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In this year's Report the UNCTAD Secretariat has devoted special attention to the problems of finance, investment and savings and has made a number of controversial proposals questioning many of the assumptions of the World Bank and the International Monetary Fund (IMF) which now pass as accepted wisdom.

For example, the Report warns against precipitate financial deregulation and the advice to give free reign to free market forces. The liberal approach backed by the World Bank – deregulation of interest rates, elimination of restrictions on external finance – has not succeeded in lifting domestic savings and investment in developing countries. Quoting the example of the successful efforts of South Korea, it points out that the government continued to intervene directly in capital markets, pursued active industrial policies and directed credits.

From *New World*, Nov-Dec 1991

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The Report denies the existence of a global savings shortage claimed as one of the reasons for the decline in financial assistance to developing countries. It claims that there is ample scope to curb military spending; that household savings have not in reality been declining and that the cost of investment goods is falling thanks to rapid technological progress. The constraint on financing development will not be the supply of real resources but the institutional capacity at generating finance. In this context the Secretariat approves a Japanese proposal for a new \$20 billion allocation of Special Drawing Rights through the IMF to be linked to development finance.

With regard to debt the Report warns that the vicious circle of over-indebtedness, domestic financial disorder and low economic growth persists in many developing countries. Bilateral official debt has trebled over the decade and by 1990 had reached US \$318 billion, accounting for about one third of the total debt stock as compared to one fourth in 1980. It says that the Brady Plan for reducing debts owed to commercial banks has resulted in only minor alleviation of the debt burden. It calls for more intensive relief from official debt and welcomes the broad proposal from the UK (The Trinidad Terms) and the Netherlands to relieve the debt burden of the poorest, mainly African, countries.

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