

IMF/WB/WTO: Evil Dictators or Helpless Slaves?

From Seattle to Prague and beyond, protesters opposing corporate-led globalisation relentlessly pound out the same message: that the International Monetary Fund, the World Bank and the World Trade Organisation are failing dismally in their stated aims of promoting 'good governance', fair trade, environmental protection and poverty reduction. And indeed, the evidence appears compelling. But does the response of these institutions to those charges indicate that they are unaccountable financial dictators, bent on world domination and maximum suffering for the world's poor - as many protesters seem to believe? Or are these institutions merely suffering from a false mind-set which prevents them from seeing beyond the all-too-familiar prescriptions of fiscal austerity and structural adjustment? Indeed there seems to be an almost symbiotic, 'closed loop' between both sides of this on-going debate. On the one hand, the protesters protest but offer little in the way of a new, practical and alternative economic model. Whilst on the other, the IMF/WB/WTO continue to trot out the same familiar excuses.

The Prague Castle Debate held during the joint WB/IMF annual meeting in Prague in September 2000 at which the heads of both institutions faced their NGO critics was yet another case in point. Walden Bello, executive director of Focus on the Global South, took the opportunity to spell out IMF/WB failings in unequivocal terms. As to promoting 'good governance', Mr. Bello points out that "For the greater part of the last 30 years, the Fund and the Bank have been intimately associated with very corrupt governments and human rights violators. What did the Brazilian military dictatorship, Ferdinand Marcos, Gen. Pinochet, the PRI government in Mexico, and the Suharto regime have in common? They were all governments or heads of governments that were designated by the World Bank as "countries of concentration"; that is, countries to which the flow of Bank resources was greater than to other countries of similar size and income."

On their record in environmental protection, he states: "Again and again, studies of the impact of IMF-World Bank structural adjustment programs have shown that, by institutionalizing stagnation and high poverty levels, they have been among the biggest contributors to environmental degradation in developing countries. ... Studies show that by the early nineties, the top 15 Third World debtors - all of which were subjected to structural adjustment - had tripled the rate of the exploitation of their forests since the late 1970s, a phenomenon that was undoubtedly caused by the adjustment program's pushing countries to rapidly increase their export earnings to pay off the foreign debt."

And on their role in poverty reduction, he continues: "Structural adjustment programs imposed on over 90 developing and transition economies in the last 20 years have institutionalized economic stagnation, increased poverty, and exacerbated inequality in these areas. A recent World Bank study, in fact, admits that poverty worsened in the 1990's in Eastern Europe, Sub-Saharan Africa, Latin America and the Caribbean, and South Asia -all regions which have come under the sway of World Bank-IMF adjustment programs. ... So devoid of success was the structural adjustment approach that Larry Summers, the US Treasury Secretary, who, as chief economist of the Bank in the early 1990's, was a partisan of adjustment, admitted to the US Congress last year that it was time to shelve the "IMF-centered" macroeconomic approach because it just was not working."

"Are the Fund and the Bank capable of reform?", Mr. Bello asked the meeting and then continued: "I think we will know the answer from Mr. Kohler and Mr. Wolfensohn's answers to the following questions: Mr. Kohler, do you propose to give greater decision making power in the IMF Board to the developing countries? Will you do this by diluting the voting power of the

United States and the European Union countries that now dominate the board? Mr. Kohler, will you propose ending the medieval and non-transparent practice of the IMF always being headed by a European? Mr. Wolfensohn, will you advocate doing away with the equally medieval and non-transparent tradition of always having an American head the World Bank? I would like to remind the audience that had Mr. Wolfensohn not given up his Australian citizenship to become an American, he would never have become head of the Bank. Mr. Wolfensohn, why did you not stand by your chief economist Joe Stiglitz and allow that powerful voice of reform to be pushed out of his staff position and later from his advisory role by influential conservative forces both within and without the Bank? Mr. Wolfensohn, what about Ravi Kanbur, who headed the World Development Report Project? Why did you not stand by this advocate of reform and allow the conservative forces in the Bank to stonewall him and leave him no other option but resignation?... We want hard answers to hard questions.”

Doubtless, answers to these questions would have been welcome but their superficiality also reveals an absence of substance as to the alternatives those opposing corporate-led globalisation have to offer. The movement continues to display a lack of coherent, well thought out proposals as to what, in its opinion, should be done and how the multi-lateral institutions should go about doing it. After all, however welcome changing the nationality of the heads of these institutions may be, it is hardly likely to make any significant difference to the underlying problems Mr. Bello rightly outlines. So are the WB/IMF bent on global financial hegemony? Or are we instead to believe Mr. Wolfensohn when he tells us he feels good about going to work everyday and that Mr. Kohler, similarly, also has a heart? Indeed, where does the real truth lie?

To answer this question, it may perhaps be worth taking a closer look at the global economic environment in which the multi-lateral institutions are required to operate. For the answer to our question surely lies in whether or not the IMF/WB and WTO are truly the masters of the global economy they are said, (and paid), to manage. I suggest that they are not. For above all, surely we need to recognise that the motor of today’s neo-liberal global economy is fierce competition engendered by the ability of capital and corporations to move, or merely threaten to move, elsewhere. This now means that nation states and politicians are no longer in control of the global economy but are themselves subject to its competitive forces and must themselves compete for capital and jobs by bowing to the demands of maintaining their ‘national competitiveness’ in the global market. For today, their ability to implement any policy that might incur the displeasure of world currency or bond markets in the face of the threat of capital and jobs moving elsewhere has all the robustness and rigidity of over-cooked rhubarb. Similarly, tighter national laws to promote environmental or labour protection have become all but unworkable when markets and corporations can switch investment and jobs to any country offering more competitive, less restrictive (i.e. less costly) conditions. Indeed, it can now truly be said that the unfettered free movement of capital has engendered a world market in government policies: an international vicious circle of competition which causes the will of the people to become subordinate to the will of the markets regardless of where we happen to live. Even more frightening, however, is the fact that governments are powerless to re-regulate capital markets and corporations because, if attempted, such action would result in capital and corporate flight. Even the G-7 acting together would be powerless for fear of capital fleeing to Singapore, Zurich or the Cayman Islands. And if the G-7 cannot together regain control over capital markets, what chance the IMF which is, after all, merely the instrument of the G-7? It is little wonder, therefore, that attempts to introduce stability into global financial markets restrict themselves to limp, half-hearted and ‘soft’ measures such as ‘greater transparency’ or ‘enhanced surveillance to provide improved “early warning” of imminent financial crises’, etc. So should we not now recognise that the free market represents the global institutionalisation of unrestrained economic competition; competition which is driving

the global economy in a chaotic way, far beyond the control of the institutions set up to manage it?

Of course the IMF/WB will tell us that nations can still control global capital, citing examples of nations that have re-imposed capital controls such as Malaysia or Chile. But they ignore the fact that those countries only implemented controls when threatened, during the South American and South East Asian financial crises, by imminent capital flight. In other words, imposing capital controls was the lesser of two evils, faced, as they were, with the even more daunting prospect of total capital hemorrhage – what George Soros appropriately refers to as the ‘wrecking ball’. Imposing capital controls therefore remains a highly exceptional possibility and, even then, such crises are likely to threaten only weaker developing economies. All the while there exists somewhere more attractive for capital to fly to, re-imposition of capital controls will always remain a forlorn hope, even for the G-7. Indeed, it is surely examples like Malaysia and Chile that serve only to prove that global capital is now beyond uni- or multi-lateral re-regulation.

Against a background of a situation beyond their control, it is perhaps hardly surprising that the IMF/WB/WTO unquestioningly accept, and even promote, free-market competition – ‘globalisation’ as they call it - as ‘natural’ or ‘inevitable’. After all, if they cannot control it, what else *should* they say? But by the same token, we should equally not be surprised if their flawed policies are a direct result of that inherent acceptance. For if one accepts global free-market competition as inevitable, one necessarily succumbs to what might be called ‘the mind-set of competition’. I suggest this mind-set or thought-process which not only the IMF, WB and WTO are subject to, but just about all politicians, goes something like this:

“The reality of globalisation is global free-market competition. Since we can’t stop it, it must be natural and inevitable. So every nation must compete in the global market. And the better a nation competes, the richer it becomes. Since getting rich is good, so competition must be good. To alleviate poverty, therefore, the solution is simple! Poor countries must simply become more competitive. So Structural Adjustment Programs (SAPs) which make them more competitive must be good. And if the results are bad, that can only be because poor-country governments are too corrupt or failed to apply the SAPs rigorously enough or didn’t open their markets enough. Furthermore, to become richer, we must ensure competition is played out rigorously on a world-wide basis, so we need a global ‘competition enforcer’ – the WTO - to make sure that happens. Since competition will make us all richer, the WTO’s enforcement of competition must be beneficial and be given full reign. And we, the IMF and the WB, must continue, in one form or another, with SAPs and ‘market access’ which will serve to alleviate poverty by making poor countries more competitive in the global market.”

This, I suggest, is the flawed mind-set in which the thinking of Messers. Wolfensohn, Kohler and Moore (and virtually all our political leaders) remains firmly locked. It is, however, a highly dangerous mind-set because it necessarily sets the parameters within which all their thinking and decisions must necessarily be framed. It also inevitably leads them to the wholly false notion that poverty reduction can be achieved through structural adjustment. Indeed, it is a mind-set capable of justifying the worst possible environmental and social abuses because it effectively allows them to be coupled with the false but tempting promise of greater improvement at some future date: ‘Being more competitive today means being richer tomorrow.’

But what this mind-set also reveals is a profound misunderstanding of the very nature of competition. For whilst competition can undoubtedly be constructive, it also has a darker, destructive side. To be constructive, it must always occur within a universally accepted and respected set of rules which are appropriate to the task. But competition becomes destructive

when those rules become inadequate or cannot be properly policed as in today's global economy. Indeed, the destructive effects of uncontrolled global competition can, for example, be clearly identified by the fact that, far from encouraging greater competition between corporations, uncontrolled competition is instead resulting in the opposite effect: rapid corporate consolidation through daily mergers and acquisitions resulting in the control of too many markets being concentrated in too few hands. Perhaps unsurprisingly, therefore, the impotence of politicians and the multi-lateral institutions to re-regulate global markets and corporations for fear of capital flight has left them with no option but to turn a blind eye to the destructive side of competition and instead to see only its positive side. Instead of recognising what should be obvious: that competition cannot produce only winners, the neo-liberal bastions of the IMF/WB/WTO never tire of telling us that competition is "the engine of innovation and lower prices for consumers" and frame their policies accordingly.

Instead of vilifying them, perhaps therefore, we should instead feel sorry for Messrs. Wolfensohn and Kohler and their political masters who, far from being the 'evil dictators' the protesters often make them out to be, are instead in need of urgent intensive care to relieve them of this false mind-set. After all let's face it, with a background of a global economy out of control, what else should we expect of them? For them to even think the unthinkable: that they might not, in fact, be in control of what they are paid to be in control of, would surely be asking far too much of them. Relieving them of that mind-set will not be easy. Furthermore, however, to the extent that NGOs or those opposing corporate-led globalisation appear to have no concrete proposals for achieving a secure and responsible re-regulation of global capital flows and transnational corporations, they too must effectively accept global competition as inevitable. And herein lies the real danger of NGO participation at the negotiating tables of the IMF/WB/WTO: in doing so, they too are likely to find themselves co-opted to the false cause of equating improved competitiveness with poverty reduction; they too risk falling victims to the 'mind-set of competition'. So not only do NGOs and activists need to do some urgent thinking, they need also to realise that shouting ever louder at an opponent who is already largely helpless and suffering chronic deafness is likely to prove futile. Furthermore, the violence that inevitably accompanies their protests – whoever may instigate it – inevitably allows the corporate media to undermine their cause.

What those opposing corporate-led globalisation most urgently need to develop, therefore, is a practical and responsible method for politicians, the multi-lateral institutions, businesses and civil society to make the vital transition from the current destructive paradigm of global competition to the new paradigm of global cooperation in which genuine strides towards fair trade and poverty reduction can be made. Such a transition must necessarily involve the re-regulation of global capital markets and transnational corporations so that destructive competition can be brought back under proper, democratic control and accountability. But in a globally competitive market, it is fast becoming clear that the only secure method of doing so is for *all, or virtually all, nations to re-regulate simultaneously* to avoid any risk of capital/corporate flight. In short, NGOs need to show both politicians and the multi-lateral institutions not only that global competition and corporate-led globalisation *should*, after all, be reversed – but also to show *how* that ambitious goal might practically be achieved.

And to my uncertain knowledge, there is only one organisation that has yet developed an appropriate methodology for doing so.

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