1980 to 333.3%.[3]

Several factors account for this rise:

1. increased real value of loans and interest payments
2. devaluation of the naira
3. collapse of the crude oil market

With this crisis, imports were curtailed. Their value fell from 42% in 1981 by an annual average of 15% from 1982 to 1986. That there exists a serious economic crisis in Nigeria is therefore beyond dispute.

CAUSES OF THE CRISIS

At a theoretical level, the crisis could be attributed to the inherent contradictions in the dynamics of capitalism as an economic system which breeds and nurses inequality both at local and international levels.

However, while this is true, we should not lose sight of the dynamics of some peripheral macro-economic management strategies. In Nigeria, for example, the genetic contradictions of the capitalist system and the crisis it creates are further compounded by the mismanagement of the national economy by a clique of national bourgeoisie and a class of politicians/technocrats cum bureaucrats, all of whom constitute the national chapter of the international bourgeoisie. While such mismanagement contributed and still contributes to the crisis, the national development policy and strategy which leaves intact the preponderance of the petroleum sector and hence monoculturalism, further widens the window of vulnerability of the national economy to the predatory acts of Western capitalists and their Nigerian partners. Furthermore, the neo-colonial structure in which the economy operates does not allow us to grow and develop. These are some of the fundamental causes of the crisis situation in Nigeria today.

Let me illustrate the danger of monoculturalism in the Nigerian economy. While the petroleum sector accounted for 22% of the GNP in 1980, it provided about 80% of "public revenue" and over 90% of export earning. The almost total collapse of the crude oil market in 1982, therefore, dealt a lethal blow to the national economy, oriented as it was to the global order. With such orientation, the dynamics of the economy (capital technology, market skills, etc.) have also been externalized. Thus, when the depression set in, all the features of the crisis earlier mentioned became prominent and assumed greater dimensions.

After this brief theoretical explanation of the genesis of the crisis, let us now examine its origin in the operation of the capitalist system by going through the economic history of capitalist expansion from the 19th century to this date. Such an examination will reveal the inevitability of the crises of global magnitude, especially on the periphery, such as Nigeria. It is argued here that the dialectical dynamics of capitalism is enough to generate crises even in the already developed capitalist countries, let alone in the peripheral capitalist states such as Nigeria and that the economic history of the capitalist system has been punctuated with crises which in some cases almost brought the system on the verge of total collapse. These arguments are developed below to illustrate the origin of the present crisis.

THE DEVELOPMENT OF MONOPOLY CAPITALISM

As from the 18th-19th centuries, there was a spectacular growth of an integrated global economy, which drew ever more regions into a transoceanic and transcontinental trading and financial network, centered in Western Europe, particularly Britain. This development was accompanied by large-scale improvements in transportation, communication, increasing rapid transfer of industrial technology from one region to the other and by an immense increase in manufacturing output, which, in turn, stimulated the opening of new areas of agricultural land and of sources of raw materials. The pains and pangs of the Great Wars of 1793-1815 pushed Europeans to clamour for peace, thus providing a stable atmosphere for activities which could guarantee further economic growth and prosperity. This was what gave birth to the industrial revolution and its upsurge in production and related activities. While these changes created great prosperity in Europe, due to European plundering of their colonial empires, Third World economies experienced drastic deterioration.[4]

THE INDUSTRIAL REVOLUTION

The Industrial Revolution in Britain, which meant the displacement of man in the process of production by machines, improved productivity on a sustained basis with the result that national wealth and population purchasing power constantly outweighed the rise in numbers. While the country's population rose from 10.5 million in 1801 to 41.8 million in 1911, an annual increase of 1.2%, its national product rose much faster, as much as 14 fold over the 19th century. In Europe, there was an average annual rise of 2-2.25%.[5] To illustrate the abundance and hence prosperity of the time due to the Industrial Revolution, small Britain used 100 million tons of coal, enough to feed a population of 850 million adult males for a year, at the time her population was less than 45 million.

In the Third World, as illustrated by India and China, national incomes declined considerably. The share of these countries in total world output in manufacturing shrank relatively, because Western output was rising so swiftly. Worse, in some cases their economies declined absolutely.

That is to say, they de-industrialized, because of the penetration of their traditional markets by the far cheaper and better products of the Lancashire textile factories. The suffering of the economies of the peripheral, including Nigeria's, as a result of such developments in Europe, still persists.

By 1813, imports of cotton fabrics into India rose sharply from 1 million yards in 1814 to 51 million in 1830, to 995 million in 1870, driving the traditional cottage industries out of business.[6] Here we have started seeing how the dynamics of capitalism are pregnant with inequalities and thus create crisis. Indians, who used to be self-sufficient in the supply of these cotton products and who therefore exercised a commendable degree of independence, were impoverished by the development of Europe. India's internal market was stolen by Britain, while her indigenous technology was destroyed to eliminate any competition against Britain's new industrial technology.

The starting point of the crisis of this capitalist expansionism can be seen in the fact that in 1800 Europe occupied about 45% of the total land surface area of the world. By 1878, this figure had risen to 67% and by 1914 to over 84%. The victims of this British expansionism ceased to be independent, while their lives and material production became oriented to British economic growth and prosperity. In terms of production, by 1860 Britain produced 53% of world iron and 50% of its coal and lignite, while she consumed just under half of total output of cotton raw materials of the world. She alone was responsible for 1/5 of the world's commerce, 2/5 of the trade in manufactured goods. Over 1/3 of the world's merchant marine flew under the British flag.[7] This development illustrates the growth of monopoly in the world system and hence inequality and its attendant crises, such as the one in which we are. While the Western capitalist countries reap windfalls from monopoly capitalism, we are increasingly plunged into more crises. To all intents and purposes, Britain was the trading center of the world during the mid-Victorian era. Her empire continued to grow, engulfing distant areas such as Singapore, Aden, the Falkland Islands, Hong Kong, Lagos etc. Overseas investment kept going up. From the figure of 16 million of the Waterloo era, these investments rose to over 30 million a year by mid-century and to a staggering 75 million a year between 1870-1875. The result of this was a rise in income from 8 million by the 1830s to over 5 million by the early 1870s.[8]

Per Capita GNP of European Power 1830-90 in US Dollar and Prices

	1830	1840	1850	1860	1870	1880	1890
Britain	346	394	458	558	628	680	785
Italy	265	270	277	301	312	311	311
France	264	302	333	365	437	464	515
Germany	245	267	308	354	426	443	537
Habsburg	250	266	283	288	305	315	361
Russia	170	170	175	178	250	224	182

In America, the same prosperity was noticed. Wages were 1/3 higher than they were in Western Europe by 1800. Her share of the world's manufacturing input was far ahead of Germany's, but below Britain's. She produced 830,000 tons of iron.[9] Although she was relatively a late starter, America's isolation from Europe turned out to be a blessing. Her isolation from the troubles of Europe made her very attractive for migrant labour and investors seeking lucrative opportunities. Consequently, she bloomed so that by the beginning of the 20th century she was leading the industrial world as can be seen from the tables below.

National Income, Population and Per Capita Income of the Powers in 1914

	National Income	Population	Per Capital Income
U.S.A.	$37 billion	98 million	$377
Britain	$11 billion	45 million	$244
France	$6 billion	39 million	$153
Japan	$2 billion	55 million	$36
Germany	$12 billion	65 million	$184
Italy	$4 billion	37 million	$108
Russia	$7 billion	171 million	$41
Austria-Hungary	$3 billion	52 million	$57

World Indices of Manufacturing Products 1913-25

	1913	1920	1926
World	100	93.6	121.6
Europe	100	77.3	103.5
USSR	100	12.8	70.1
U.S.A.	100	122.2	148.0
Rest of the World	100	109.5	138.1

The world had started to move towards the concentration of wealth in the hands of a few. This situation bred crises and enhanced degrees of vulnerability of the world system to unpredicted and unforeseen forces, as we shall come to see.

On continental Europe, Germany's coal production grew from 89 million tons in 1890 to 277 million tons in 1914, just behind Britain's 292 million tons and far ahead of Austria-Hungary's 47 million, France's 40 million and Russia's 36 million. In steel, the increases were even more spectacular. The 1914 German output of 17.6 million tons was larger than that of Britain, France and Russia combined. More impressive still was performance in electronics, optics and chemicals. Giant firms like Siemens and AEG dominated the European electronic industry.[10] German chemical firms led by Bayer and Hoechst produced 90% of the world's industrial dyes. Consequently, Germany's foreign trade boomed, with exports tripling between 1890 and 1913, bringing the country close to Britain as the leading world's exporter. Its merchant marine expanded to become the second largest in the world by 1914. By this time, Germany's share of world manufacturing production of 14.8% was higher than Britain's 13.6% and two and half times that of France's 6.1%. It had become the economic power house of Europe.

The contradictions of capitalism led to intensified protectionism after the First World War. Every nation tried to protect its own domestic market. Britain enacted the McKenna Act of 1915, which imposed duties of 33 1/2% on imported cars, motor-cycles and certain other manufacturers in an effort to save war time shipping space and foreign exchange. This development laid the foundations for a return to protectionism after the war. Further protection to British industry was afforded by the Safeguarding of Industries Act and the Dyestuffs Importation Act, both passed in 1921. These placed duties on the products of a number of key industries, including optical glasses, and instruments considered to be vital for national security. At the same time, during this period, certain imports were prohibited. Similarly and probably in retaliation, the United States introduced the Fordney-McCumber Tariff of 1922. This Act raised America's Tariff to the highest level in the country's history up to that time.[11]

The spread of protection, the frequent adoption of deliberately high duties for bargaining purposes and the introduction of quantitative restrictions on trade, imposed a severe handicap on the recovery of world commerce in the 1920s. In an attempt to remedy the situation, the League of Nations called a World Economic Conference in 1927. Through autonomous measures and bilateral agreements, such as the Franco-Germany Commercial Treaty of August, 1927, the rising trend in tariffs wastemporarily checked.[12] Another Conference summoned in the same year tried to deal with the problem of quantitative restrictions on trade, but it dragged on until 1930 without accomplishing anything of real value.

All these conferences were efforts to reconcile the contradictions of capitalism to save Europe from danger. This danger was not averted. Instead only a postponement of the crisis situation, which only needed a slightly turbulent period to resurface, was achieved. This developed during the inter-war period from 1929-1939.

The situation was becoming crucial, international and increasingly difficult. Dominating the scene, America raised its interest rate in 1928-29. As a result, stock market speculations intensified. This was a capitalist survival game in which the primary consideration is profit maximization instead of the general welfare of the people involved in operating the system. This measure kept America's funds at home, thus starving Europe. The already bad situation was further compounded by the repatriation of French capital that followed the stabilization of France in 1928.[13] Under American pressure, Britain's money market could not take care of Europe. The result was a general tightening of credit everywhere and a lack of finance at the very time when the pressure of falling primary product prices was worsening the balance of payment position of the agricultural debtor countries.

To save herself from the deteriorating situation, America passed the Smooth-Hawley Act of June, 1930.[14] This substantially increased tariff level, thus reducing American purchases. This act affected European imports into America, especially from France, Germany and Britain. This game of survival almost paralyzed some countries in Europe and brought on the recession of the inter-war period.

By the middle of 1932, the whole of Europe was convinced that there was a need to resolve the prevailing capitalist contradictions to save the system. Consequently, a world economic conference was held in London in June, 1933, to discuss, among other things, the issue of currency stabilization. But it became a total failure when America decided to gamble by taking the dollar off the gold standard to float. America felt that there was no gain in being on a gold-based currency union, when the recession had destroyed its base. America therefore decided to be adventurous by standing on her own self-made standard. This was a serious blow to the capitalist system based on European economies and the beginning of American preponderance in the new era of capitalism of the post-war era. Because of this development, the conference had to be adjourned.

However, international cooperation was once more given a trial in 1936. This resulted in the Tripartite Monetary Agreement between France, Britain and United States and was concluded just before the French devaluation of September, 1936. This could be considered to be forerunner of IMF. Later, this agreement was joined by Belgium, Holland and Switzerland. The whole of Europe, except the communist East, therefore got together to resolve the contradiction of capitalism at the expense of other regions by instituting certain measures which could serve as a shield to them against the demise of the capitalist system and, if possible, to promote their collective interest. IMF should be seen as one of such measures.

CAPITALIST DEVELOPMENT AND THE CREATION OF COLONIAL EMPIRES

As has been stated, the Industrial Revolution in Europe shrank the world. The development of the steam engine and the central combustion engine made possible the easy movement of goods and people. This in turn spread the capitalist tentacles all over the remote corners of the world outside Europe. Consequently, Nigeria became part of this huge European empire as from the second half of the 19th century. The dynamics and dialectics of capitalism would dictate that, having been brought under the influence of capitalism, Nigeria would have to be subjected to its imperatives.[15] Some of these imperatives were that, as a colonial territory, Nigeria should continue to be dependent on Britain for her secondary goods, while she continued to supply Britain with primary goods which were processed into secondary goods and then exported back to her. Such was the international division of labour to which Nigeria was subjected.

A casual look at this structure of relationships gives an impression of symbiosis and hence mutual dependence. On closer consideration, however, this idea of mutual dependency was faulty, for the terms of trade of both primary and secondary goods were unequal, always in favour of the secondary goods. Nigeria continued to be exploited in her relationship with Britain. This situation underdeveloped and stagnated the development of Nigeria.

Thus in a situation of severe depression, such as the one of the inter-war period to which even the European industrial countries became vulnerable, colonial territories such as Nigeria suffered most. This was so, because in such severe situations, the economies of the colonies were tailored towards solving the problems of the metropolis, leaving the colony to deteriorate into decay. Secondly, in terms of exchange, the metropolis resorted to super exploitation, thus depriving the colony of the necessary capital for self generation. Thirdly, development processes on the periphery were given very minimal attention. Such were the experiences of Nigeria during the colonial era with the result that certain structural defects were built into the economic structure. Thus, when the European countries were busy talking to find solution to their crisis, Nigeria was increasingly being made part of their solution. How this came about will now be illustrated by the second half of this paper.

THE DEBT PROBLEM IN HISTORICAL PERSPECTIVE

The foregoing analysis is to put the Nigerian debt crisis in its global context. What is clear in the analysis is that Nigeria, like all Third World countries, has been incorporated into the international capitalist system whose operational ethic is private accumulation, whether by the individual or by a firm. The origin of the global debt crisis can therefore be traced to the mode of production and distribution which enthrones competition as the dominant norm of economic behavior. In such a system, greed, the dominant ethic enthroning the Machiavellian principle that the means justifies the end in human relations, dominates.

Borrowing is a practice as old as humanity itself. An individual borrows in the certainty that he can return what is borrowed, either in its exact form or in equivalence. In non-monetized subsistence economies, referred to in European writings as primitive societies, a person may borrow a tuber of yam and return a mudu of millet, the exact equivalent being the function of some kind of appreciation of the inherent values of the goods in question. This situation is not much different in a monetized economy, where money, in whatever form, gives a measure of precision to the value of products. Here borrowing is less cumbersome, as equivalents are easier to determine. A person who borrows five naira is expected to return five naira.

However, capitalism, the production of goods and services for profit, emerged on the world scene in the 16th century, beginning in Italy, spreading and consolidating as the dominant mode of production and exchange. With the profit impulse as primary motive for economic behavior, lending became a form of business. The introduction of a small "charge" for the "risk" of parting with one's money, a practice known as "usery" in the Bible, laid the foundation for the debt slavery of the 20th century. For although the theory of borrowing is tied to the theory of economic development, the practice of borrowing in the 20th century has demonstrated beyond any doubt that it is a trap for perpetual enslavement of the poor nations by the rich nations.

Advocates of borrowing insist that it is not borrowing itself that leads to the debt crisis, but the misuse of the loan. However, if virtually <u>all</u> countries that have tried the theory of borrowing for development have ended up in debt enslavement, it means that the theory is either inherently wrong or that the creditors manipulate the system to fault the theory in their interest. Our investigation shows that the "pure" theory of borrowing for development may not be necessarily faulty, but that the alignment of interest between the creditors and the ruling elites of Third World countries have conspired to produce the current debt crisis on a world scale.

Advocates of borrowing for development are right when they point to historical precedents of successful borrowing for development. The United States, Britain and Japan, they point out, all borrowed to launch theirrespective development processes. As late as the early 1980's, Britain borrowed from the IMF to restructure her economy. But there is no successful story of borrowing for development in the Third World. The reasons have nothing to do with race, ethnicity and racist interpretations of history but everything to do with the determination of the developed countries to keep their past colonies as neo-colonies.

Neo-colonialism is the process whereby colonies are granted political independence but denied economic independence. This is facilitated by the consolidation of the structures and values deposited during the colonial period. But the critical agent of neo-colonialism is the local leadership which has been nurtured to take over the reigns of power from the departing colonial power. It is no accident that in <u>all</u> the colonies where independence was negotiated, the hidden agenda of the successor elites is to guarantee the consolidation of the economic and political systems left behind by the colonialists. This explains why 30 years after independence, Nigeria is more dependent on Britain than it was at independence. It is for the same reason that Nigeria's economic policies have to be approved by Britain, the United States and their allies, because of the pre-eminent role their nationals and multinations play in our economy. This is also the case with the French-speaking states of Africa.

How has neo-colonialism facilitated the debt crisis? First, by following hook, line and sinker, the development strategies fashioned out for us by the think tanks of Europe and America. It is on record that Nigeria's first development plan, 1960-1965, was the handiwork of an American economist. After the failure of four development plans, they are now saying, and our leaders have accepted, that we should substitute perspective and rolling plans for development plans. We are told, and our leaders have accepted, that it is these new strategies that will take us to the promised land.[16] We are prepared to bet our lives that at the end of the 25-year period prescribed for these plans to work the miracle of transforming our economy from crisis to modernity, we will be told why the "Nigerian factor" was responsible for the failure of the plans, calling for new theories and plans. The truth of the matter is simply that so long as our leaders' materialistic impulses coincide with the exploitative impulses of our foreign mentors, so long will our economy remain an appendage to the British and American economies. And so long as this is the case, debt enslavement will remain a pre-eminent characteristic.

Secondly, neo-colonialism has facilitated the debt crisis by promoting the consumption of foreign goods. In spite of the campaign to persuade Nigerians to consume what they produce and desist from cultivating taste for foreign goods, the ruling elite remains the champion of foreign taste. Their sermon is thus: do what I say and not what I do! Since foreign goods have to be paid for by foreign currencies, we can only purchase them through the availability of foreign currency or, in the alternative, through borrowing.

This explains the huge debt that has been accumulated since 1978, when General Obasanjo took the nation into the debt club by borrowing from the surplus pumped into the Western financial system by OPEC, following the oil price hike of 1973/74. From an initial loan of $2.8 billion that year, Nigeria's appetite for foreign loan expanded progressively until by 1989 our indebtedness stood at a whopping $33-35 billion.[17]

Half of this has been incurred in the last five years.[18] And to confirm the view that it is not the taking but the proper use of loans that is the problem, a leading financial expert and former Managing Director of Afribank, formerly the International Bank for Africa Nigeria Ltd., Mr. Oladele Olashore, said in 1985 that Nigeria did not get more than percent value for all imports into the country. This means that about $12 billion of the total loan is accounted for.[19] Even with the appointment of Chase Manhattan of New York as a consultant to ascertain the claims of our creditors-- a decision many find difficult to understand, given the fact that Chase belongs to the Club of Banks that loans money to Third World countries, especially in Latin America--the dispute rages on regarding the exact volume of our debt.

But wastage is just a small part of the explanation of the debt slavery of the 20th century. At the heart of this perpetual slavery, is the very character of capitalism as an economic system. Rooted as it is in greed, it knows no limit to private accumulation, regardless of who gets hurt or even killed in the process. Economics, it insists, respects no moral law. Hence, indebtedness has become an instrument for sustaining the domination of the rich over the poor. For even if loans were properly utilized, as the Babangida administration seems to be doing by tying them to specific projects, such as universities, NEPA, etc., repayment would have to be made by hard currencies, notably the dollar and the pound, which we earn through trade. Yet, with the exception of oil, the very products we have for sale, such as cocoa, groundnuts, and other raw materials, have their prices depressed by the general recession in the world economy. The point is well illustrated by this table:

	Equivalent to1985	1989 Truck/Tractor
Truck (6-10 tons)	92.5 bags of coffee 44.3 tons of bananas	332.6 bags of coffee 69.4 tons of bananas
Tractor (37-59 Kw)	54.9 bags of coffee 26.3 tons of bananas	190.0 bags of coffee 39.7 tons of bananas

Source: Development + Cooperation 5/1990 p.9.

Whereas in 1985, 92.5 bags of coffee purchased a truck, by 1989, producers of coffee needed 332.6 bags to purchase the same truck. Similarly, producers of bananas needed 44.3 tons of their commodity to purchase a truck in 1985, but by 1989, they needed 69.4 tons to purchase the same truck which they use to transport their ware. The same goes for the tractor.

This phenomenon, known as deteriorating terms of trade, was addressed as far back as 1947, when Raul Prebisch, an Argentine economist who was then secretary to the Economic Commission of Latin America, contested the claims of the theory of comparative advantage which has been used since the 19th century to defend international trade. The theory claims that if a country specializes in the production of commodities for which its conditions give it comparative advantage, and exchanges such goods with other products from other lands, not only will each country in the transaction be better off, but the specialization enhances its productive and competitive capacity. In his study of Latin American countries, Prebisch demonstrated that participation in the world economy clearly proves the above table. The ominous implication from Prebisch's analysis was and still is, that if Third World countries should specialize in the production of raw materials for the industries of the advanced industrialized countries, they will remain in perpetual economic slavery to the advanced industrialized countries. This precisely is what the debt crisis of the second half of the twentieth century has assured. There is little hope that any debtor-country can repay the interest, let alone the principal in this century. This explains the role of the IMF and the World Bank as a substitute for the gunboat diplomacy of the 19th century. They ensure that Third World countries do not default in the payment of their debts.

THE IMF, THE WORLD BANK AND THE DEBT CRISIS

After the Allied victory against fascism of Nazi Germany and Italy in 1945, the victorious powers, led by the United States, sought ways to ensure the perpetuation of the new world order in which the United States would remain the dominant power, with the dollar serving as the main currency. The United Nations was conceived and established to provide the political framework for the execution of that vision of the world. Its specialized agencies, the International Bank for Reconstruction and Development, popularly known as the World Bank, and the International Monetary Fund (IMF), have today added to their initial functions of facilitating the reconstruction of Europe and international trade, the daunting responsibility of debt-collection.[20]

It is to do this that the two institutions work so closely together in fashioning strategies of consolidating neo-colonialism through the various theories of development - including the theory of comparative advantage, mentioned earlier. The primary objective of the two institutions is to ensure that Third World countries adopt economic development policies favorable to Western economic interests. The current wave of privatization and commercialization is part of a more comprehensive package, known as Structural Adjustment Programme, to facilitate the enrichment of the economically dominant class both in the industrialized West and their allies, the ruling classes of the Third World, who endorse and enforce such policies. This explains why Western ruling classes, in spite of their proclaimed commitment to democracy at home, install military rule in the Third World. Increasingly western countries are pumping in aid, mainly military hardware, but occasionally financial aid, to shore up military dictatorships in the Third World, to ensure not only the collection of the debt owed their bankers, but the perpetuation of this unjust international economic order. Brazil, Chile, in Latin America; Zaire, Sudan under El Nameri, and Nigeria since 1984, are all cases in point.

CONCLUSION

We have attempted to situate the current debt crisis in its historical and global context. As we examine the way out of this debt peonage, the critical question is what role the church has to play in terminating this unjust and unjustifiable social order. First, the Church has a moral responsibility to join hands with the progressive forces in society for the creation of a more equitable and just order. The church must return to the fundamentals of the Christian faith: justice, love and good governance. These are themes that occupy pre-eminent positions in the Scriptures. It is the silence of the church over social issues that has led to the mass apathy amongst Christians, especially in Africa, on such issues even when they pray about them daily.

Secondly, the church must join in the crusade for the establishment of a democratic polity. Only the church has the moral weight to dissuade military dictators from continuous brutalization of the people in the name of political stability.

Finally, the church in Nigeria must join its counterparts in South Africa and Latin

America and in the ecumenical world in mobilizing its constituency in the anti-imperialist, i.e. anti-SAP, battles that remain the major struggle for the liberation of Third World people from perpetual slavery to the industrialized countries, whether of the West or of the East. Only then can the church fulfill its mission on earth and become relevant to the material and spiritual needs of its adherents.

FOOTNOTES

1. Central Bank of Nigeria, Economic and Financial Review, Vol. 26, No. 2, June 1988, p. 29.

2. Ibid.

3. Ibid, p. 30.

4. Walter Rodney, How Europe Underdeveloped Africa, 1973.

5. Paul Kennedy, The Rise and Fall of the Great Powers: Economic change and military conflicts from 1500-2000, William Collinus Sons & Co. Ltd., Glasgow 1988. p. 187.

6. Ibid, p. 191.

7. Ibid, p. 194.

8. Ibid, p. 200.

9. Ibid, p. 230.

10. Ibid, p. 271.

11. A.G. Kenwood & A.L. Longheed, The Growth of the International Economy, 1870-1960, p.186.

12. Ibid, p. 187.

13. Ibid, p. 204.

14. Ibid.

15. I.L. Bashir, 1986, "Metropolitan Intellectuals, Policies and Economic Development in Colonial Nigeria", ODU: A journal of West African Studies, New series No. 29, 1986.

16. The World Bank: Sub-Saharan Africa: From Crisis to Sustainable Growth (Washington, World Bank, 1989) p. 16.

17. Although the exact figure remains shrouded in official secrecy, informed guesses put it between $31-35 billion U.S. dollars as of December 1990. See UBA News Letter Vol. 15, No.2. (Feb., 1991) p. 3.

18. Ibid.

19. Ibrahim Ayagi, The Trapped Economy (Ibadan, Heinemann, 1990) pp. 81-2.

20. Cheryl Payer, The IMF and the Third World (New York, Monthly Review, 1976) Ch. 1.