

Oxfam report: Poorer countries going from crisis to catastrophe

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In the lead up to the semi-annual meetings of the International Monetary Fund (IMF) and the World Bank being held in Washington this week, the global aid agency Oxfam has produced a report detailing the horrendous impact of rising inflation, coming on top of the devastating effects of the COVID-19 pandemic, for almost half the world's population.

It said the crises of extreme inequality and massive food and energy inflation, accelerated by the war in Ukraine and COVID-19, are converging to create a catastrophe for the world's poorest people "that is unprecedented in living memory."

The report, entitled "First Crisis, Then Catastrophe," estimated that at least a quarter of a billion more people could be pushed into extreme poverty, defined as receiving below \$1.90 per day, bringing the total to 860 million.

The number of people estimated to be living below the poverty line of \$5.50 per day is already 3.3 billion, almost half the world's population.

It noted that at the same time, billionaire wealth "has seen its biggest increase ever" with more accumulation at the top to come.

"Large corporations appear to be exploiting an inflationary environment to boost profits at consumers' expense: soaring energy prices and margins have pushed oil company profits to record levels, while investors expect agriculture companies to rapidly become more profitable as food prices spiral," Oxfam stated.

Inflation is rising rapidly and will far outstrip wages growth this year.

Poorer countries are being bled white by the international banks, multilateral lending institutions, including the IMF, and investment houses.

According to the report, debt servicing for all the

world's poorer countries is estimated at \$43 billion for this year, equivalent to nearly half their spending on food import bills, healthcare, education and social protection combined.

The situation is even worse for the lowest income countries. In 2021 the amount spent on debt servicing and repayments was 171 percent of their combined spending on healthcare, education and social protection.

The report made clear that the very limited measures initiated at the start of the pandemic, supposedly to lessen the debt burden, the Debt Service Suspension Initiative and the Common Framework introduced by the G20, "have proven largely ineffective."

Likewise, the much-trumpeted decision by the IMF to make available \$650 billion of additional Special Drawing Rights (SDRs) in August, which provides for greater access to foreign currencies without conditions being attached. The additional SDRs were not allocated in accordance with need but in line with IMF quotas which meant richer countries were the chief beneficiaries.

There were pledges by the G20 to reallocate some \$100 billion but so far only \$36 billion has been provided.

The financial situation confronting poorer and highly indebted countries is only going to worsen in the coming period because of the moves by the world's major central banks, led by the US Federal Reserve, to hike interest rates amid soaring inflation.

This is a recipe for financial turmoil in lower income countries that need dollars to pay for their energy, food and medical imports.

The report warned, "Several developing countries are likely to default on their debts in coming months, and will try to stave off bankruptcy as they try to maintain vital imports. This could mean drastic cuts to spending

worldwide, exacerbating an already dangerous path towards austerity that countries were beginning to take with IMF backing.”

According to Oxfam representatives, whereas in 2020 the IMF had urged countries to spend money to combat the effects of the pandemic, without imposing the conditionalities that had been tied to loans in the past—measures such as cuts in social spending and privatisation of government-owned entities—these conditionalities were now returning in a large majority of loans and debt restructuring agreements.

The IMF is laying down such conditions as representatives of the government of Sri Lanka, one of the countries at the centre of the debt crisis, meet with its officials in Washington this week.

The Oxfam report provided figures showing there is more than enough money to deal with the crisis.

“A progressive wealth tax of just 2 percent on personal wealth above \$5 million, rising to 3 percent for above \$50 million and 5 percent for wealth above \$1 billion could generate \$2.52 trillion worldwide,” it said.

That amount of money would be “enough to lift 2.3 billion people out of poverty, make enough COVID-19 vaccines for the world, and deliver universal healthcare and social protection for everyone living in low- and lower middle-income countries” with a combined population of 3.6 billion.

But such measures will never be implemented while control of the economy remains in the hands of the representatives of the financial elites, multi-billionaires and capitalist oligarchs that comprise the governments of all countries. In fact, they are moving in the other direction.

In the US, for example, the limited so-called “billionaire tax” floated by President Biden is already effectively dead in the water. In Australia, amid an election campaign, the opposition Labor Party has announced it will support tax cuts for the wealthiest sections of the population proposed by the Liberal government, while ruling out any increase in payments to the unemployed.

As is often the case with its reports, Oxfam produced a devastating picture of the workings of the capitalist system. But as always, the height of its indictment is only matched by the depth of its political bankruptcy when it approaches the key question: what is to be

done?

A single paragraph in the report said it all:

“While the COVID-19 pandemic pushed people and countries into economic crisis worldwide, the compounding effects of the Ukraine crisis mean we risk now heading towards catastrophe. But this can be averted through bold and coordinated international and national action.”

In other words, if only reason and rationality prevailed the catastrophe could be prevented. But the capitalist profit system, which all governments serve, does not operate on this basis. The refusal of all governments to undertake science-based measures to eliminate COVID-19 demonstrated that fact once again.

A system which, through its very objective logic, necessarily produces fabulous wealth for an oligarchy at one pole and poverty, death and misery for billions at the other, cannot be made to change course by appeals to see reason.

Furthermore, no matter how rational and necessary international cooperation is in a world that has never been so intimately connected, it cannot be achieved under capitalism because the profit system itself is rooted in rival and conflicting nation-states and great powers.

Reason and rationality can only be achieved if there is a social force to fight for it, whose material and social interests depend on its realisation.

That force is the international working class, unified on the basis of an international socialist program, grounded on the overthrow of the profit system. This is the perspective that will be elaborated and developed at the International May Day Online Rally of the *World Socialist Web Site* and the International Committee of the Fourth International.

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