

Out of Bretton Woods and Into a New Epoch

Time to End ‘Trickle-down’ Policies Imposed upon Developing Nations ...and the U.S.

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A call for participation and leadership in the independent voluntary service and action movement

by Susan Angus, CVSA Executive Director

For decades CVSA has maintained a principled stand for the right of volunteer organizations to stay independent of failed government policies and programs, to be unfettered in their efforts to build programs and organizations responsive to the needs of their constituencies, developing genuine leadership from among those most in need of the solutions to the continued growing poverty in our communities.

We see at this time, in the face of the world food crisis and the U.S.-based world financial crisis, a tremendous resurgence of determination and activity by non-government volunteer organizations that represent the needs of people in both developing nations and low-income communities throughout the United States, as they demonstrate through their work better ways to organize how we manage our resources, care for people and provide for the sustenance of a healthy world economy.

On September 23, incoming UN General Assembly President Miguel d’Escoto Brockmann of Nicaragua opened the 63rd General Assembly session decrying the non-observance of United Nations Charter principles, the growing tendency to deprive the Assembly of any real power, and the transfer of ever more power to the Security Council and Bretton Woods institutions of the International Monetary Fund and World Bank.

“The state of our world today is deplorable,” d’Escoto said, noting that more than half the world’s people are languishing in hunger and destitution. “What is important now is that we look to the future, learning from our past mistakes, and together embark wholeheartedly on the task of building a new and better world.”

The Bretton Woods international financial institutions, the World Bank and International Monetary Fund (IMF), controlled largely by U.S. financial interests, have been selling the “trickle down economics” program to developing countries since the 1970s. Issuing capital loans for large-scale infrastructure projects, the outcome was geared toward creation of better means to extract natural resources to the benefit of corporate interests based in advanced industrialized nations.

International corporations built dams to produce valuable energy, mines to extract gems and minerals, and agribusiness production of single crops for export. The U.S. financial interests promised a “trickle down” of jobs for the people of these developing nations and revenue for their governments to improve the lives of the population.

The World Bank and IMF, however, imposed “austerity measures” to force compliance on ever-mounting interest charges accumulating and annually compounded over decades. Governments have been required to cut public health care and education spending, further impoverishing their own people. World Bank and IMF loans left borrowing countries strapped with crushing debts impossible to repay. Meanwhile, the international corporations brought in by the international financial institutions carried out massive extraction of resources, removing the

profits of their plunder abroad versus enabling a new level of productive capacity to the benefit of the people of these lands.

A worldwide movement begun in 1996 known as “Jubilee 2000,” with offices in 60 countries on five continents, has demanded that the rich countries cancel all unpayable foreign debt on the basis that these now developing nations have already paid the original principal two and three times due to interest, and now it is the burden of the debts, created allegedly to lift them from destitution, that instead anchor them in poverty.

The countries of Africa, for example, received \$540 billion in loans between 1970-2002, and as of 2008 they had collectively paid back \$550 billion in interest and principal, yet still owe \$295 billion to Bretton Woods financial institutions.

Over the last two decades, the international demand for relief for developing nations from these foreign debts has at best received lip service from the Group of 7 (G7) industrial nations. Proponents of foreign debt relief promulgate that this would allow developing countries to actually create and manage their own productive economies for the advancement of their own people and ultimately the global economy.

In 2000, the G7 governments agreed to the Millennium Development Goals (MDGs) to achieve a modest decrease in world hunger, preventable disease, illiteracy and more by the year 2015 (see *ITEMS Winter 2005*). However, the industrialized wealthy countries have not, in practice, carried out any of the changes in trade policies, development aid or debt relief that the 163 countries in the United Nations that signed the Millennium Development Goals had all agreed were necessary.

The U.S. Bank and Corporate Bailout Policy

Yet, as the UN General Assembly was in session, and in a period of a mere seven days, the U.S. government proposed a vast bailout of financial institutions in the United States, requesting and securing unfettered, unprecedented authority for the Treasury Department to buy up to \$700 billion in distressed mortgage-related assets from private firms. This bailout was preceded by intervention from Treasury Secretary Henry Paulson, himself a former CEO of Goldman Sachs, in the failing financial institutions of Bear Stearns, Fannie Mae and Freddie Mac and insurance giant American International Group (AIG).

According to a UN press release on the General Assembly President d’Escoto’s opening address: [President d’Escoto called for] a frank discussion of the Security Council, a body in which some members seemed unable to break what appeared to be an “addiction to war”. They had confused the veto privilege with the thought that they could do as they pleased. Privileges granted by law on the assumption that they are reasonable and for the common good remained valid only as long as that assumption held true.

In apparent disregard for the UN General Assembly — and while media attention was riveted on Wall Street — President Bush signed bills setting aside \$487.7 billion for the U.S. Defense Department. Bush announced that this allocation of public monies was for “ensuring a smooth transition for the Pentagon’s big defense contracts ahead of the next administration,” per the *Wall Street Journal* of September 28. Another nearly \$490 billion in defense contracts for Boeing, Lockheed Martin, General Electric, Northrop Grumman and other corporations perpetuates a structure of international corporations fed from war proliferation—exemplifying d’Escoto’s warning against an “addiction to war” in which mega-profits define the priority patterns of federal spending, rendering continuation of war a necessity for their further maximum enrichment to one nation’s corporate giants over the interests of the rest of the world.

As central bank leaders of the G7 industrialized nations met in early October in extraordinary session, the growing consensus was that the “Paulson Plan” had failed — U.S. stock markets continued to crash, sinking more than 20% over eight days, including a wild

plunge and partial recovery on October 10 that spanned 1,000 points. Interventions by the U.S. Federal Reserve stretched its authority to previously unthinkable boundaries, including buying unsecured debt issued by private corporations. Treasury Secretary Paulson, acting in conjunction with G7 finance ministers, announced that the U.S. government will buy direct stakes in banks to stem a global financial collapse.

“Austerity Measures” Come to the U.S.

As financial leaders of the G7 nations bail out their banking systems, and developing nations left to drown in accruing interest debt, non-government volunteer organizations in the U.S. report the pounding effects of this maelstrom of economic disaster on people in need, inundated with more people in more trouble than ever. Raising the funds to keep community-based non-government service programs afloat is increasingly difficult as those who historically made donations have lost their own jobs, pensions and/or investments, while state and county governments defund government social service programs.

Local governments have enacted “austerity measures” due to shrinking tax bases and federal cuts. New York City Mayor Bloomberg has directed his agencies to immediately cut budgets by \$1.5 billion. Health care and services for the homeless are at the top of that chopping block. Across the country, school buildings that are falling apart with age and overcrowding will not be rebuilt. Old bridges, worn out roads and sewer systems will not be replaced. More libraries, youth and senior centers, hospitals and clinics are being closed.

Sister Judith Smits, Director of The Service Center of Catholic Social Services in Mobile, Alabama reported to CVSA in September that they discovered 600 people living in the woods on the outskirts of the city, people whose homes FEMA and the insurance companies never rebuilt since Hurricane Katrina struck three years ago, or whose homes were lost in the recent mortgage crisis. Tent cities are growing all over the U.S. The percentage of children attending public school who are homeless has risen by 11% to 34% in many U.S. cities in just the last year.

We Need Real Solutions

As stated by UN Secretary General Ban Ki-Moon in his September 23 opening statement to the General Assembly:

We are on the eve of a great transition. Our world has changed, more than we may realize. We see new centers of power and leadership — in Asia, Latin America and across the newly developed world. The problems we face have grown much, much more complex. In this new world, our challenges are increasingly those of collaboration rather than confrontation. Nations can no longer protect their interests, or advance the well being of their people, without the partnership of the rest...

The global financial crisis endangers all our work — financing for development, social spending in rich nations and poor, the Millennium Development Goals.

If ever there were a call to collective action — a call for global leadership — it is now.... We need to restore order to the international financial markets. We need a new understanding on business ethics and governance, with more compassion and less uncritical faith in the “magic” of markets. And we must think about how the world economic system should evolve to more fully reflect the changing realities of our time.

In the early 1980s, CVSA took a principled stand on the importance of volunteer organizations maintaining their independence from government policies, pointing to the need to retain the ability to challenge injustice and economic disparity. This came to the fore when newly elected President Ronald Reagan launched his form of “faith in the magic of markets” with his so-called “trickle down economics” program aimed at “rescuing” the country from the recession of the late 70s.

President Reagan imposed federal budget cuts of alleged “unnecessary” spending for social services, including mental health programs and school lunches. At the same time he expanded weapons programs and increased tax breaks and subsidies to large corporations. When Reagan called for a “New Voluntarism” he asked for the churches of America to collaborate with government in promoting this voluntarism campaign, positioning private groups to take on the burden of government vis-à-vis the poor. He pledged that better economic times were to come from money and jobs that were to “trickle down” from the growing corporate profits. This vision failed to deliver, despite strenuous and self-sacrificing efforts of non-government volunteer organizations.

CVSA has established a benefit program including training and consultations to teach and guide organizations to remain independent and build programs capable of giving their organizational constituents a voice to defend that status.

This isn't the time to withdraw in fear and confusion; it is a time for community volunteers to take on leadership responsibility and organize a better way. Volunteers are needed by *INVEST YOURSELF* organizations and CVSA now more than ever.

On September 29, in his closing statement at the end of the five-day general debate of the 63rd Session of the General Assembly of the United Nations, H.E. Miguel d'Escoto said,

“As you all pointed out, we are meeting at a time when our deeply flawed global economic system teeters on the brink of collapse. All of us recognize the seriousness of this crisis, which has its roots in a ‘mania of selfishness’ that has come to dominate today’s culture of ‘I and mine.’ We have heard more about ‘we and ours’ during this debate. Those appealing for courage and compassion have far outnumbered those who inspire fear and distrust.”

CVSA is calling on concerned people to act with courage and compassion and invest themselves in volunteering with organizations that are dedicated to building solutions.

**“People Helping People” is Not Just a Slogan
— it is a Way of Life**

CVSA is building the organizational processes needed to position volunteer organizations to rise above failed official policies and priorities based on insatiable and unchecked greed. We must strengthen our capacity to provide leadership to build an economy that is firmly based in a “bottom-up” system, consistently placing first and foremost the needs of not only a single nation’s people but indeed of the world’s population. Your increased participation is urgently needed.