Cheryl Payer, **The Debt Trap,** Penguin Books, Harmondsworth, 1974, pp. xiii,+251. £0·60.

Michael Kuczynski

This book attacks the International Monetary Fund (IMF) for its stance *vis-à-vis* the Third World. The burden of the attack is borne, not so much by the particular brand of financial orthodoxy often attributed to the IMF, as by the role of acolyte to US designs which the author perceives in IMF behaviour.

Except for the lucky few, her argument goes, the countries on the periphery find that independent economic growth along the lines of their own best interests is hard to achieve, because of an ever-threatening foreign-exchange constraint. Before a crisis, the peripheral country has generally been jogging along for better or for worse, with pretensions to economic and political independence, and with the sort of internal contradictions which are the lot of backward, semi-industrial economies (a hungry population, idle capitalists hungry for profits, and governments too weak to reconcile the two unless the going is unusually favourable). When for one reason or another the inevitable foreign-exchange crisis comes, the IMF—Payer charges—sides with the interests of the foreign (chiefly US) monopolists rather than support those who would deal with the crisis by planning, controls, and other means that, judiciously applied, need not mortgage national independence. In the author's view the tenets of IMF orthodoxy (budget restraint, freedom to import, attractive terms for foreign capital including wage restraint and 'realistically' priced foreign exchange, etc.) are only a convenient screen for the subversion to be undertaken and, if inconvenient, the orthodoxy is forgotten. The IMF's real trick, according to Payer, is to get the country hooked on foreign debt. At first the IMF rallies the 'aid' agencies and the US banks around its programme for the prodigal son, and much money is forthcoming to resolve the immediate crisis (even so, there may yet be an intervening depression); as time goes by, however, the peripheral country is locked into the relentless vice of increasingly burdensome terms which only further concessions to foreign capital will mitigate. Soon enough the benefits of dependence, political and economic, are accruing only to a small parasitic class.

The thesis is supported by accounts of various episodes in the Third World where the author claims to have detected signs of IMF involvement along the above lines (Brazil in 1964, India around the devaluation of the rupee, Indonesia under Suharto, Indochina during the Vietnam war, and the Philippines and Yugoslavia since World War II), together with praise for some instances of self-reliance (Allende's Chile, Ghana in the 1970s, and North Korea).

Why is this a bad book, as I think it is? Certainly there is no point in pretending that the post-war system, in any of its forms, was designed or has evolved with the particular interests of the peripheral countries in mind. When Keynes at Savannah warned of the curse of politics he was thinking of the Allies, and for the rest he only ever mentioned "international loans and credits for legitimate purposes." The IMF charter, now more honoured in the breach than in the observance, abounds in that peculiarly Anglo-Saxon legal fiction, whereby all countries are treated as equals. But this should deceive no-one: hierarchies and spheres of influence, for better or for worse, have always been the order of the day in international monetary matters. The IMF itself is more of a compere to leading currencies (especially the US dollar, naturally enough) than a substitute for their act. The periphery can only hope to thrive within the system incidentally, as clients, particularly when (as over the period 1967-73) there is competition among leading currencies. Even so it is a serious question whether some of the technicalities of the arrangements (as distinct from the underlying imperialisms) do not mar those moments of grace. In any event it cannot be argued even by its defenders that the system has been **purposively** at pains to incorporate half the world's population of landless peasants and urban poor into the general prosperity. The advocates of self-reliance ought always to be heard, even when the blandishments of the international system are most compelling.

But what Payer fails to appreciate (for all her talk about sacrifice) is that self-relance is not something which can be created according to a formula. It requires a stable national identity or, in orther words, a political settlement. Slaughter and expulsion that can accompany a rapid movement towards self-reliance are no political settlement, though they may be a prologue to it. Oddly enough, where the conditions for self-reliance exist, a lasting place in the international financial sun is also possible. If we take a long enough time-span we find peripheral countries repeatedly tightening and loosening their links to the international system, in cyclical fashion, according to their (sadly lagging) perception of the balance of advantages. Some, like Japan, have at length broken into the charmed circle. But for the sort of intermediate régimes visited by the IMF and discussed by Payer this is not yet possible, essentially for internal reasons: a thin layer of local capitalists and increasingly well-to-do lower middle classes manning the state apparatus have to live by their wits, temporizing with the landless peasants and urban poor when conditions do not allow their exploitation. The national identity shifts its base towards the poor when foreign markets for goods and funds disappoint, and towards the international system when the threatening genie of rising wages for the poor needs to be compressed back into its bottle. There is no abiding 'debt trap', only a long succession of debt repudiations and asset seizures alternating with generous accommodation of foreign capital. The dynamics and the issue of the process are a painful puzzle to all but the doctrinaire.

Payer's book is poor on its own terms too, though to my mind that is by far the lesser failing, Basically an emotional and often eloquent indictment of US operations, it quite fails to clinch the IMF connection (even when World Bank operations are thrown in for good measure). Almost surprisingly, considering the 130 pages over which it is scattered, the evidence against the IMF staff is extremely thin and circumstantial. (Indeed, the book is really about the United States, the World Bank, and the IMF, in that order.) The economics are coarse and I should not wonder if, given time and disappointments, the author, like others before her, were unwittingly to come round to precisely the sort of orthodox rules of thumb which she has incidentally berated here. With better economics, the same sort of published sources, and the same unscholarly vein, I can conceive of much thicker dossiers being compiled against scores of worthy ministries and international bodies, to say nothing further of the IMF. As I have tried to argue above, such compilations do not lay bare the real difficulties of a backward country in international exchange.