MYTH #4: The BWI Seek Primarily to Alleviate Poverty

"… it was seldom that the money we were providing for development ever accomplished anything of substance that truly benefited the poor. Yet year after year, and despite glaring evidence to the contrary, the [World] Bank would produce glowing reports of success in one sector after another, in one country after another, as its managers sought to protect themselves from criticism." – former World Bank insider Steve Berkman[1]

The Origins and Evolution of the Bretton Woods Institutions

No discussion of global economic issues is complete without mentioning the Bretton Woods Institutions (BWI): the World Bank (originally known as the International Bank for Reconstruction and Development), the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT). After operating for nearly fifty years, GATT became, in 1995, the World Trade Organization (WTO).[i]

However much animosity they generate at present, these institutions have a reputable history. By the end of World War I, Germany's economy and infrastructure were shattered. Other countries – especially those that had fought against Germany – refused to provide rebuilding assistance to the German government, preferring instead to punish the enemy and teach it a lesson. The world did indeed learn a lesson: that devastated countries easily become prey to totalitarian rulers. Following the Second World War, world leaders better understood the need to avoid taking this punitive approach, and there was consensus for creating global cooperation for economic stability. In July 1944, representatives of forty-four Allied countries met for three weeks in Bretton Woods, New Hampshire.[ii] Their goal was to develop an international system that would stabilize economies and facilitate international trade after the war. In spite of the number of countries attending the conference, however, the participants seriously considered proposals from just two countries, the United States and the United Kingdom. Key delegates included British economist John Maynard Keynes, American Treasury Secretary Henry Morganthau, and his chief economic advisor, Harry Dexter White.

According to the Bretton Woods Project website,

> In his opening speech at the Bretton Woods conference, Henry Morganthau said the 'bewilderment and bitterness' resulting from the Depression became 'the breeders of

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[i] Not to be confused with the more respectable World Toilet Organization, which has the misfortune of sharing this blighted acronym.
[ii] The meeting is formally known as the United Nations Monetary and Financial Conference.

> fascism, and finally, of war'. Proponents of the new institutions felt that global economic interaction was necessary to maintain international peace and security. The institutions would facilitate, in Morganthau's words, '[the] creation of a dynamic world community in which the peoples of every nation will be able to realise their potentialities in peace'.[2]

Originally, the conference attendees established the World Bank to lend money to countries for reconstruction and development. They designed the IMF to look after the stability of exchange rates, and they created the GATT to work on reducing tariffs to facilitate international trade. At the time, stability efforts included enabling IMF member states to control their capital flow; that is, control the flow of money in and out of their countries so that currency or other speculators could not undo the stability that the BWI institutions sought to create.[3]

The modern face of the BWI

Over the course of their history, the Bretton Woods Institutions have strayed far from their original purposes. The most prominent policy shift came in the 1980s, during the Reagan-Thatcher era, when the institutions' focus turned to ensuring that low-consumption countries would repay the loans made by high-consumption countries.[iii] This was done, in part, by tying loans to the implementation of 'structural adjustment' policies, which were designed to make the borrowing countries' economies more market-oriented. This led, in turn, to the application of a number of very unpopular and heavily criticized 'free-market' policies that continue to be pushed onto vulnerable countries.

The World Bank continues to make loans to the governments of low-consumption countries. Rather than supporting the provision of basic goods and services that would benefit the poor populations of these countries, however, the Bank now more often earmarks conditional loans for the development of environmentally damaging infrastructure such as dams, large highways, and heavily polluting industries. The IMF, in turn, has transitioned from its limited focus on the stability of exchange rates to pushing for the implementation of specific monetary policies, including policies that weaken the ability of governments to limit speculative investment. Together, the IMF and the World Bank press debtor countries

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[iii] This shift began in the 1950s, when the IMF and the World Bank began to apply conditions to their loans in earnest. In the 1980s, changes in American monetary policies ensured that the 'tying of aid' would benefit the loaning countries. Countries loan money directly as well as via the World Bank, Asian Development Bank, other regional banks, and their own Export Credit Agencies (ECAs).

to enact policies that actually harm the poor, including implementing tax breaks for corporations and user fees for health services and education. Despite being separate institutions, the IMF and the World Bank typically demand the same conditions for their loans, particularly the privatization of government services and industry. According to a report issued by the European Network on Debt and Development (Eurodad),[iv] the current similarity between the IMF and World Bank "reveals a worrying lack of division of roles and responsibilities between the two institutions."[4]

The conditions imposed by the World Bank and IMF on their loans and other support were called 'structural adjustment programs' until that term became so widely unpopular that the terminology – though not the practices associated with it – was changed. Loan conditions typically include drastic reductions in government social spending during times of crisis, the firing of public sector employees, the floating of interest rates, the lifting of tariffs on imports, trade liberalization, and pressure to privatize such government enterprises and services as banks, electricity, water, and telecommunications. Eighteen of the twenty countries that Eurodad studied had privatization-related conditions attached to their loans, and the average number of conditions per loan actually rose from forty-eight in 2002 to sixty-seven in 2005. But sixty-seven conditions is just the average. Uganda, with almost one-fourth of children under age five malnourished, had almost two hundred conditions attached to the financing it received from the World Bank in 2005. In the face of the evidence that these conditions are counterproductive, the United Kingdom and Norway no longer tie their development loans to such conditions, but the World Bank and IMF (and many other donor countries) continue to do so.[5]

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One of the more absurd conditions put on the Ugandan government was that it "review and approve its school sports policy for tertiary schools."[6]

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It is reasonable, at least in the abstract, to justify loan conditions. A loan, if misspent, will do little good. Nor will assistance given in times of crisis be useful if the government is grossly mismanaging its economy. But the conditions imposed by the World Bank and IMF are precisely those that are most likely to prolong rather than quickly end an economic crisis, as they are the policies that are most likely to increase suffering among the lower and middle classes and to

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[iv] Eurodad is a network of forty-eight NGOs from nineteen European countries that addresses "issues related to debt, development finance and poverty reduction." See http://www.eurodad.org

increase profits among the rich. Where the World Bank and IMF have successfully imposed these loan conditions, they have caused so much devastation among both the poor and the middle class that they have proved to be wildly unpopular.

What about the GATT? While its original mission was to reduce tariffs in order to facilitate international trade, its successor, the WTO, has moved far beyond that original agenda.[v] WTO now looks less at global trade as a whole and more at domestic laws in member countries that may in any way restrict international trade. These laws include protections for workers' rights, the environment, or a safe food supply. What this means in practice is that any WTO member country – or, in some cases, any corporation based in a member country – can challenge a domestic law of another member country by claiming that the said law deprives it of actual or potential economic benefits. When such challenges occur, the rules stipulate that the cases be tried not before local courts but before international tribunals composed of private-sector lawyers. If the challenging country or corporation wins – and experience with previous free trade agreements shows that they often do – then the losing country's taxpayers are expected to pay compensation, even in cases where the business conduct of the winning country or corporation has been shown to cause severe damage to human health or the environment.[7]

Thus, under WTO rules, corporations gain standing equal to that of the signatory country's government, while people and the environment lose whatever rights or protection they might have had. For example, the government of Venezuela was ordered to pay Exxon $1.6 billion for nationalizing oil in the country.[8] In another example, Mexico was forced to pay $16.5 million to an American company (Metalclad Corporation) after a Mexican municipality refused to grant permission for the construction of a toxic waste facility until Metalclad had cleaned up a previous site.[9] Power is with the profits, not the people; public health and other concerns are less important than the free flow of trade.

The same principle applies to intellectual property rights, which the WTO also defends. When, for instance, the government of Vietnam decided to make AIDS treatment available for all those diagnosed with the disease, its biggest obstacle, according to my colleagues there, was the drug patents that made the medicines

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[v] Of course, the GATT/WTO has not pushed the tariff agenda in an equitable fashion, as it only addresses tariffs in low-consumption countries. "HIC tariffs on manufactured imports from developing countries are on average 4 times greater than those on manufactured imports from industrial countries." "Trade liberalisation statistics," http://www.gatt.org/trastat_e.html accessed 2 September 2014.

unaffordable. Corporations depend on government financial support to develop new pharmaceuticals, but once they patent the drugs, all the profits go directly to the corporation.[vi] The companies claim that drug prices need to be high to cover the cost of research and development, even when they spend little of their own money to develop the drugs for which they receive patents. Patenting life-saving medicines means that they remain unaffordable for many of those who need them.

Taken together, the policies of the Bretton Woods Institutions reduce governments' control over their own economies, prevent them from protecting local industry, the environment, and public health, and force them into international trade under unfair conditions. In pursuing these policies, the World Bank, IMF, and WTO have drifted far from their idealistic origins and have become institutions that reduce democracy, harm the poor, and benefit corporations.

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How the World Bank Helps the Poor*: In 2004, the government of Bangladesh decided to expand the number of major streets in the capital city of Dhaka on which it would ban bicycle rickshaws. The World Bank strongly supported the expansion. In the face of protests organized by my colleagues and myself against these bans, the World Bank claimed that the government had made the decision and the World Bank was only supporting it. Given that the World Bank had funded and provided consultants for a transport project that called for the bans, this seemed to be an unnecessarily modest statement of the Bank's contribution! During a conference call, a World Bank transport official told me that if Bangladesh wanted to enter the twenty-first century, it had to get rid of the rickshaws. Obviously, the point of the ban was to leave more room on the roads for private cars, which in Bangladesh are only owned by the wealthy few. Pedalling rickshaws is a major source of income for the poor. They provide pollution-free and inexpensive transport, and so are often used by people of modest means. A study on the effects of banning them from one major street in Dhaka revealed that the ban led to as much as a forty-one percent decrease in wallahs' incomes, despite the fact that they worked longer hours to compensate for losing a main route. Deterioration of the living conditions of the rickshaw wallah and their families included reduced food intake.*[10] *Apparently the World Bank's idea of helping the poor includes eliminating their jobs and allowing their families to sink into malnutrition.*

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[vi] A scientist working for the US Centers for Disease Control and Prevention on the development of tuberculosis drugs explained to me that the government pays for the drug research while allowing the companies to maintain the patent because they fear that otherwise the companies will not develop drugs for diseases that offer little potential for corporate profit. But as it is, there have been no new drugs for TB in decades and the existing ones cause many extremely unpleasant side effects. Surely a better system could be devised.

What have been some results of BWI intervention?

Whether or not they are aware of the BWI's role in setting these policies, people in low-consumption countries regularly face the policies' harmful impacts. The inner workings of the institutions, meanwhile, become clearer when a former insider reveals his own frustration with the policies of his ex-employer. One of the most famous of these insiders is former World Bank chief economist, Joseph Stiglitz. In his book, *Globalization and its Discontents,* and in various articles, Stiglitz criticizes the BWI and offers an agenda for change.[vii] Although Stiglitz tends to direct his anger primarily at the IMF, what he writes is also largely true of the World Bank.

There are, of course, some good people working at these institutions who are trying to utilise their position to help those in need; good actions have resulted from some of the BWI programs. However, positive examples are virtually lost in the disasters that the BWI have helped to generate in country after country. A few examples follow.

Argentina is a 'poster child' for how a country can see its economy destroyed by faithfully adhering to the policies prescribed by the BWI. Argentina experienced what Stiglitz calls "a vicious downward spiral of economic decline and social unrest."[11] As Argentina went through a major economic crisis between 1998 and 2002, the IMF told the government to cut its budget deficit from $5.3 billion (in 2000) to $4.1 billion by the following year. Later, the IMF ordered that the debt be eliminated. It also ordered a pay cut for already underpaid government employees and the firing of others, despite the fact that the unemployment rate already hovered around twenty percent. Finally, the IMF ordered that the government reduce expenditures for the poor. What did it tell the government to do with its savings? Pay interest on foreign loans. As a result, unemployment ballooned, production declined, and much of the middle class fell below the poverty line. By 2002, more than half of Argentines were poor, and one-quarter were destitute.[12] That Argentina survived at all was due in part to the emergence of a range of local currencies to replace the by-then useless peso.[viii]

[vii] Many would say that Stiglitz does not go far enough in his criticism, but this is hardly surprising from a former insider; what is surprising is that he speaks out at all. Another well-known insider-turned-informer is John Perkins, a former consultant with ties to the World Bank. See *Confessions of an Economic Hit Man* (San Francisco: Berrett-Koehler Publishers, 2004).

[viii] More discussion of local currencies is found in the Myth on Economic Growth; see especially Peter North, *Local Money* (Devon, England: Transition Books, 2010).

As in Argentina, so in Chile: similar policies were only stopped when, ironically, the murderous dictator Augusto Pinochet himself reversed course by restoring the minimum wage and bargaining rights of the unions, creating large numbers of government jobs, and nationalizing many banks.[13] In Costa Rica, the interventions of the World Bank and IMF led to a shift in the economy from small farms to large estates (mega-farms) and exports. This caused the displacement of thousands of small farmers, an increase in the income gap between rich and poor, and more crime and violence – which in turn led to higher public expenditures on policing and security. The country became dependent on imports for basic food and, while foreign debt was supposed to decline, it actually doubled. Yet, according to the World Bank and the IMF, Costa Rica is a success story because economic growth has increased and the country can meet its growing debt service payments.[14]

Ecuador faced disaster when it liberalized its financial market under IMF pressure. The government lost its control over local banks, and an explosion of private debt and interest rates followed, helping to propel the country into crisis. This led the government to borrow $1.5 billion from the IMF. The loan came with 167 detailed conditions, such as increasing the price of cooking gas by eighty percent, eliminating 26,000 public sector jobs and fifty percent wage cuts for remaining workers, the transferring of ownership of its biggest water system to a foreign company, and giving British Petroleum rights to build and own an oil pipeline. Not surprisingly, when prices rose, riots ensued. The IMF-imposed conditions simply worsened the IMF-provoked crisis.[15] Across all of Latin America, thanks in part to policies imposed by the IMF, economic growth declined nearly eight-fold from 1980 to 2000 as compared to the previous twenty years.[16]

Projects supported by the BWI resulted in the displacement of almost thirty million people in Brazil between 1960 and 1980, and the displacement of twenty million people over forty years in India. In 1989 alone, World Bank projects displaced or threatened the displacement of three million people. According to World Bank officials, there has been no Bank-funded project in which the relocated ever regained their previous standard of living.[17]

Indian writer Arundhati Roy describes how policies enforced by the BWI affect the most vulnerable groups in India: the indigenous and those of the lowest social caste. These vulnerable groups are regularly displaced to make room for dams and other large-scale industrial projects. Their dissent is forcibly silenced.[ix] Their

[ix] I was surprised, during a visit to India in early 2013, to notice that a protest involving a handful of people in a rural area was supervised by a far larger and well-armed contingent of police.

situation is worsened when the government privatizes electricity and other utilities and services. Local farmers are impoverished when India bows to international pressure to import grains rather than allowing them to grow and consume local products.[18] Farmers have also been obliged to use genetically modified seeds. The BWI heavily promoted the use of these seeds to local farmers as being profitable; more often, they ended up with debt that can never be repaid.[19] One of the direct results of India's adoption of the corporate/BWI model is an epidemic of suicides among the nation's farmers. According to one estimate, the wave of suicides reached a quarter of a million between 1995 and 2010.[20] It has been called "the largest wave of suicides in history."[21]

The World Bank pressured the Egyptian government to privatize its water utilities for the sake of increased 'efficiency.' The government transformed public water utilities into corporations that were required to operate at a profit. These corporations raised the cost of water to pay for the required new infrastructure. The price of water in some parts of Cairo doubled within months of privatization. Citizens began to protest. Some had to obtain water from dirty canals because they could not afford the water coming out of their taps. The water company also diverted water from farming and fishing areas, sending it to wealthy resort communities.[22]

In Tanzania, the IMF and World Bank required the government to institute fees on previously free hospital visits, leading to a decline of over fifty percent in the number of patients treated in the capital's three big public hospitals. The World Bank and IMF also ordered the Tanzanian government to charge school fees; as a result, enrolment dropped from eighty to sixty-six percent. Over fifteen years of BMI 'assistance,' literacy declined and abject poverty rose. Journalist Greg Palast cites a frustrated World Bank report as saying, "One legacy of socialism is that most people continue to believe the State has a fundamental role in promoting development and providing social services."[23]

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From fighting wars to fighting poverty: not such a big leap? *It is hard not to be suspicious of an institution which has had, among its presidents, the architects of two of the most infamous wars in recent history: the Vietnam War (Robert McNamara, 1968-1981) and the Iraq War (Paul Wolfowitz, 2005-2007). Mr. Wolfowitz was also a good friend of the most thieving leader in history, Indonesia's Mohamed Suharto; yet Wolfowitz claimed to be fighting corruption while leading the World Bank.*

A more recent World Bank president was Robert Zoellick (2007-2012). His claims to fame include pushing for the American invasion of Iraq, briefing Enron[x] on economic and political issues, promoting the Central American Free Trade Agreement despite the objections of labour, environmental, and human rights groups, and trying to oppose the European Union's moratorium on the approval of new genetically modified crops.[24]

The current president, Jim Yong Kim, is the first Bank leader who does not come from the political or financial sector and who actually has experience dealing with health issues in low-consumption countries. Kim is also one of the co-founders (along with Paul Farmer and others) of Partners in Health, suggesting that at least he is well intentioned. The jury is still out on whether World Bank policies will improve under his leadership.[25]

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IMF policies also contributed to devastation in Russia following the collapse of the Soviet Union and its brand of state-controlled socialism. As the Soviet Union collapsed and Russia faced debts that it could not pay, it turned to the IMF for help. The IMF negotiated loans that led to notable changes. In the new, more capitalist system, the bread lines are gone; in their place are sparkling new shops that sell luxurious items. The stores are indeed well stocked now, but few can afford to purchase what they contain. Because the IMF 'reformers' only wanted economic growth in Russia and did not care about equality, the growth in wealth mostly benefited a few. According to Forbes, in 2007, Russians contributed more than ten percent of the world's new billionaires (nineteen of 178 newcomers).[26]

Nor did the Russian economy boom as quickly as was expected. By August 1998, output had declined by almost half, and the percentage of people living in poverty had grown from two percent to more than forty percent. In the words of Stiglitz,

> Yes, the market economy can provide incentives for wealth creation. Unfortunately, under the … years of IMF programmes, the market economy – with high interest rates, illegitimate privatisation, poor corporate governance and capital-market liberalisation – provided only incentives for asset-stripping.[27]

Great news for the billionaires; not so great for everyone else. Although things have improved since 1998, in 2011 the government estimated that sixteen percent of the population was poor (near the line that demarcates physical survival); the actual figure may be much higher.[28] Stiglitz claims that the key problem was the IMF's refusal to devalue the currency; when that was finally done, local production soared as imports became unaffordable. In other words, it was only when the

[x] Enron is the American energy company that famously succeeded in fooling people for years about the extent of its operations while laundering money and fabricating its financial statements.

Russians stopped listening to the IMF that their economy began to recover.

History does indeed repeat itself: the IMF recently tried to impose the same disastrous policies on Greece that it had on Argentina. Alan Cibils, chair of the political economy department at the Universidad Nacional de General Sarmiento in Buenos Aires, went to Greece to share Argentina's experiences with the IMF. In an article about his visit, Cibils was quoted as saying "It just blew my mind that these policies that have failed catastrophically, repeatedly, are now being pushed on European countries." The article goes on to note that "His message to activists was that 'default is not only not the end of the world; default is the first step of your next stage. What's happening now is unsustainable. When the ECB [European Central Bank] and the French and German policymakers say a default would be a disaster, they're speaking on behalf of the financial industry.'"[29]

In country after country, year after year, the policies of the World Bank, the IMF, and the WTO aid transnational companies and harm the poor. The model of increasing international linkages, more rights for corporations, and a weakening of government controls over domestic economies have never helped a country and the vast majority of its citizens to grow wealthy. Quite the opposite. Countries experience economic success when their governments nurture local businesses, protect currency from speculation, and regulate the flow of money in and out of their country.[xi]

Prior to World Bank and IMF interference, many low-consumption countries were socialist or had a strong welfare system in place. According to Greg Palast, in the years of strong national government control and extensive welfare schemes, "per capita income grew 73 percent in Latin America and 34 percent in Africa. By comparison, since 1980, the Reagan/Thatcher model has seen Latin American growth come to a virtual halt – growth of less than 6 percent over twenty years – and African incomes decline by 23 percent." Nor has income been the only loser: "from 1950 to 1980, socialist and welfare statist policies added more than a decade of life expectancy to virtually every nation on the planet. From 1980 to today, life under structural assistance has gotten brutish and decidedly shorter."[30]

External critics are not the only ones who claim that the policies of the BWI do little to relieve countries after financial crisis. According to David Korten, a World Bank report found that thirty-eight percent of Bank-funded projects completed in 1991 were failures – even when measured in purely economic terms and without taking

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[xi] Some countries have also gained wealth by exploiting other countries, e.g. through colonization and through unfair trade rules that give them low-cost access to mineral resources and agricultural products, but that is another story.

into account the impact on affected communities.[31] Another World Bank study cited by Korten found that twelve of the twenty-five projects initially rated as successful turned out to be failures. The two figures combined suggest a success rate of only one-third, hardly a remarkable achievement given the money, power, and intellectual talent that exists within the Bank. Then again, it is hardly a problem for the Bank if a project fails, as in any case, the loan must be repaid. As Korten points out, the World Bank "bears no liability for its own errors."[32]

Although this may be the least damning of the accusations made against the World Bank, a significant portion of its lending, possibly twenty percent, funds corruption. Steve Berkman, formerly a staff member of the World Bank, writes about his experience with loans to Africa: "I could come to understand that, in most cases, if you looked closely into Bank projects, you would find that they were more about the personal enrichment of government officials than about alleviating the poverty and deplorable living conditions of the average African citizen."[33] This corruption, he emphasizes, is not exceptional but rather standard practice: "…corruption has been the bedfellow of all Bank-funded projects I have encountered over the years." Berkman also notes that "I have seen much more than I can squeeze into this brief chapter: millions of dollars for roads that could not be found, millions paid for the rehabilitation of infrastructure that could not be verified, millions to facilitate better economic policies, and millions to improve governance. All in the name of economic development. All in the name of alleviating poverty."[xii] His allegations point to two main questions: why does the Bank, with all its power, remain relatively silent about rampant corruption? And how do the poor benefit when much of the Bank's lending is simply stolen?

Why would governments accept loans when the conditions make the cure worse than the disease? Unfortunately, countries cannot simply refuse to accept the conditions and turn to other lenders in time of need. Other lenders judge the credit worthiness of countries by the ratings assigned by the World Bank and the IMF. The World Bank and the IMF hold up the countries in which GDP is growing as role models to others – unless, of course, the economy grows by *not* following their advice.[xiii] These same institutions rate countries in terms of their worthiness

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[xii] Berkman's words ring true to those of us who know that to obtain government contracts funded by the World Bank, one may be expected to part with a percentage; in fact, the usual line in some countries is "it isn't important to do the work, but be sure you hand over the bakhsheesh." Colleagues of mine who attempted to obtain contracts honestly quickly realized that it was a waste of effort.

[xiii] China here is a tricky case; its GDP is increasing rapidly, but since China ignores the advice of the major international institutions, it is not necessarily used as a model. The IMF

to receive loans based on whether or not they bow to the pressure to institute the policies advocated by the institution. If countries refuse to buckle under pressure, the IMF and World Bank can essentially blacklist the countries, making it impossible for them to receive the international loans that they need to pay their bills. Unreasonable as the loan conditions often are, governments pressed for cash may see no other option. Eurodad explains that

> nearly all official development donors/creditors (bilateral and multilateral) tie their development aid and debt relief to the presence of an IMF program. The IMF's 'gatekeeper' role makes the conditions the Fund attaches to its program hugely potent. If a poor country does not fulfil the conditions that the IMF attaches to its lending, then not only does it forfeit IMF development finance, it will also potentially forfeit all other sources of much-needed donor finance.[34]

According to Global Exchange,[xiv] because of their sole focus on macroeconomic financial stability, the IMF and the World Bank have prioritized the wellbeing of the wealthy lenders and neglected those that they purport to help; in doing so, they "have created a human rights catastrophe."[35] Government leaders in low-consumption countries who genuinely wish to improve the conditions of the poor find themselves in a fail-fail situation: they fail because they lack the funds to pay the bills, or they fail because loans come with conditions that benefit the wealthy and harm the poor.

What do the policies say about the institutions?

The World Bank's slogan is "Working for a world free of poverty." According to its website, "Our mission is to fight poverty with passion and professionalism."[36] But it is important to judge by behaviour, not by words.

The pressures placed by BWI on governments to change the way that they manage their economies are limited in focus. The institutions push trade agreements, privatization, and reduced social spending.[xv] The IMF rejects high corpo-

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objects because China ignores its advice; I object because the benefits of the growth are so unevenly distributed and because much of the growth involves environmental devastation and ignoring workers' rights.

[xiv] Global Exchange is "an international human rights organization dedicated to promoting social, economic and environmental justice around the world." See www.globalexchange.org

[xv] Privatization is a mantra of all the international development banks. When I wrote a report for the Asian Development Bank about the condition of pedestrians in Dhaka, an ADB staffer with thirty years experience at the World Bank kept pushing the concept of

rate tax rates, claiming that they stifle innovation. It rejects high taxes on the rich, saying that they dampen incentive. The IMF also ignores land reform – despite its obvious potential to aid the poor – and financial sector regulation.[37] However, the result of such policies that dismantle restrictions on the flow of capital in and, importantly, out of countries, can convulse entire national economies.[xvi] The IMF objects to food subsidies but welcomes the bailing out of banks. The policies of the IMF thus only make sense if one views the institution as serving the financial community rather than as working towards global economic stability.[38]

A simple explanation exists for the failure of the Bank to take serious measures to address corruption, and to continue doling out conditional loans despite their obvious failure at alleviating poverty. What if the point of the BWI never was to help the poor, but rather to tangle countries in a web of debt? The idea is not implausible. As economist, attorney and investigate journalist James S. Henry notes, "many projects seem to have been cooked up solely to justify the loans."[39] In other words, the whole process of providing conditional loans is simply a vicious cycle that ensures its own continuity to the benefit of the donor. Debt comes with high interest, so that the net flow of wealth is from the low-consumption to the high-consumption countries. When one country is indebted to another, various favours can be extracted from it, such as accepting politically unpalatable ideas like joining in American President Bush's 'coalition of the willing' during the Iraq War. Loans come with conditions that result in corporations gaining ever more power and profit while the masses are further impoverished and enfeebled. If the United States wishes to remain the major world power, one way to do so is to prevent other countries from becoming too wealthy or too independent. One of its tools of control is the World Bank, over which it exerts considerable influence.

According to the Bank's website, "As the only World Bank shareholder that retains veto power over changes in the Bank's structure, the United States plays a unique role in influencing and shaping development priorities."[40] Proponents of

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public-private partnerships (PPPs). I ignored him. After I submitted the report, ADB gratuitously added a conclusion that promoted PPPs, despite their complete absence from the text of my report. I objected and they restored my original conclusion.

[xvi] The resulting outflow of money can inflict poverty on millions of people, as happened in Asia in the 1990s, when "the Indonesian economy underwent a severe contraction and the number of people living in poverty doubled to forty million. In Thailand, the health budget was cut by almost one-third. Nearly three years on from the outbreak of the crisis, the economies of Thailand and Indonesia continue to struggle under the huge public debt burden that it created." See Stiglitz, *Globalization and its Discontents.*

the BWI argue that their prescriptions mean temporary punishment of the poor so that they can reap long-term benefits from economic growth; opponents say that the BWI push a recipe for increasing the number of billionaires and the power of the wealthiest at the expense of the masses.

Or perhaps the BWI simply have a very different image of prosperity. To many people, prosperity includes a fairly even distribution of wealth. It includes thriving small, local, independent businesses. It includes a range of employment options, including part-time. It includes leisure time to enjoy all that cannot be purchased, and strong communities that promote collective wellbeing. While countries will of course remain connected, a healthy economy would be one that is self-sufficient where possible, growing much of its own food without chemicals or petroleum, providing transport with little use of fuel, and prioritizing health, education, and other basic needs over luxuries. Governments would have the right, with the involvement of their citizens, to pass and enforce laws meant to protect people and the environment from corporate harm. Basic wellbeing would be prioritized over the possibility of making fortunes, and internal trade would be favoured over international.

The world dreamed of by the BWI, in contrast, seems to be one in which countries regularly import items that they used to produce themselves, paying for many of those imports through loans. In this world, multinational corporations control much of the economy; business profit is used to service interest payments on loans. Public services are run not by government but by corporations on a for-profit basis.

Korten suggests a way of looking at the BWI which, extreme though it sounds, does jibe with reality: the World Bank provides the financing for large northern-based corporations to set up their export operations overseas. The IMF collects the debts owed to northern-based financial institutions (refuse to pay up and you will be blacklisted internationally). Finally, the WTO creates and enforces a corporate bill of rights that protects the world's largest corporations against intrusion in their affairs by individuals, organizations, and democratically elected governments. That description is a far cry from their self-promotion as agencies eager for international financial stability and a world free from poverty, yet it matches their actions all too well.[41]

An even greater menace?

Unfortunately, even if the World Bank closed and the IMF and WTO ceased to yield influence, campaigners would still have plenty of work to do. Export Credit Agencies (ECAs) dwarf, in size and possibly evildoing, even the World Bank and IMF. According to the non-governmental organization ECA WATCH, export credit agencies “are public agencies and entities that provide government-backed loans, guarantees and insurance to corporations from their home country that seek to do business overseas in developing countries and emerging markets” including “in some of the most volatile, controversial and damaging industries on the planet.”[42] Most high-consumption countries have at least one ECA that gives financial backing to risky projects, operating mostly in secrecy. ECA WATCH calls ECAs “the world's biggest class of public finance institutions operating internationally ...that fund more private-sector projects in the developing world than any other class of finance institution.” As a result, ECAs are now the largest debt holders of the low-consumption countries. Among the more recent entrants in the ECA field are the BRIC nations (Brazil, Russia, India, and China).

According to American writer and lawyer Bruce Rich, in 2004 alone, ECAs “financed, guaranteed, and insured $788 billion worth of international trade and investment, of which longer-term loans and guarantees totalled about $76 billion.”[43] They fund projects that even the World Bank will not touch, including extremely harmful environmental activities that greatly deteriorate the situation of an area’s residents.[44] Examples of ECA-funded projects include the Baku-Tiblisi-Ceyhan (BTC) pipeline, considered the most controversial pipeline in the world. The pipeline places the power of corporations over national governments, allegedly violates European human rights law, and carries allegations of corruption, incompetence, and malpractice. Among those financing the BTC are European ECAs. European ECAs also fund fossil fuel projects, largely ignoring the potential for funding of renewable energy. Canadian ECAs have funded nuclear power in India and Pakistan. ECAs finance weapons and export them to low-consumption countries. They have been shown to ignore human rights concerns, financing projects such as large dams that displace large numbers of people. They fund logging enterprises that result in deforestation. Since they do not fall under the purview of elected officials, ECAs undergo less scrutiny than any other international financing institution and yet they are guaranteed with taxpayer money.[45] There is one big difference between ECAs and the BWI, however. ECAs are not able to blacklist countries or to demand long lists of conditions on their loans.

Towards a Better Way: Making Institutions Accountable to People

"There is life after the IMF, and it's a good life."
– former Argentine president Néstor Kirchner[46]

* * *

There are several possible courses of action in the face of the BWI's behaviour. One is to work towards the abolition of these institutions. In many cases, it seems likely that countries would be better off without any development assistance and BWI interference. Some in the so-called 'anti-globalization' movement (that is, those who would prefer that unaccountable international institutions not force their corporate policies on the world) would argue that local solutions are available that could more humanely and effectively reduce poverty than does reliance on external institutions. Such an approach is tempting. The BWI are indeed doing things very badly (or very well, depending on whether one looks at their stated or their implicit agenda). Nevertheless, the original reasons for their establishment have not yet vanished. Economic devastation can still lead to dangerous totalitarian policies. Given the existing high levels of inequity in wealth and other resources between countries, it seems possible that international cooperation, if sufficiently reformed, could bring about more benefit than harm.

So how can we dramatically reorient the mission of the Bretton Woods Institutions? Jody Heymann argues that the World Trade Organization should be converted into an institution that fights not for corporate but rather for workers' rights.[47] With its global reach and nearly unlimited power, it could do tremendous good in advocating for decent minimum working conditions, rather than encouraging companies to compete in a race to the bottom. David Korten suggests other possible transformations: he would replace the World Bank with a UN International Insolvency Court, or UNIIC. The role of the UNIIC would be to discourage new debt and help resolve existing debt, in part by taking into account the wealth extracted from low-consumption countries by high-consumption countries without fair compensation. That is, debt could be paid off not just in cash but also through rebalancing accounts, taking into consideration the various forms of exploitation being practiced by the high-consumption countries. Korten also suggests that the IMF should be replaced by a UN International Finance Organization (UNIFO). UNIFO would not provide loans; rather, its mission would be precisely to prevent the need for such loans. UNIFO would seek to maintain balance and stability in international financial relationships by preventing the use of offshore banks and tax havens for money laundering and tax evasion, and by supporting domestic (as opposed to foreign) investment and encouraging self-sustainability. Finally, Korten would replace the WTO with a UN Organization for Corporate Accountability (UNOCA). UNOCA would assist governments in establishing sensible, appropriate regulatory regimes to ensure the public accountability of international corporations and finance. That is, it would try to prevent the back-door dealing, secrecy, and concentrations of corporate power that can have a devastating effect on the livelihood of millions. It would seek to prevent unfair competition and to eliminate corporate subsidies, and would prohibit corporations from direct political lobbying of politicians. Finally, it would prohibit the patenting of genetic materials, life forms (such as seeds and medicinal plants), processes, and indigenous knowledge.[48]

Korten's ambitions are by no means modest, but they are motivated by the idea that people need not only to sustain themselves but also to contribute to the life of the whole. This echoes one definition of sustainability: passing on to the next generation a planet that is in better shape than it was in when we inherited it.

Short of drastically restructuring the institutions, countries might escape BWI control by creating Southern alliances. At the moment, left-wing governments are in power in several countries in Latin America. The United States can try to topple rulers (and frequently has) in one or two 'renegade' states, but not when so many populist leaders are in power. At that point, the United States can only accept them. Venezuela happens to have immense oil wealth, although previously that money only enriched the elite at the expense of the population. When Chávez was in power, he used the wealth both to improve the situation for the masses and to assist neighbouring countries to escape from BWI influence. Venezuela bought up loans in Argentina, Ecuador, and Bolivia, allowing them to rebuild their economies and eliminate their BWI debt.[49] Brazil also decided to pay off its IMF debt early, and presidents throughout the region have been increasingly successful at winning elections based on platforms that reject the BWI.[50] Regional cooperation could provide an alternative to the BWI model and the mainstream economic policies that it espouses.

There is also another alternative, which various organizations, such as the Bretton Woods Project, are recommending: try to change some of the practices of the BWI. Concerned individuals and organizations can work for more transparency, accountability, and public input. They can work to shift the focus of these institutions from protecting and enriching corporations towards strengthening local economies. It is possible to protest specific World Bank projects and prescriptions. I mentioned earlier my personal frustration with the World Bank's push to ban rickshaws in Dhaka. The noisy and colourful protests that my colleagues and I engaged in – using clearly documented evidence of the negative effects that rickshaw bans were having on people's livelihood, mobility, and on traffic congestion – gained us entry into discussions of the ban. We were invited to a meeting and participated in a conference call. Finally, the World Bank representative in Bangladesh responded in written form to our criticisms, essentially agreeing that the World Bank should not play a role in supporting such bans. Our victory was not total. The Bangladeshi government has continued, though at a far slower pace, to impose the bans, and the World Bank has not kept to its word about ending its support of such bans. However, we did greatly limit the damage that would otherwise have occurred. We also learned an important lesson: sometimes being vocal about an issue can win you a seat at the negotiation table.

In fact, making noise about BWI policies is an important first step. Newspaper coverage of the IMF and the World Bank tends to assume that their intervention is helpful, that loans are desirable, and that they are trying to make corrupt governments change their practices. Attacks on the WTO are treated as uninformed minority opinion. There need to be more and stronger voices criticizing these institutions. At the very least, more people must be vocal about their scepticism of the BWI's intentions. One place to start is by learning more about the projects in your own country, or by focussing on an existing project. Some information is available from the World Bank website; other potential sources include World Bank watchdog organizations, both locally and internationally. External credit agencies are more difficult to track, but again watchdog organizations can help. Protests can lead to positive change.

Notes

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