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Book Review

FREEDOM FROM DEBT

Jacques B. Gelinas
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The book by Jacques B Gelinas presents a realistic view of the donor driven development process in underdeveloped countries. Gelinas portrays the introduction and operating processes of foreign aid as well as their downplaying role on domestic savings of the recipient countries and how it has added to over indebtedness of these countries. He tried to trace the roots of autonomous development and argued that self financing and not external financing is the key to all preliminary economic start up.

Twelve chapters make up the book. The first six chapters examine the precondition and gives an account of development through aid. In the rest six, the author gave emphasis on domestic savings as the more fruitful measure to attain economic self sufficiency. The preface illustrates a sequence of activities that helped shaping such a comprehensive work.

The introductory chapter gives a clear idea about the world situation after World War II and the emergence of aid industry thereafter. After World War II, USA came up to be the dominant country to influence the ex-colonies of Europe. The then USSR was also nat for behind as the division between the capitalist and communist blocs became sharply exposed. Through development and military aid, these two nations tried to dominate over the weaker countries. The terms of trade, dictated by the developed countries through various international forums and agreements continued to deteriorate unfavourably for under-developed countries. So, aid became a part of the problem and not the solution for development needs (Sobhan, 1996)

Chapter 2 discusses the role of the economists of the developed world. By their opinion, Third World Countries didn't have the capital to invest and had to take it from the developed ones and repay in raw materials they produced using this money. They simply ignored the fact that export of finished goods could earn more money. This traces the idea of never ending cycle of foreign aid as described in chapter 3. Debt strips all domestic savings to repay the loan and interest. Why does IMF and World Bank make credit available to pay the interest on previous loans and increasing debt even further. It's a two edged sword which cuts through knots that can't be un-done by any other agency but at the same time is capable of inflicting serious damage on the poor people that it aims to help (Massy, 1987).

It is has been argued in chapter 4, that some world economic structures like the World Bank and IMF have allowed and encouraged debt-financed development. In the name of restructuring they have advised to cut down budget from non-productive social services as education, health and housing, which result in increasing women's workload at home. These institutions allow free trade only when the developed countries derive benefit out of it. According to Krauss, this trend toward trade liberalization barriers to trade violates the intent of GATT (Krauss,1979) as they imposed high tariff on textile and clothing. This ultimately influences all major decisions and politics of the recipient country.

A new term is introduced in Chapter 5, 'Aidocracy' - which has given birth to a state bourgeoisie i.e. Third World elites concentrating fabulous wealth by practising corruption and embezzlement. This money is usually saved in foreign banks and is released again as aid money is usually saved in foreign banks and is released again as aid adding to that very sum already loaned. This imprisons the political life of recipient state as political leadership and bureaucracy becomes subordinated to the ideological agendas of the donors (Sobhan, 1996).

Chapter 6 describes aid deadlock. Third World's current debt is US$ 2200 billion. (Umar,1999) which is officially recognized as unrepayable and therefore everlasting. Simultaneously, a state of dependence and technological and financial impotence has grown up. So, massive influx of foreign aid and technology has modernized poverty only. The degree of freedom within which developing countries can implement policies depend upon the degree to which the country depends on foreign trade, since substantial dependence might make compensatory policies difficult (Balogh, 1973), thus creating a gap between elites and civil society. Later in Chapter 7, the author highlighted on capitalization of the LDCs through domestic savings and endogenous capital formation through the investment and reinvestment of profits which enhance these savings. But in the absence of effective encouragement and adequate financial structures, savings remain a negligible and neglected sector of capitalization. Needless to say domestic savings foster the integration of financial and economic networks within a country allows harmonious and regular self-sustained growth.

The author devotes Chapter 8 in explaining as to why the savings are unrecognized and underrated. As Adam Smith pointed out savings exist in abundance in under-developed countries, which are not necessarily reinvested. They are sometimes channelled abroad by debt repayment. Only informal sector remains available for productive investment, where capital accumulation is based on solidarity and cooperation and thus constituting a true economic network.

Gelinas gave an account of wide variety of contemporary instruments for mobilising local savings from the remotest reaches of the informal economy of the grassroots level in Chapter 9. Since the official banking sector failed to secure national savings and creating financial markets, the micro finance institutions are instead, showing that the poor have saving sense, do save and are reliable borrowers. Some of them are ROSCA of Mozambique, Mobile bankers of Ivory Coast, Grameen Bank in Bangladesh, Village Bank of Latin America, etc. The common success factors of these institutions are ; respecting communities saving habits, integration of savings and credit and efficient return of savings.

In Chapter 10, the author tried to trace the importance of food as a productive investment. Food surpluses are the universal base for all other economic, technological and social accumulations. China and Taiwan's success is based on agriculture and household savings. Food crops enable to generate a surplus for investment. But, it should be kept in mind, that, relatively prosperous "surplus farmers" who are not sellers of foodgrains in the market would gain as the terms of trade move in favour of agriculture. But agricultural labourers, marginal and small 'deficit farmers', who are not buyers from the market, would tend to lose, thus destroying the livelihood of many more people in the rural economy. (Singh and Hamid, 1993).

In Chapter 11, the writer questions the position of lending. Institutions now preach that there can be no development without democracy. But the author asserts there can be no democratization without development. Only peoples' development bear democratic values and it begins at the grassroots level with the pooling of local resources. The first democrats in a society are the people who decide to combine their efforts and assets, great or small to improve their lot. Thus through savings and productive investment, the people acquire economic power - the only real power. Although there is some opinion that in rich countries the politics and the economics of the farm sector run in the same direction. In a poor country with a democratic political system, the two tendencies normally diverge (Varshney, 1995).

The author describes his perspective of writing this book in the last chapter. According to him, the goal of development is the stratification of vital needs. It is also possible to live in harmony with one's environment and being open to the World. But, liberal economics is letting the strongest to enjoy benefits over the poorer. And to overcome this deadlock, a self development based on local savings and community resources is very much essential. Freedom from debt bondage is also a necessary step towards human emancipation, just like the abolition of slavery or decolonization in other cases. And this freedom starts with the discipline of self financing.

Surprisingly, some demerits could be placed against the book. The debt figures of different poor countries is provided by the author in a structured format, but he fails to give any idea on the debt of USA or Russia. USA is the greatest debtor of the world today. (Business Week, 1999). It appears that the main draw back of the book is the half heartedness of the author, which reveals that he was not necessarily always neutral why data or information of any 'true development' facilitated by aid has been grossly excluded in this book. It would have been appropriate for the author not to write the topic in a personalizing format. Moreover, the ways to overcome the debt, as enumerated by the author, seemed very sketchy.

The author outlined the history and present situation of foreign aid in the poorer countries of the world. He did a commendable job by presenting some instances of misdeeds of some world famous monetary institutions. Having built a conceptual framework, he then analyzed the effects of these actions in a realistic way. While, his effort to bring some events in a single chain of interest could be highly praised, I felt that the book would have been for better, if it could have included more opinions of economists. Other than that, the book is lucid and well written. It is also well documented and referenced along with a meaningful cover. People could use the book as a guideline for more works on the subject. The book is as recommended reading for people interested on issues of development, aid, world trade and global politics.

Shah Mohammad Mahboob
Participant 23rd Foundation
Training Course, BPATC
Savar, Dhaka.

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