need to support middle-class consumption habits is obviously open to criticism. So is the environmental damage done in such a short period, on the edges of Amazonia, the planet's 'lung'. But Brazil has shown that orthodox policies are not the only policies. Import-substitution has regained a certain prestige, and it has been proved that there is an alternative to the IMF's policy of 'accelerated insertion into world trade'. Brazil has yet to embark upon a second stage, which involves the internal transformation of norms of distribution and consumption, but that is a different story.

Even though reduced purchasing-power or import-substitution may have led to a fall in imports,[78] and even though the world recovery or falling prices may have led to increased exports, it remains true to say that adjustment policies are not enough to solve the debt problem. Latin America's overall balance of trade produced a record surplus in 1984 (Mexico and Brazil: $13 billion; Venezuela: $8.5 billion; Argentina: $4.5 billion), but the price was heavy: a recession in the second configuration and slow growth in the third. The surpluses remain roughly equivalent to the interest paid. The commercial tigers of East Asia are still deficit countries, and a twofold threat is hanging over them. Firstly, there is the threat that they will no longer be regarded as 'developing countries' and that they will lose their right to cheap credit. Then there is the threat that protectionist barriers will be used against them. In Latin America, the debt problem remains intact. It may be getting worse for the Asian NICs.[79]

Making the Creditors Pay?

No one would dream of blaming the directors of Electricité de France for borrowing 170 billion francs (i.e. $17 billion; Mexico borrowed $80 billion) in order to acquire a surplus nuclear capacity. The loans were raised in the expectation of industrial growth, but the subsequent crisis, aggravated by the deflationary policies adopted by the governments of the main industrial countries, has proved that the underlying assumption was unfounded. Is not the same thing true of most Third World debts?

There is no denying that some Third World ruling classes did wantonly misuse their credits. It is sometimes said that the owners of wealth in the South showed a lack of civic virtue by placing the private wealth they had acquired in the South in the banks of the North.[80] In 1982, $11 billion were 'recycled backwards' in this way. But this phenomenon has mainly been confined to oil-exporters like Mexico and Venezuela; after all, rent does have its own socio-logic. There is also talk of the voracious appetites of the middle classes, of property speculation, and so on. But it is well known that these factors apply primarily to countries which had a 'monetarist' regime in the seventies – and above all to model 'Newly Deindustrializing Countries' like Chile and Argentina, where the government choked to death a national industry which had been built up by decades of import-substitution.[81]

No, what has to be explained is the dramatic fate of countries which really did play the investment game, gambled on a genuine supply-side policy of import-substitution and export-promotion, and staked their past loans against the 'promise of future work'. Quite apart from the fact that humankind must display solidarity with the least developed countries, we have to ask whether imposing such an intolerable burden of repayments on the countries of peripheral Fordism can ever be justified. We also have to raise the issue of how far new democracies like Argentina and Brazil can be held responsible for the debts that dictators contracted with the blessing of the North.

A number of Third World countries are now in the position in which the French steel industry recently found itself (and the nuclear industry may soon find itself). Some credits were of course squandered, but the main point is that these countries did invest too. They invested in a development model which is highly debatable in social and cultural terms, but the world financial community persuaded, or even forced them, to adopt it. The IMF had been urging them to adopt an export-orientated model for ten years. They therefore brought their internal regimes of accumulation into line with the international logic of peripheral Fordism.

The model is now in crisis, both in internal and external terms. One reason for this is that it appears now there is no outlet for the new investment. When this happens to an individual firm, the remaining flesh is usually stripped off by the receiver and distributed amongst the priority creditors. Alternatively, its debts can be socialized by means of subsidies or injections of credit, or it can be nationalized. This is quite normal in the case of a major firm, and a fortiori an entire branch.

There are of course those who support the first course: 'It is no good saying it is "politically unrealistic"', writes *The Banker*, 'revolutions too are part of the adjustment process. A country can turn itself upside down and kill many of its own people, but it will still have to keep its foreign spending within its revenue if it has no access to loans or grants and no reserves.'[82]

Most of the international financial community probably has a more moderate version of this plan in mind: to negotiate (for a commission) a rescheduling of debt-service, so that as much as possible can be salvaged and reinvested elsewhere (which, in the third configuration, means the USA). The rescheduling policies associated with the Rohatyn and Zombanakis plans do have the merit of avoiding the mindless catastrophism of the monetarist Shylocks, whose stupidity is now widely recognized, but they also have the effect of making the popular masses of the South pay in instalments for the mistakes committed by the governments of the North between 1979 and 1982.

This is in fact more or less what is happening. The Third World is repaying its debts, at a huge price, and it is being given time. But this simply slows down the rate at which its debts accumulate. Is there any alternative? Yes: refuse to pay the whole debt and 'socialize' the banks' losses.

If the debtor countries stand together, they have the ability to enforce such a policy. The argument is rather similar to that of Mutually Assured Destruction. A country which repudiates its debts does of course run the risk of terrible retaliation: assets held abroad can be frozen, it can be refused new credits, and so on. But as Ominami points out, the cost of reimbursement is now almost as high as the cost of repudiation.[83] Conversely, a coalition of several big debtors would have a terrifying weapon at their disposal:

they would survive a blockade, but the banks would not survive repudiation. Banks are now central to the creation of money, and chaos would spread from the South to the North. The 'debtors' club' which began to take shape during the Cartagena Conference of 21-22 June 1984 provides the framework for a general renegotiation, which could include a moratorium and the repudiation of some debts.

Naturally enough, the creditors have seen the danger and have adopted a clever 'divide and rule' policy. On 7 September 1984, the IMF and Mexico signed an agreement spreading debts which fell due between 1985 and 1991 over a period of fourteen years. Those falling due between 1982 and 1984 were to be spread over a twelve-year period. In exchange, Mexico made itself a ward of the IMF. But within a matter of months, the IMF was already objecting to the policies Mexico had implemented. It was not possible to extend the agreement to other debtor countries. The question of overall renegotiation remains unresolved.

What arguments can the debtors put forward? The legal arguments themselves are far from negligible. Many countries agree in their common law that the creditors and those who sell on credit have to take some responsibility.[84] At the international level, Kniper points out that there are precedents and even cites the argument Sack put forward in 1927: 'If a despotic power contracts a debt which does not serve the needs or interests of the State, but which strengthens its rule or helps it to oppress a rebellious population, that debt is a bad debt as far as the whole population of the State is concerned. This debt places the nation under no obligation. It is the regime's debt, a private debt, and when the regime falls, it is cancelled.'[85]

Such jurisprudence is particularly applicable to the arms bills run up by dictatorships which have subsequently collapsed. Given the present climate of liberalism and supply-side policies, it might even encourage the internal bourgeoisies to overthrow more dictatorships!

But there is also an overwhelming economic argument, which is clearly set out by Frank and Jedlicki.[86] If the South did in fact reimburse its debts, it would be a terrible deflationary blow to the North. Assuming a hypothetical debt of \$600 billion,[87] and given the present state of the South's trade deficit, Jedlicki shows that with an interest rate of 10 per cent and repayments spread over ten years, the South would have to generate an annual trade surplus of $128 billion. That is equivalent to America's deficit for 1984. Then there is the possibility that the USA might one day decide to balance its accounts ... or (horror of horrors!) to repay its own debts.

Elsenhans is quite right to point out that the world economy is undergoing a crisis of under-consumption, or a Keynesian-style crisis, and that demand from the popular masses of the South is inadequate.[88] Peripheral Fordism has failed to become a world Fordism. We have, however, already seen that this is not the root cause of the crisis in the centre. The first configuration of the seventies offset the Keynesian component of the crisis in the centre, and under social-democratic crisis management, growth was restricted by the fall in profitability. The simultaneous impact of 'competitive stagnation' policies (which Coussy aptly describes as a 'composition fallacy'[89]) and of America's monetarist policies did, however, force the world into a configuration characterized by a Keynesian-style 'deficit in growth'.

When a similar situation arose in the thirties, the Great Powers simply ignored the war reparations owed by Germany and forgot about Russian Bonds. The world financial system did not collapse. It was the small rentiers (many of them French) who suffered by losing their nesteggs. But how, in an epoch of pure credit-money, can the hole in the accounts of the big banks be filled? The unprecedented rise in interest rates suggests that Keynes's vision of 'the euthenasia of the rentier' is more remote than ever.

On the contrary, rentier capital is acquiring a 'historically unprecedented oppressive power'. Chesnais sees this as confirmation of Marx's ironic comments: 'If we depreciated credit-money (to say nothing of taking away its monetary properties, but that is only an imaginary possibility), all existing relations would be revolutionized. The value of commodities is therefore sacrificed to preserve the mythical and autonomous existence of a value incarnated by money. Being a monetary value, it is only safe so long as money is safe. And so, to save a few millions, many millions of commodities are sacrificed. This phenomenon is inevitable in the capitalist system of production, and it is one the system's

beauties.'[90] No doubt Third World producers who sell their products cheaply to pay their debts are the first to appreciate its beauty.

But matters are more complex than this. The rise in interest rates also incorporates the devalorization of debts that cannot be recovered. This is one way of socializing the destruction of values-in-process in a monopolistic mode of regulation which operates with pure credit-money.[91] In other words, those who pay their debts pay dearly, but others do not pay their debts at all. The European banks, and especially the French nationalized banks,[92] have already written off their assets in Poland and other debtor countries. Increasingly, US banks are being forced to follow suit because of the regulations pertaining to 'non-performing' loans.[93] A market in bad debts has developed,[94] and this has similar effects on the banks' assets. The devalorization of credit-money pledged against a bankrupt logic of accumulation is already being socialized on a world scale. It would be better to organize the process by bailing out the bankrupt economies and allowing them, if possible, to adopt a new regime.

One solution which would prevent the banks from going bankrupt and which would not impair their ability to lend would be a compensation fund drawn from taxation in the developed capitalist countries. There is an economic rationale for such a generous initiative, but its political credibility is to say the least doubtful. The obvious point of reference is the Marshall Plan. In the course of four successive years, the USA transferred 1 per cent of its GDP to Europe, most of it in the form of gifts. If the OECD applied the same policy to the South, it would release $400 billion, and that would cover more than half the South's debts.[95] A tax of 1 per cent is not a lot to pay for such a result, but public opinion is far from convinced that such is the case.

Given the present impasse, the most reasonable solution is to go on as usual, to pseudovalidate and to monetize debts in the hope that many of the most unwise investments will eventually find an outlet, and that the devalorization of the rest will be absorbed by a slight rise in world inflation. In concrete terms, this could happen in several ways.

1) The Fed's monetarist policies could be relaxed. At the

moment (end of 1985), they mean that credit flows towards the country that needs them least: the United States.

2) Another powerful and therefore credible credit pole could be created alongside Japan. It could then grant cheap or interest-free loans to the Third World, as happened in the seventies. One immediately thinks of Europe's ECU, but it is difficult to see how Europe would accept to create a currency that would immediately fall against the dollar or the yen. If Europe was to gain anything from this, the currency in question should be convertible only against EEC products or against those of an ad hoc EEC–Third World partnership. At the moment, such a partnership seems politically unlikely.

3) The least utopian solution would be to distribute a new international credit-money to Third World countries free of charge (their bad debts would first have to be written off, and the amount distributed would be determined by their needs and legitimate debts). This could, for instance, take the form of Special Drawing Rights. The IMF is gradually coming round to this position by 'arguing discretely for an all-round liquidity increase'.[96] At the same time, it is asking the biggest debtors to make the sharpest adjustments (and this still works to the detriment of the home market). This is a highly contradictory position. In the absence of a vigorous upturn in world demand, an export-orientated adjustment will simply intensify the NICs structural profile that led to the crisis of 1981-82. Wiping out the deficit caused by the monetarist shock (by the monetization of debts) would be meaningful only if it did not reproduce the earlier model, if, that is, it provides the NICs with the opportunity to adopt a development model which is less tied to the dying convulsions of central Fordism, which is geared to making more sparing use of imported goods, to forms of production which make greater use of local resources and to a regime of accumulation that is less dependent upon the vagaries of foreign markets. But all this presupposes both changes in the international economic order and internal social transformations that go far beyond the monetary level.

Conclusion

'The sequence of traditional forms of dependency tends now to be further complicated by a return to old forms of dependency. If we wish to evaluate the degree to which a Third World country is dependent, we now have to study it over a longer period than before and we have to be careful not to see belated manifestations of dependency as indications of non-dependency.'[97] Coussy's judicious comments should not be taken as an invitation to revive the dogma of the 'dialectic' of dependency. We must not make the same mistake as the hero of *The Name of the Rose*, who thought that the Beast would commit its next murder in the stables because the curses of the Apocalypse suggested that the next crime would have something to do with the Horse.

The financial crisis in peripheral Fordism is not the unavoidable materialization of a destiny that has been written in the stars ever since the establishment of the old division of labour. In the seventies, that division was really challenged by a conjuncture determined by the desires of concrete social groups. The new configuration therefore took different modalities in different areas in what had once been the periphery. The changes in the world configuration which have brought peripheral Fordism to crisis were at least to some extent themselves the result of readily identifiable policies, and it cannot be said that they were particularly profitable, even for the ruling classes in the dominant countries.

The historian, and the economist turned historian, are quite justified in stating their findings, even if they are valid only in the short term. They may find that certain countries are financially dependent. But their findings relate to results, and not to immanent causes. It is by analysing immediate causes that nations and social groups learn why they are trapped and how to free themselves. But they will not all find that conditions are always in their favour.