A good bit of the positive economic numbers announced over the last two decades by major Western governments, their central banks, and the International Monetary Fund (IMF) rest on a sort of “economic cleansing.” I use this term to describe measures and indicators that fail to gauge losses, whether intentionally or not, such as the purposeful construction of measures that do away with the negatives. Here I use the term to examine complex conditions in the Global South since the 1980s that are commonly narrated and evaluated in ways that avoid the fact of a profound failure in much of standard economic thinking and policy “for” poor countries.

The Global North has its own version of this process that makes the argument perhaps simpler to understand. Examples of economic cleansing are the long-term unemployed who at some point simply cease to be counted, the failed small businesses whose owners give up and often commit suicide, the impoverished neighborhood sub-economies that cannot compete with franchises, the poverty-stricken middle-class citizens who may still be living in their modest neat homes but keep losing ground, the young who have given up on finding employment, and more.

All these have been expelled from the statistical and rhetorical space of “the” economy: this is economic cleansing. I intend this term to resonate with the more familiar and horrifying ethnic cleansing; I mean it to capture a brutal action and condition, even if it is a small
share of these economies. The effect is to redefine “the economy” so it looks as though there is growth and we are on the right track or on our way to recovery.

We might ask: who benefits from this economic cleansing? Not those who have been expelled, as these are rendered invisible to the statistical eye. But it does make a difference to financiers and investors who want capital owners to invest and to make their capital work and therewith deliver profits—which is easier if the economy is “healthy.” And it did matter for Global South governments because they kept paying rising interest on their debt, as if that could make their economies grow.

These issues are plain to see in the short and brutal history that emerged in the 1980s, especially in sub-Saharan Africa and several Latin American countries. More recently we see similar patterns in countries such as Cambodia, Vietnam, Laos, and now Myanmar. I organize the evidence in terms of two questions. First, were the IMF and World Bank projects in these nations about development or about facilitating economies of extraction? In the latter I include mining, plantation agriculture, and replacing local consumer industries with imports of multinationals from the Global North, which had the effect of devastating local industry and consumer sectors. The context matters: in many of these countries, mass manufacturing and local entrepreneurship had begun to take hold, enabled in good measure by the fact that Global North firms had been busy exporting to European nations in need of massive reconstruction after World War II.

The second question concerns the ambiguity of debt repayment “discipline,” which is similar to the language of “austerity” that arose in the Global North after the 2008 crisis (Sassen 2014, Chap. 1). Here my concern is that the failure of the IMF and World Bank programs was camouflaged in a moral language of duty. Today’s “austerity” programs in the Global North are yet another version of a policy that cannot work. In both of these programs, the failure of standard corporate and banking logics was buried and the burden of failure shifted to program countries.
DEVELOPMENT OR LOGICS OF EXTRACTION?

I conceive of the implementation of the IMF and World Bank “restructuring programs” that took off in the 1980s and partly continue today as the implementation of an economy of extraction. These programs were presented as instruments for the development of economies, societies, and governments in the Global South (Sassen 2014, Chap. 1). Instead, they had the effect of “reconditioning” the terrain of these countries into a source of profits for outside actors, including explicitly criminal ones (e.g., people trafficking in the sex industry). In short, extraction was the overall outcome of the so-called restructuring programs.

Analyses of these programs tend to focus on the technical instruments and innovations and all the good they could bring about. There has been insufficient evaluation of the actual effects and consequences of these programs. The knowledge space about them stops short of including their extraordinary failures and their terrible destructions of local and national economies. There has been a sort of camouflaging of the fact that they did not achieve what they were supposedly meant to achieve. Instead, the blame for the economic destruction and unmanageable government debt was put largely on program countries. Official reports by the IMF and the World Bank, beginning in the 1980s, did not tell us this until it all became brutally evident in the 2000s, which led to crisis responses, notably the Heavily Indebted Poor Countries Initiative, known as HIPC (IMF 2015a,b; Jubilee Debt Campaign UK 2013a,b; IAEG 2009; UN Statistics Division 2015). This made the flaws of the programs visible to the world even though the language describing them was ambiguous as to who or what was at fault—the original design of the IMF and World Bank restructuring programs or the program countries.

Concretely, even though an upper-middle class has emerged in numerous poor countries subjected to this regime, many now have a larger share of their populations in desperate poverty. Most of the populations in these countries are less likely today to enter the capitalist consumption circuit than they were 20 years ago, let alone the
entrepreneurial and manufacturing circuits. A fact too often overlooked is that in the 1960s, many sub-Saharan and Latin American countries had functioning health and education systems and economies with expanding local manufacturing sectors. In many ways, there was less extreme destitution than today—manufacturing jobs were growing, local small entrepreneurship was growing, and every rural household had at least a plot of land where it could grow some food. Much of this was lost after the 1980s. The losses for the poor have become sharper alongside the growth of a rich middle class, the former being mostly invisible, while the latter is very visible—further adding to the notion that something good is happening.

Systemically, governments have been weakened and corrupted by this debt regime and by the pressure to open their economies to all foreign firms; even “resource-rich poor countries” have seen more of their poor population become completely destitute as their elites become richer. The dominant dynamic at work for these populations is, to a good extent, the opposite of the Keynesian period’s valuing of people as workers and as consumers. This (admittedly narrow) valuing of people as consumers and as workers was not given much of a chance when resource extraction and land grabs expanded in the 1980s and onwards, increasingly displacing small holders (Anseeuw et al. 2012). Further, local commercial and manufacturing enterprises that took off in much of Latin America in the 1950s and in Africa in the 1970s were basically destroyed by the post-1980s neoliberal push to open markets worldwide to large corporations from the Global North (UNCTAD 2015; UN Statistics Division 2015; Sassen 2008, 2013).

The presence of a very rich elite and a rather rich upper-middle class in a number of these countries helps to camouflage the deep socioeconomic failure at the heart of countries such as Nigeria and South Africa, Uganda and Kenya, Colombia and Venezuela, all of which could have developed more evenly to enable prosperous working and middle classes. The final nail in the coffin of transparency is that standard measures of economic growth worked in regard to the growth of broad middle sectors. Absent this middle, those mea-
sures often fail to convey clearly that “developing” mining and plantation agriculture brings very skewed and destructive growth even if it shows growth when measured as GDP per capita; they also veil the negative aspects, including the abuse of land and water resources.

A major critical issue for a proper positioning of “development” programs, though rarely if ever brought up, is the radical difference between the “help” given to Global South countries by rich nations and the manner in which Europe was helped after World War II; this difference also holds for Central and East European countries after the fall of communism. For much of the 1980s and onwards, indebted poor countries were asked to pay a share of their export earnings toward debt service. This share tended to hover around 20 percent, which is far higher than that asked in other cases of country indebtedness. For instance, in 1953, the Allies cancelled 80 percent of Germany’s war debt and only insisted on 3 percent to 5 percent of export earnings for debt service. They asked only 8 percent from Central European countries in the 1990s after communism fell. In comparison, the debt service burdens on today’s poor countries have accumulated to enormous levels over the decades because they simply could not be paid off. This signals that the aims regarding Germany were its reincorporation as an equal into the capitalist world economy of the time; similarly, even if less supportive, the aim was the incorporation of Central Europe into today’s advanced capitalism (Sassen 2014, Chap. 1).

In contrast to Germany and Central Europe, the aim vis-à-vis the Global South countries in the 1980s and 1990s was more akin to a disciplining regime that opened up these countries to extractions of all sorts—major global corporations got into mining, consumer markets, communications, and land and water grabs. In serving the interests of those international corporations (and, increasingly, foreign governments), these programs destroyed local economies and local entrepreneurs and undermined states. In this process, governing elites have become increasingly predatory: they grab rather than make or develop.
DEBT AS A DISCIPLINING REGIME OR FAILURE DRESSED AS MORALITY?

After 20 years of this regime, its failure to deliver the basic components for healthy development became clear. The discipline of debt-service payments had been given strong priority even if it meant neglecting infrastructure, hospitals, schools, and other people-oriented development goals. The primacy of this extractive logic became a mechanism for systemic transformation that went well beyond debt-service payment—the devastation of large sectors of traditional economies, including small-scale manufacturing; the destruction of a good part of the national bourgeoisie and petty bourgeoisie; the sharp impoverishment of the urban population; and the impoverishment, and thereby corruptibility, of the state. One outcome was the start of new international migrations (Ratha et al. 2015).

This was failure on a massive scale, generated by a global corporate logic considered desirable and necessary and never nailed down as destructive of “other” governments and “other” economies.

The specific failure that concerns me here is how this gradual destruction of traditional economies prepared the ground, literally, for some of the new predatory practices of advanced capitalism. Notable here are the acquisitions by about 15 governments and about a hundred corporations of vast stretches of land—for agriculture, for accessing underground water tables, and for mining (Sassen 2014, Chap. 2; von Braun and Meinzen-Dick 2009; Molnar et al. 2011; Putzel et al. 2011; Land Matrix 2014; Brautigam and Xiaoyang 2011). It is precisely at a time of extreme financialization and systemic crisis that we see a growing demand for such material resources as well as their ascendance and visibility.

I find that this needs to be marked as a distinctive epoch in both its reality at ground level—the demand for land of all types for all sorts of projects and reasons—and its larger implications for those who lose their land plots and are forced to go in search of new survival options. I see this combination of elements as a brutal wake-up call. One implication, which I have developed elsewhere, is whether
the language of migration is enough to capture the multisite scale-up of the displacement of whole village economies. Today’s migrants are mostly displaced people—there is no home to go back to (Sassen 2016; also 2014, Chap. 2).

Debt and debt-servicing problems have long been a systemic feature of the developing world. Even before the economic crises of the mid-1990s, which hit a vast number of countries as they implemented neoliberal policies, the debt of poor countries in the South had grown from US $507 billion in 1980 to US $1.4 trillion in 1992; debt service payments alone had increased to US $1.6 trillion, a value higher than the actual debt (IMF 2015a,b,c,d; World Bank 2005, 2015; Jubilee Debt Campaign UK 2007, 2013a,b).

From 1982 to 1998, indebted countries were forced to pay four times their original debts. Mere servicing of debt, in combination with declining values of their currencies on the international market, meant that in this period their debt stocks increased fourfold. These countries had to use a significant share of their (mostly meager) total revenues to service their debts. For instance, Africa’s payments reached US $5 billion in 1998, which means that for every $1 in loans, African countries paid $1.40 in debt service in 1998. Debt to gross national product ratios were especially high in Africa, where they stood at 123 percent in the late 1990s, compared with 42 percent in Latin America and 28 percent in Asia. By 2003, debt service as a share of exports only (not overall government revenue) ranged from extremely high levels for Zambia (29.6 percent) and Mauritania (27.7 percent) to significantly lowered levels compared with the 1990s for Uganda (down from 19.8 percent in 1995 to 7.1 percent in 2003) and Mozambique (down from 34.5 percent in 1995 to 6.9 percent in 2003). As of 2006, the poorest 49 countries (i.e., “low-income countries” with less than US $935 per capita annual income) had debts of US $375 billion. If to these 49 poor countries we add the “developing countries,” we have a total of 144 countries, with debt of over US $2.9 trillion, that paid $573 billion to service debt in 2006.
The IMF, World Bank, and other such entities began to recognize that these were unsustainable debts that would never be fully paid nor help these economies develop (IMF 2009a,b, 2015a,b,c). On the contrary, those economies were sinking. This led to a call for establishing criteria to process these debts. The Heavily Indebted Poor Countries (HIPC) Initiative was set up in 1996 by the World Bank and the IMF to assist debtor countries that were participating in an IMF and World Bank program and had debts equivalent to more than one and a half times their annual export earnings. In order to be eligible, countries must have been compliant with the IMF for at least three years. The HIPC process begins with a “decision point” document. It sets out eligibility requirements, notably the development of a poverty-reduction strategy paper (PRSP) that replaces the earlier structural adjustment programs (SAPs). PRSPs describe “the macro-economic, structural, and social policies and programs” that a country is required to pursue in order to be eligible for debt relief. The Multilateral Debt Relief Initiative (MDRI) went into full force in July 2006. It was intended to address many of the critiques of the HIPC Initiative. MDRI promised cancellation of debts to the World Bank (incurred before 2003), IMF (incurred before 2004), and African Development Fund (incurred before 2004) for the countries that completed the HIPC Initiative. According to one estimate, the major cancellation schemes (including the HIPC Initiative, MDRI, and the Paris Club) have written off US $88 billion so far.

The debt burdens that built up in the 1980s and especially the 1990s have had substantial repercussions on state spending composition. Zambia, Ghana, and Uganda illustrate some of the issues of debtor nations, even those held in high esteem by global regulators. These are three countries that global regulators (notably the World Bank and the IMF) saw as cooperative, responsible, and successful at implementing SAPs.

A few extreme examples of expenditure levels paint a troubling picture about what it took for these countries to achieve this favorable estimation. At the height of these programs in the early
to mid-1990s, Zambia’s government paid US $1.3 billion in debt but only US $37 million for primary education; Ghana’s social expenses, at US $75 million, equaled 20 percent of its debt service; and Uganda paid US $9 per capita on its debt and only US $1 per capita for health care. In 1994 alone, these three countries remitted US $2.7 billion to bankers in the North. When the new programs became an option, these three countries benefited from HIPC and MDRI programs and conceded to the attendant PRSP requirements. Thus, while in 1997 Zambia spent 18.3 percent of its income from exports of goods and services on debt service, by 2007 this was reduced to 1.3 percent; for Ghana these figures are 27.1 percent and 3.1 percent respectively, and for Uganda they are 19.7 percent and 1.2 percent (IAEG 2009; UN Development Programme 2005, 2014; Sassen 2008).

Generally, IMF debt-management policies from the 1980s onwards can be shown to have worsened the situation for the unemployed and poor. Much research on poor countries documents the link between hyperindebted governments and cuts in social programs. These cuts tend to affect women and children in particular through cuts in education and health care, both of which are investments necessary to ensuring a better future. There is by now a large literature in many different languages on this subject, including a vast number of limited-circulation items produced by various activist and support organizations. An older literature on women and debt also documents the disproportionate burden these programs put on women in several developing countries during the first generation of SAPs in the 1980s due to growing government debt (Beneria and Feldman 1992; Bradshaw et al. 1993; Kyle and Koslowski 2001; Lucas 2005; Sassen 2008; Jubilee Debt Campaign UK 2007).

Unemployment of women—but also, more generally, of the men in their households—adds to the pressure on women to find ways to ensure household survival. Subsistence food production, informal work, emigration, and prostitution have all become survival options for women and, by extension, for their households. One major vector here is prostitution (see, e.g., US Department of State 2004,
which can function regionally but is now increasingly a global operation that moves women around, often with the same logistics capabilities of firms that outsource work.

When there is a shortage of basic health care, women usually take on the extra burden of caring for the sick. When school fees are introduced or spending is cut, the education of sons is prioritized over that of daughters. Water privatization can reduce access to water and increase the water-gathering burden placed on women. Finally, when families grow cash crops for export, women’s work produces money—which men usually control—rather than food.

One question concerns the option of not becoming part of the IMF debt-servicing disciplining regime and foregoing the help it is meant to provide. The so-called adjustment programs of the 1980s and 1990s destroyed many traditional economies, leaving many countries only with major debts. For such countries, becoming part of the debt-cancellation program launched in 2006 has probably been preferable. The evidence suggests that once a country has been pushed into debt, cancellation can in principle help a country allocate more government revenue for general social and development questions. This has been the case with Ghana, Uganda, and a few others that have seen the growth of middle classes—along with continuing abject poverty.

On the other hand, Angola—which was not accepted for debt cancellation—spent 6.8 percent of GDP on debt-service payments and only 1.5 percent of GDP on health in 2005; it continues to spend about US $2.2 billion each year on external debt payments. But the Angola case also points to another combination of elements. Angola’s elites have become wealthy on the country’s vast mining resources, most of which are intended for export, and this arrangement can now continue without much interference. The widespread poverty continues, as does the mining of resources for export. One cannot help but ask: Who are the other beneficiaries of this situation?

This restructuring across so many countries has tended to weaken governments and increase corruption (Sassen 2014, chaps. 2
and 4; 1982, 2008). It has also made it easier for foreign governments and firms to acquire vast stretches of land, in ways that might have been less acceptable in the 1960s with the rise of national autonomy struggles. Such acquisitions have, in turn, repositioned “national territory” in vast regions of the world as sites for resource extraction rather than as national spaces. This is an old story in many ways, especially when it comes to mining. But the scale at which land is coming under the control of foreign actors in the last decade does point to a new phase. It has also contributed to a significant loss of habitat for many small farmers and rural populations.

**CONCLUSION**

There is a deeper story at play here, one that emerged in the Global South and is now also appearing in the Global North. At its core is extraction rather than development, in the full sense of that term, with its positives and negatives. In my reading, this extraction logic includes as one key element a repositioning of much of Africa, Latin America, and Asia in a new massively restructured global economy. Weakened governments and the destruction of traditional economies have launched a new phase of survival economies, with vast regions of the world becoming sites for resource extraction rather than a nation’s development space.

The making of these economies of extraction has long dressed itself in the language of “good development,” technical advances, the importance of proper economic policy discipline, and the like. Yet all along, it was failing in terms of its own program, narrow as it was. Today we can add to this yet another massive failure: that economic growth as we have known it brought with it massive environmental destruction even under the best circumstances. Until about 20 years ago, with time on its side, the biosphere was able to recover from some of the damage. But this is coming to a brutal end, with vast, rapidly growing stretches of dead land and dead water.

Much good has come out of Western economic and scientific developments. Yet the larger landscape we confront is marked by a
profound failure at its heart. In some systemic sites this failure has been difficult to apprehend. In others it has not been particularly difficult, but key actors insisted on language and tools that served to camouflage that failure. The policies developed by major actors in the North to develop the Global South are a prominent example of such failures.

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