

MORAL IMPERATIVES FOR ADDRESSING STRUCTURAL ADJUSTMENT AND ECONOMIC REFORM MEASURES

by the Religious Working Group on the World Bank & the IMF

(Individual or institutional endorsements of and reflections on this statement are welcome and may be sent to the Religious Working Group on the WB/IMF, P.O. Box 29132, Washington D.C. 20017.)

Economic decisions—by individuals, institutions and governments—involve moral choices and are subject to moral accountability. We recognize that it is a challenging task to apply moral values to one's institutional responsibilities. Yet our faith traditions insist that public policies be shaped and evaluated according to the standards of God's love and mandate of justice.

In the early 1980s many nations in the global South faced financial crisis. While there were many reasons why this situation developed, the immediate cause was unpayable debt service, precipitated by tight money policies in the rich countries that drastically hiked international interest rates. Much of the original debt was incurred in the 1970s by largely undemocratic governments through questionable lending practices by Northern banks. People living in poverty did not benefit from many of these loans, yet they bear the burden of repayment. In addition, they live with the effects of far-reaching economic policy changes required of countries to qualify for debt restructuring, new loans and foreign investment.

Termed “structural adjustment” and “economic reform,” these policies have sought to control inflation and stimulate growth. They include devaluing the national currency; raising interest rates and decreasing the availability of credit; reducing government spending—usually resulting in deep cuts in social programs and subsidies; lowering tariffs and liberalizing trade; and selling state-owned enterprises. Agricultural and industrial production is shifted from food staples and basic goods for domestic use to commodities for export. Adjustment prescriptions have been designed by international institutions led by rich nations and implemented by debtor governments without popular debate or civil society participation.

Adjustment has profound consequences for people in the global South and their natural environments. We hear from brothers and sisters around the world that conditions for many people living in poverty and suffering under injustice and discrimination have worsened as the result of these measures.

We recognize that some kind of economic reform is often necessary and that environmentally responsible growth is important for impoverished countries. But it is morally unacceptable that people who struggle barely to survive are carrying the burden of these policies on the assumption that the benefits may eventually “trickle down.” Means as well as ends must be just. In addition, some evidence suggests that the long-term results of current adjustment policies may be the consignment of millions of people to permanent deprivation. We urge international financial institutions and governments to seek new approaches, which involve greater openness and flexibility, foster broader civil society participation, protect the environment and encourage more equitable distribution of economic power and resources within and among nations.

We write as people of faith in the United States. In listening to our Southern colleagues and reflecting on our faith traditions, we have put forth a set of moral criteria applicable to the design and evaluation of economic reforms. We offer these principles as a basis for dialogue, conscious that as individuals and religious institutions we, too, need to make new efforts to embrace more fully the values we articulate.

The values we affirm here are not new. They are rooted in our Scriptures and have been expressed repeatedly in our churches' public statements on social, economic and environmental justice. While this statement is explicit about our underlying theological convictions derived from the Christian tradition, we understand that other religious faiths and widely accepted moral beliefs embrace similar values. Each section of this statement presents a biblical/theological affirmation, applies this as a moral standard to economic reform measures and summarizes

what we have seen and heard about the current reality.

1. All of life exists within the sphere of God's care and judgment. Individuals, institutions, business enterprises and governments are objects of God's concern and subject to moral accountability. This includes the economic realm. There are no economic "laws" that can place policy decisions beyond moral scrutiny. Economic actors and policymakers are morally accountable for their choices and their effects, intended or otherwise, on people and all of God's creation. Since "the earth is God's," its resources must be employed in a sustainable manner for the benefit of all, not just a privileged minority.

Therefore: To be just, economic reform measures must contribute to a social framework in which property ownership and use, productive activity and commerce occur at a level and in a manner suitable for meeting the basic needs of all, serving the common good, alleviating poverty and preserving the natural environment.

In practice, we have seen and heard that economic adjustment measures have made it more difficult for many people to meet their basic needs and often result in environmental damage. We observe that policies supported by appeals to inevitability, efficiency and aggregate growth often have had the effect of serving the interests of the wealthy and powerful at the expense of ordinary people. International institutions, governments and private corporations frequently focus on their short-term institutional benefit, failing to adequately serve the common good.

2. Human beings are created in the image of God. All persons—male and female—are created in the divine image, loved by God and equal in worth, dignity and fundamental rights. Bearing the divine image, everyone has the right and responsibility to participate meaningfully in the political, social and economic decisions that shape their society. In harmony with all creation, all people are entitled to an equitable share in the fruits of the earth. The economy exists for people, not people for the economy.

Therefore: To be just, economic reform measures must respect and enhance human dignity and gender equity. They must be flexibly designed and implemented with the consent of the people expressed through authentically participatory and democratic processes. Reforms must be held accountable to international human rights standards and treaties.

In practice, we have seen and heard that the nature and pace of adjustment measures generally have been determined without public debate or civil society participation. We observe that, as a result, some persons who enjoy political, social and economic privileges benefit from these policies, while many of those who lack such privileges are compelled to carry the principal burden of adjustment, having to cope on a daily basis with its negative consequences. We see and hear that adjustment has too often contributed to the weakening of human rights, for example, by placing additional burdens disproportionately on women, who often must increase their unpaid and paid labor in order to make up for the loss of government services and family income.

3. Human beings are persons-in-community, intended to live in relationships of human solidarity according to the norms of love and justice. All people are created and called to love God and neighbor—across the divisions of ethnicity, class and nation. Justice is love distributed and requires that everyone have access to sufficient resources to live in dignity, meet their family's needs and fully participate in the shared life of their community. Great extremes in the distribution of income and wealth must be avoided. Our relationship with God and one another is violated when some people have much more than they need while many others lack the basic necessities.

Therefore: To be just, economic reform measures must promote a more equitable distribution of power and wealth within and among nations. Reform must foster solidarity and justice among people locally, regionally and internationally, reduce economic and social inequality, and support and strengthen local communities and cooperative development processes.

In practice, we have seen and heard that economic adjustment has often resulted in greater unemployment, decreasing wages and deteriorating working conditions for many, while increasing the wealth of some. We observe that the pattern of wealth distribution in the global, national and local economies is generally becoming more skewed, and that reforms have not addressed this injustice. We have seen and heard that this accelerating inequality has weakened families and communities.

4. God is redeemer and liberator, calling us to a special concern for people living in poverty and oppression. The work of God involves lifting up and empowering people living in poverty and the redemption of human beings from every kind of oppression—personal and social. According to Christ's teaching in Matthew 25, nations and people will be judged on the basis of how they treat the hungry, homeless, and most vulnerable members of society. Public policies, laws and economic relationships that we create can become instruments of emancipation by giving preference to the dignity of those who labor, human rights, gender equity and sustaining the earth, above the interests of capital.

Therefore: To be just, economic reform measures must make poverty eradication the priority for every phase of reform. Reform must not increase the burden on the poorest members of society, but should maximize benefits and minimize costs for all categories of people living in poverty. It must ensure that people struggling to overcome poverty have access to productive assets, benefit from public and private investment and are served by the generation of sustainable livelihoods. Reform must recognize the role of the state and other forces of society to appropriately control the market and provide a social safety net.

In practice, we have seen and heard that even when macroeconomic indicators suggest improvement in a country's economy, people living in poverty frequently experience increasing insecurity and see insufficiency deepen into misery. For example, a country's overall agricultural sector can be growing because of exports by commercial farms, even as small farmers lose the ability to make a simple living. We observe that adjustment measures have often resulted in dramatic decreases in social spending, recent attempts to mitigate social damage notwithstanding. We see that the unpaid work of women—often made more burdensome by structural adjustment—is not even included in official economic indicators. We observe that reforms often have created a climate in which labor rights are difficult to exercise and where people in poverty must compete with each other for their means of survival.

5. Creation is an expression of the goodness of the Creator and is endowed with dignity and value. Human beings are called to live in mutually sustaining relationships with each other and with all creation. Human activity should enhance, not destroy the beauty, diversity and richness of all life. The unsustainable use of increasing portions of the earth's resources deprives people and all God's creatures of what the Creator has provided: enough for all. In response to God's work of reconciling all things in Christ, human beings are called to repentance for abusing the earth and to the restoration of their broken relationships with all creation.

Therefore: To be just, economic reform measures must promote sustainable development. Reforms must be designed to improve the quality of human life, preserve the natural environment, respect all creatures and ensure the ability of future generations to meet their own spiritual and material needs.

In practice, we have seen and heard that economic reform measures too often have had the effect of accelerating soil degradation, water pollution, watershed disruption, the destruction of critical habitat and the loss of other renewable and nonrenewable natural resources. We see that reform has often weakened governments' ability to protect the environment. We observe that the need for growth in impoverished countries must be balanced by world-wide efforts to end environmentally unsustainable production and consumption, especially in the industrialized countries.

6. Sin is social and institutional, as well as personal. Social sin is present where there are growing economic disparities, increasing concentrations of economic power, and accelerating environmental abuse. Only God is ultimate. It is a form of idolatry when any given economic model or system is viewed as complete or fully adequate.

Therefore: To be just, economic reform measures must not be rigidly based on any one economic model. They should be flexibly adapted to specific social, economic and environmental contexts and open to innovative designs responsive to popular and democratic needs and initiatives.

In practice, we have seen and heard much skepticism from people living in and struggling to overcome poverty concerning the current economic model that emphasizes minimal government, “trickle down” and global integration. We observe that adjustment measures based on this model have not adequately taken into account individual countries’ particular sets of needs and circumstances or to the social and environmental consequences of such reforms.

7. All humanity is called to forgiveness, reconciliation and jubilee. The biblical witness mandates just and equitable commercial relationships, selfless help to those in need and the cancellation of oppressive debts that keep people locked in poverty. It calls for the restoration of land and livelihood to the dispossessed. Jesus taught that God will treat our debts in light of our treatment of others’ debts to us. The crushing international debt burden unjustly carried by millions of people living in impoverished countries cries out for justice.

Therefore: To be just, economic reform measures must be accompanied by a definitive cancellation of the crushing international debt of poor countries. Debt relief must not be rigidly conditioned on adjustment that further burdens people living in poverty, and it must be implemented in ways that primarily benefit the ordinary people who have borne the major burden of their countries’ indebtedness.

In practice, we have seen and heard that entire economies are reshaped by the conditions placed on debt restructuring and new loans. While international creditors have now acknowledged that unsustainable debt burdens should be relieved, current strategies have set mere “debt sustainability” as their stated goal. Even if this approach is successful, people living in poverty will be left perpetually repaying resource-draining debts. We observe that the real goal of debt relief and economic reform must be socially and environmentally sustainable development within the framework of just and equitable global relationships.

A short list of church statements on social and economic justice:

AMERICAN BAPTIST CHURCH: Resolution on Economic Justice for the United States, 1992. **CATHOLIC:** John XXIII, *Pacem in Terris* (Peace on Earth), 1963; Paul VI, *Populorum Progressio* (On the Development of Peoples), 1967; John Paul II, *On Social Concern*, 1987; *Peace With God the Creator, Peace with all of Creation*, 1990; *Centesimus Annus*, 1991; *Tertio Millenio Adveniente*, 1994; U.S. Catholic Bishops, *Economic Justice for All*, 1986; *A Decade After Economic Justice for All*, 1995; *A Catholic Framework for Economic Life*, 1996; U.S. Catholic Conference, *Relieving Third World Debt*, 1989; *Jesuit Provincials of Latin America, Neoliberalism in Latin America*, 1996. **EVANGELICAL LUTHERAN CHURCH IN AMERICA:** *Economic Justice: Stewardship of Creation in Human Community*, 1980; *For Peace in God’s World*, 1995. **MENNONITE:** Mennonite Central Committee, *Response to the International Debt Crises*, 1991. **PRESBYTERIAN CHURCH (USA):** *Christian Faith and Economic Justice*, 1984; *Hope for a Global Future: Toward a Just and Sustainable Human Development*, PCUSA, 1996. **UNITED CHURCH OF CHRIST:** *A Pronouncement on Christian Faith: Economic Life and Justice*, 1989. **UNITED METHODIST CHURCH:** *Resolutions on Environmental Stewardship*, 1984; *on Economic Justice*, 1988; *on the Global Debt Crisis*, 1988; *A Call for Increased Commitment to End World Hunger and Poverty*, 1992.