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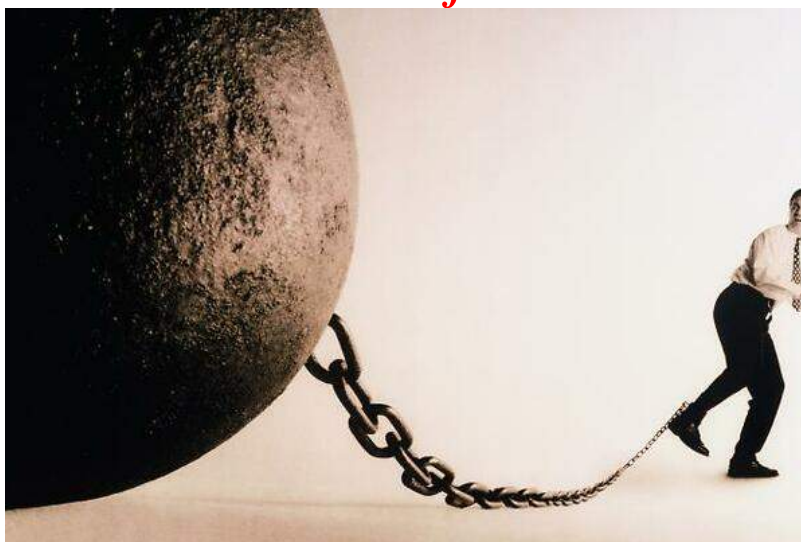
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زیاتهای اروپایی

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A world of debt



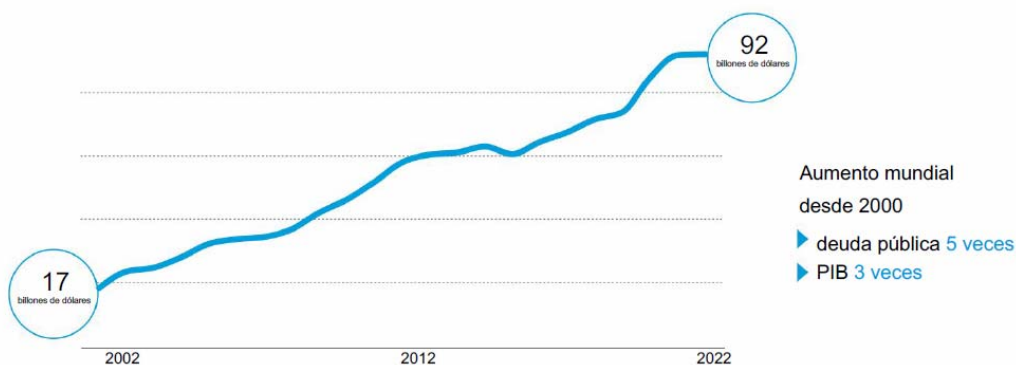
Sources: The Economist Gadfly

He who dies pays all his debts – William Shakespeare – States do not die

The public debt of all countries in the world has quintupled in the last 20 years, from \$17 trillion in 2002 to \$92 trillion last year. At the same time, the growth of world production, GDP, tripled, that is, output grew at a rate 40% lower than that of indebtedness. The mismatch between rising debt and output has put pressure on the public budgets of nations around the world. The problem mainly afflicts the poorest countries, called developing countries. This means that more and more resources are being allocated to the payment of creditors and less to the welfare of the population, which is the one that most needs the attention of the State.

Figura 1: La deuda pública se ha multiplicado por más de cinco desde 2000

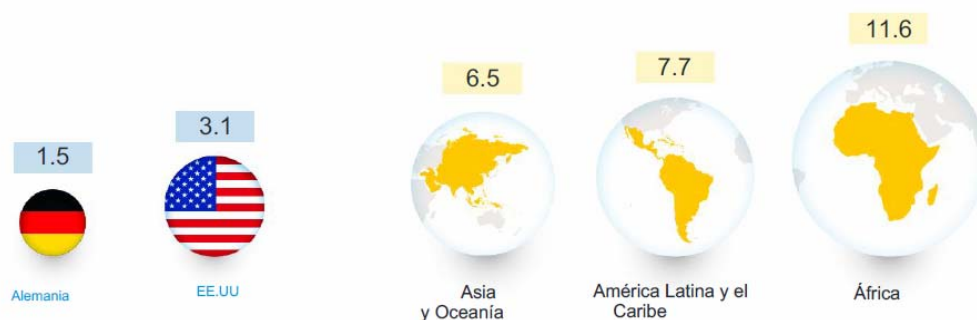
Deuda pública mundial (billones de USD)



Source: UN

This is one of the main conclusions, although not the only one, from the study "**A World of Debt**", published by the Organization of the United Nations. What at first glance is striking is that only the 30% of the world's public debts belong to poor countries. For them, however, debts weigh more, since their budget and income are more modest than that of the rich. It also weighs more because the interest that they pay for that debt is greater, without contemplating, that is paid to the rich countries. The interest rate paid by Latin America is more than 5 times that it pays the first world and Africa almost eight times.

Average interest rate on debt 2022-2023 by continent



Source: El Tábaro Economista based on UN data

In a completely unbalanced world, which had already been bad since the crisis of 2008, it got worse and worse and in 2019, when the Academy was trying to determine the magnitude, depth and duration of the next economic depression, the COVID-19 secured one of the final nails in the coffin of inequality. The Supply chain crisis accelerated rising inflation and war. It catapulted it, piling up the prices of food as a whole and the energy; Rising interest rates and a strong dollar. They came full circle. Bondholders have become

the main ones Creditors of countries in need, with a financial architecture As unequal as the distribution of income, which makes the developing countries' access to finance is inadequate, costly and A big deal for the rich.

Most poor and middle-income countries depend on the sale of raw materials and agricultural products, assembly or assembly of manufacturing parts for the North. That means that the Export revenues are vital to national income. But the World trade growth has slowed, particularly since the Great Britain. Recession of 2008-2009, and even more since the pandemic. The volume of the world trade grew at an average rate of 5.8% per year between 1970 and 2008, while *GDP* growth averaged 3.3%. In the Great Depression of From 2011 to 2023, average world trade growth was just 3.4% year-on-year, while global GDP growth averaged just 2.7 %. In fact, real GDP per capita in the Global South, excluding China, has risen stagnant relative to the advanced capitalist economies.

The World Bank's [latest global economic outlook](#) paints a desperate situation for many poorer economies, the UN's anti-poverty development goals for 2030 are now "way off". The world's poorest countries are expected to pay 35% more in debt interest this year to cover the additional cost of the Covid-19 pandemic and a drastic increase in the price of food imports. The 75 poorest countries, many of them in sub-Saharan Africa, will spend more than \$100 billion more to cover borrowing mostly over the past decade.

The Debt payments consume a greater share of public spending in countries poor when they already had difficulty providing education services and Bless you. Wars and weather events are more likely Extremes, related to the climate crisis, cause distress in countries low-income than elsewhere due to poor safety nets social. On average, the poorest countries spend only 3% of GDP on its most vulnerable citizens, compared to an average of 26% for other economies.

Michael Roberts, in his article [Debt Disaster in Development](#), describes some of the catastrophes that the debt is producing in several countries, and gives as an example Ghana, Nigeria, Sri Lanka and Argentina. The idea is along the same lines as the United Nations report, and concludes that about 3.300 billion People – more than 41% of the world's population – live in countries that spend today more annually in paying their debts than they invest in education or health. This The idea would be even more serious, according to economist [Alejandro Bercovich](#), who stressed that in the last bulletin of the economic historian Adam Tooze, the countries that will contract their Real public spending this year is 143 and the population affected by these policies Austerity tripled, from 2 billion to 000 billion. people.

See the example of Ghana, which Michael Roberts has long considered A success story and a model for African development. It's a major producer of gold and cocoa and has one of the highest GDP per capita of the region. But the government was forced into an IMF bailout of \$ 3 billion when it defaulted on its debts last December. The The government borrowed heavily to insulate the economy from the effects of the pandemic. As a result, public sector debt rose above 62% of GDP. in 2020 to more than 100% last year. Debt service now occupies about 70% of government revenue.

If you look closely, the idea we have expressed In several writings it has a logic, the world applauded and allowed an accelerated state debt to stop the effects of the pandemic, but neither the Neither private nor international organizations responded in solidarity with posteriority. An example of this is the distribution of Rights Special Drawing Notes (IMF SDRs), [plus SDRs for the richest](#).

Ghana Like all the countries described, it was excluded from international markets. of debt as concerns grew about its ability to repay what I owed. Private lenders are responsible for 60% of the value Ghana's nominal external debt, but the high interest rates that They charge mean that they are responsible for 75% of the payments of the debt. These lenders will not accept any cuts to your payments, such as in the case of Argentina. The government of Ghana has stopped borrowing and is imposing severe cuts in utility spending, increasing taxes, but this will only affect those who have a job formal. Most people work informally with money in cash and many businesses evade taxes altogether.

In Argentina, besieged in an excessive way by the IMF, pushing it into a currency run in the midst of a campaign to evict the Peronism of power, even though the government agreed last week to a Covert devaluation, shifting to society as a whole the weight of benefit the most concentrated sectors of the economy by paying more to the Exporters. Like Ghana, the owners of [Argentine debt in public securities is 72.8%](#) and with International organizations represent 19.3%. As can be seen, logic and The problem is the same as Ghana's. In 2022 Argentina paid interest for U\$S 7,462 million, of these, U\$S 4,563 million were from Public Securities, that is, 61% of the total, while payments to the IMF were U\$S 1,711 million, 22%.

Argentina: evolution of gross debt and interest in million U\$S, 2020-2023

Detail	2020	2021	2022	Jun2023
<i>Gross</i>	335.512	363.233	396.555	403.809
<i>Debt</i>				

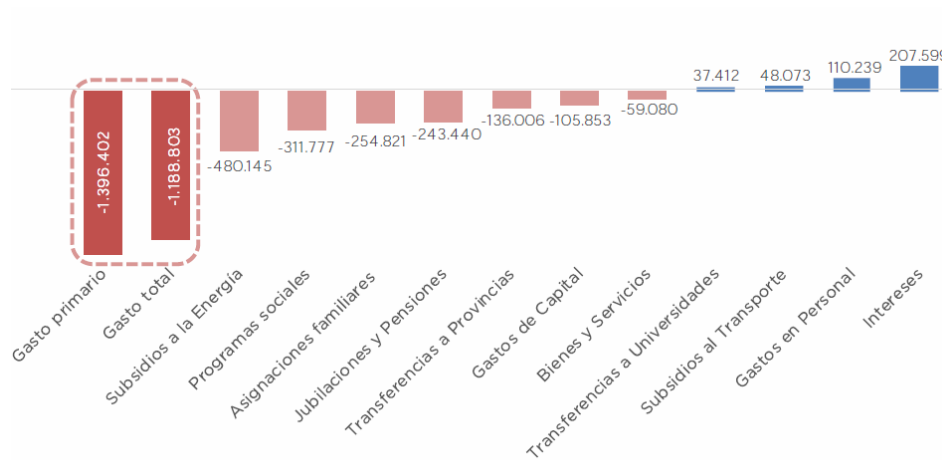
Interest paid 8.023 6.085 7.462 5.290

Source: *El Tábano Economista* based in [the Ministry of Finance](#)

The current government paid [since its arrival US\\$ 26,860](#) million, and debt increased by US\$ 48,292 million as of June 2023, as shown in the chart. The United Nations idea that More than 41% of the world's population live in countries that today spend more annually in paying their debts of what they invest in social welfare of their population is fulfilled in Argentina.

Within the primary expenditures for the first In the first half of this year, negative variations were recorded in most of the Components. Social benefits continued to show variation negative, accumulating a fall of 10.0% compared to the same half of the year previous. For the first time in the year, reductions are observed in all its Components: Retirements and pensions (-4.6%), family allowances (-28.2%), non-contributory pensions (-0.1%) and social programs (-23.8%) according to the budget execution of [the budget offices of the Congress](#). While US\$ 5,290 million were allocated in interest of debt.

Real variation of the main items of expenditure. Accumulated to June 2022 and 2023, in constant \$ million (2023)



FUENTE: OPC, en base a datos E.Sidif.

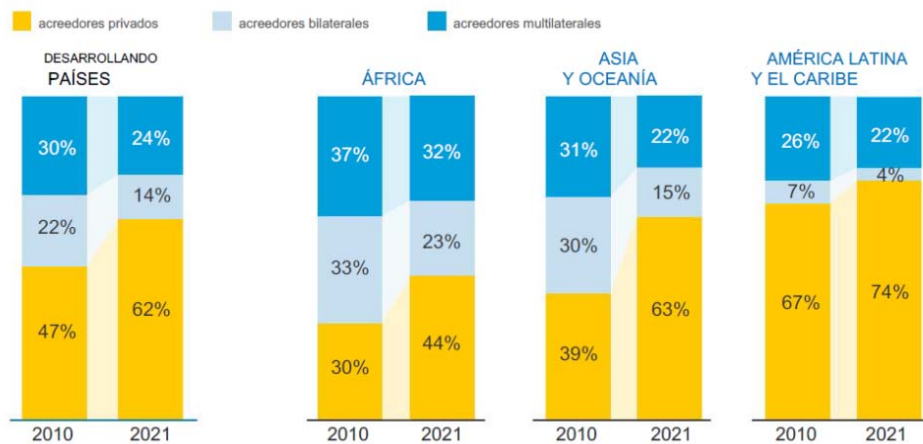
In The next five years (2023-2027) total gross maturities in currency foreign for Argentina (unemployed in June, last month with information official) amount to US \$ 120,000 million, that is, US \$ 24,000 million per year, with \$93 billion of capital and \$000 billion of interests.

Reforming and strengthening global economic governance and financing mechanisms is necessary, as we know the current organization and governance of the international financial institutions, which were established almost 80 years ago at a United Nations

conference attended by only 44 delegations (compared to the current 190 members of the International Monetary Fund (IMF) and the World Bank) is central.

Despite repeated decisions to adapt significantly the system, the representation of developing countries in the international financial institutions, the regional banks of development and standardization bodies have remained virtually unaccounted for. changes in recent years, as we showed in the previous writing [A more organic, more destructive, more disputed Bretton Woods](#). The Governments of the largest developed countries continue to have the power to veto in the decision-making bodies of these institutions, and the modification of the Voting rights in international financial institutions are one of the the most questioned reforms of global governance.

Dependence on private creditors



The The cost of sovereign debt is rising and all it has shown is Great benefits to bondholders in general, who have grown in their Participation as shown in the table. Debt spending is growing faster than investments in works, education and health. This is a result of the intrinsic inequality of an outdated global financial system, reflecting the colonial dynamics of the time in which it was created, although a good part of the Creditors of poorer countries are banks of rich countries or institutions controlled by these nations, which makes it clear that nothing is by mistake. Monetary gains from debt or debt conditionalities It almost exposes the logic of the system.

Until it explodes everything is profit, When it explodes, we will see what the solution will be.

Source: <https://eltabanoeconomista.wordpress.com/2023/07/30/un-mundo-de-deuda/>

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