

employment of people who want to block reforms in their home countries.

A clean slate has advantages. International institutions could be designed with today's needs in mind, not those of 50 years ago. Merely threatening to shutter these agencies could ease reforms by making it clear that the alternative to intransigence is extinction. But whatever the tactical advantages of pushing the line of "Death to the IMF," it is unlikely to be successful since there's nothing that American and global elites fear more than that a free-for-all over future management of the world economy would lead to paralysis or, even worse, the emergence of left-leaning institutions that respond too clearly to popular mandates. So progressives must couple a radical approach with a well-conceived reformist position. In this way, progressives can take advantage of conservative political clout, while conservatives can utilize progressive ideas and ideals.

How could the IMF be reformed?

Tinkering with the IMF sounds less romantic, but it could achieve lasting results. By rewriting the IMF's charter, reformers could create the foundation for a more politically neutral approach to the international economy. Indeed, they could achieve much of what they would desire from a brand-new agency.

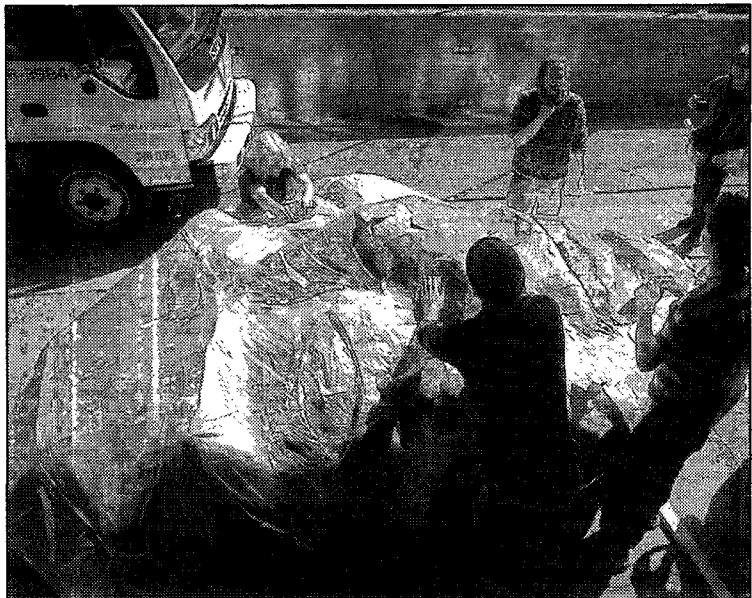
To start with, the IMF could be made more friendly to the public—and not just by cosmetic changes. Leading members of non-governmental organizations could be asked to sit on IMF panels, serve as a watchdog for the agency and offer regular advice. The IMF's chief, while still being subject to political pressures from rich nations, could be required to appear before an international congress prior to his or her selection and to continue to address public concerns throughout his or her tenure. All IMF agreements with individual countries could be made public before taking effect. This alone would vastly alter the agency's landscape. Finally, a ban could be placed on the IMF's notorious practice of conditioning loans on the imposition of cuts in welfare, wages and credit.

What if nothing changes?

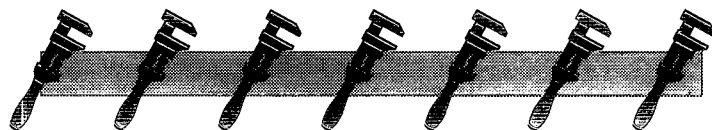
In truth, the IMF probably will weather the current storm; refuse to change more than superficially; and continue to operate, perhaps even a generation from now, much as it does today. The forces of inertia are powerful when it comes to the management of the world economy. It is easy to scare even the most populist politicians by holding out the possibility that democratizing the IMF will cause an even worse economic disaster. Scare tactics, after all, are what the IMF knows best.

Still, there is reason for optimism. Never in its history has the IMF's credibility as an arbiter of economic wisdom been so low. Nor does anyone accept, as many once did, that the IMF is an agent to promote human welfare. It is worth remembering that in its inception the IMF was presented as a means of achieving modest financial safeguards in a world reeling from war. None of its founders ever intended the IMF to become a sort of secret world government with only the flimsiest public oversight. ■

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Protesters in Washington want to give the global economy a new face.



How To Fix the IMF

First, do no harm

By David Moberg

Government—as an institution and even as an idea—hasn't fared well in this era of corporate globalization. The prevailing view, especially in elite circles, is either that government has become irrelevant and powerless, swept away in the swirl of the global market, or that it is an odious obstacle to the market and its bounty. Yet it is growing increasingly clear that the world doesn't need more rapid marketization. Instead, it needs more effective, democratic government and a stronger popular political voice, from local communities to global financial institutions.

Ironically, the view that government is bad is often imposed on developing countries by two institutions created by governments, the International Monetary Fund and the World Bank, the latest targets of popular protest against globalization. When countries get into economic difficulties, often as a result of financial market instability (currency swings, short-term capital flight, commodity price plunges or interest rate spurts), the IMF typically has demanded that governments privatize operations, cut budgets (with education and health care the usual victims), eliminate subsidies, open and deregulate all markets and make labor "flexible" (that is, make it easy to fire workers and cut their pay). Everything must be sacrificed to protect government's sacred bond—not with its own citizens, but with international bond holders.

In many developing countries where the IMF prescribes its harsh medicine, governments have been particularly bad—corrupt, ill-managed, inefficient, undemocratic, inequitable and ineffective in their basic tasks. But as the 1997 Asian crisis demonstrated, the IMF prescribed the same treatment for governments that had been doing many things well, especially on issues that typically matter to the IMF—balancing budgets, promoting growth, opening markets. As Russia shows, even a functioning government that doesn't do much well can be economically preferable to virtually no functioning government. Joseph Stiglitz, who recently resigned as the World Bank's chief economist, has argued in criticism of the IMF that markets don't work well without appropriate governmental institutions. In their absence, it can be disastrous to push rapidly for more exposure to global market forces.

The developing world certainly has suffered from corrupt despots, and IMF critics often downplay the extent to which economic and political elites in poor countries have been responsible for poverty and squalor. But from Indonesia to Guatemala, the responsibility for many bad governments also rests with outside forces, both the United States and international financial institutions. No matter how much the powerhouses of global capitalism may criticize corruption in these countries, they have preferred it over even moderately left-wing popular governments.

With the end of the Cold War, there is no longer the "strategic" justification for propping up such governments, concluded a recent congressional advisory commission on international financial institutions chaired by conservative economist Alan Meltzer. But it was not just a Cold War strategy: The United States, often acting through the IMF and World Bank, was clearly setting policies that were designed foremost to protect the interests of Wall Street, turning governments into handmaidens of global corporations and financiers. Now the United States may support limited democratization in countries like Haiti, Korea or Indonesia—but only to gain popular legitimacy for a set of policies that still favors the global money elite.

The overall record of countries under IMF structural adjustment programs—the policies imposed as a condition for loans—has ranged from unimpressive to disastrous, despite some successes in dampening inflation and increasing exports. Even by its own account, roughly 60 percent of World Bank projects have been failures.

One of the biggest problems has been the horrendous burden of debts on many poor countries. Many of these debts are odious—especially when contracted by undemocratic, corrupt rulers—and could legally be repudiated under a precedent established a century ago by the United States, when it canceled Cuba's debt to Spain after the Spanish-American War. The Jubilee 2000 campaign finally has forced the rich nations to acknowledge the need for debt relief. Yet the plans for writing off some of the debt still leave most poor countries saddled with unsustainable debt service charges and untenable conditions.

Governments have been turned into debt collectors for global capital. But the money and its repayment are not as important as enforcing the iron law that capital always come first. Moreover, collecting the debt by dismantling public services and turning everything over to private business is very rarely the best solution to the failures of government.

The key to correcting government failures and creating the conditions for solid development is less a matter of technical economics—like "getting prices right"—than a matter of politics—giving people a voice. In its most recent *Poverty Report*, the U.N. Development Program argues that "effective governance is

often the 'missing link' " in strategies to reduce poverty; countries need help in improving governance, not more economic conditions imposed from outside. Most important, the report states, "The foundation of poverty reduction is self-organization of the poor at the community level. Such self-organization is the best antidote to powerlessness, a central source of poverty."

Poverty programs are unlikely to work, the report continues, if the poor are not empowered, or if

macro-economic policies are anti-poor. Yet the IMF not only imposes anti-poor policies, but also undermines democracy. IMF strategy disempowers the poor, whether it's secretly setting national policies, dismantling the few programs that serve the poor, or undermining unions.

Stiglitz argues development must be viewed as a transformation of society, not just an increase in GDP, and it must spring from within the society. Economic democracy is essential, he said in a January speech in Boston, and "democratic and participatory processes involving labor unions and other social organizations" are needed both to deal with the legitimate interests and anxieties of working people and to make possible a participatory "high road" to economic development.

Pushing for a flexible labor market, Stiglitz said, may be tantamount to telling workers to give up hard won advances in labor standards without any overall public benefit. "By becoming advocates of stronger workers rights and representation at every level—from the workplace ... to the international level—I believe that we can achieve much more than improvements in efficiency," he said. "Labor unions and other genuine forms of popular self-organization are key to democratic economic development."

While IMF officials disdain promoting labor rights as illegitimately "political," they regularly encourage policies that undermine labor rights as simply "economic." The IMF pays no attention to the distribution of income and wealth. Yet several studies show a link between lower levels of income inequality and higher levels of growth in nations around the world. Harvard economist Dani Rodrik has shown a strong correlation between democratic institutions and rates of growth as well. Stiglitz also argues that economic problems increase as inequality of wealth grows, possibly reducing productivity, and union



Unions are key to democratic economic development.

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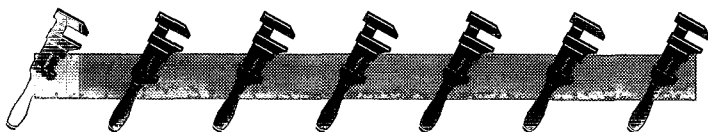
organization can help correct some of those problems. Clearly, the political arguments for democracy, workers rights and effective government form the basis for sound economic policy.

The most important thing that the international financial institutions could do to strengthen government and democratic participation is to stop doing harm: stop acting as enforcers for global capital and stop interfering in the organization of workers, peasants and other citizens in unions, non-governmental organizations and political parties.

Although it is unlikely that the World Bank or IMF will be eliminated, as some protesters demanded at the spring meetings in Washington, there is growing clamor—some of it from conservatives—to drastically scale back the IMF to focus on its original mission of managing short-term currency problems. There is a need, however, for both increased foreign aid and long-term loans to poor countries. That could come from a new organization, possibly funded by receipts from a small tax on currency and other financial transactions, or even a reformed World Bank. The conditions for such assistance should not be privatization and austerity, but recognition of core labor and human rights. Although rich countries can provide poor countries technical assistance in developing effective governmental institutions and a professional corps of civil servants, the real political transformation must come from within the countries themselves. For that to

happen, ordinary people must be able to organize.

The creation of strong forms of economic and political democracy can become the basis for real, sustainable development. This would not preclude foreign investment, but it would mean that when countries bargain with international investors and institutions, workers, poor people, environmentalists and other citizens will have a voice in setting the terms of the new global market. This model of development is likely to produce a more egalitarian society—one that measures wealth, as recent Nobel Prize-winning economist Amartya Sen proposes, not just in dollars but in the growth of human capacities of the greatest number of people throughout the world. ■



Water Fallout

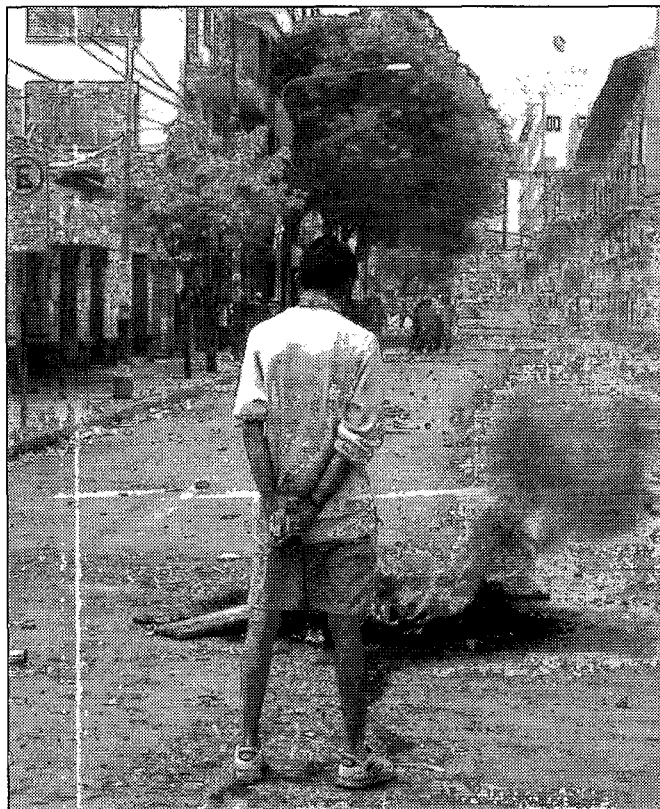
Bolivians battle globalization

By Jim Shultz

As thousands of people were preparing to march on Washington to protest the unchecked global economy, in Bolivia an enormous uprising of workers, farmers and other ordinary people won a major battle against globalization, kicking the San Francisco-based Bechtel Corporation out of the country.

The roots of the recent uprisings were planted last year when the Bolivian government, under pressure from the World Bank, sold off Cochabamba's public water system to Bechtel subsidiary Aguas Del Tunari (see "Water War Zone," April 17). While the financial details of the deal have been kept secret, Bechtel's interest was clear: to fleece Bolivians of as much of their tiny incomes as quickly as possible. Within weeks of hoisting up their new corporate logo, they hit water users with rate hikes of double and more. Families earning a minimum wage of less than \$100 per month were expected to fork over \$20 or have the tap shut off. For World Bank economists and Bechtel executives, that's lunch money. For Bolivian families, it's food for more than a week.

In January, Cochabamba's residents shut down their city for



TOM KRUSE

To protect corporate interests, Bolivia declared martial law.

four days with general strikes and transportation stoppages. The Bolivian government promised to lower water rates, and the protests ended. But within a few weeks, that pledge was broken. On February 4, thousands attempted to march peacefully in Cochabamba. But President Hugo Banzer—who was Bolivia's Pinochet-style dictator for most of the '70s—returned to his old ways. Banzer called out the police, who engulfed protesters in tear gas for two days, leaving 175 injured and two youths blinded.

The people of Cochabamba didn't back down. In a survey of more than 60,000 residents in March, 90 percent said it was time for Aguas Del Tunari to go and for the water system to be returned to public control. Residents closed down the city again starting on April 4. But once again, the Bolivian government came to Bechtel's rescue. Four days into the demonstrations, the Bolivian government declared martial law. Police arrested protest leaders, taking them from their beds in the middle of the night, shut off radio stations in mid-broadcast, and sent soldiers into the streets. On April 8, the Bolivian military shot 17-year-

old Victor Hugo Daza in the face, killing him. "The blood spilled in Cochabamba carries the fingerprints of Bechtel," says protest leader Oscar Olivera.

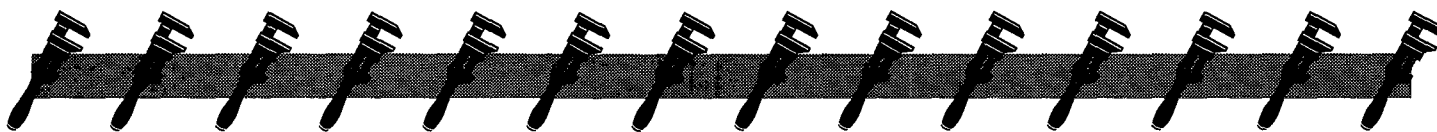
On April 10, the government finally conceded, signing an accord that agreed to every demand the protesters had made. The people of Cochabamba rejoiced at the victory and the city's normal pace of life returned the next day, just as Banzer started cranking up his PR machine. One spokesman referred to the protesters as narcotraffickers. That lie was repeated by naïve reporters and editors worldwide. Meanwhile, Bechtel put out its own spin. "We are also dismayed by the fact that much of the blame is falsely centered on the government's plan to raise water rates in Cochabamba," read a company statement, "when in fact, a number of other water, social and political issues are the root causes of this civil unrest."

It's true that the strength and international attention of Cochabamba's water protests did embolden—and become linked with—other protests around the country, such as marches in the

countryside against a new law ending public control of rural water systems, a police strike in the capital city of La Paz, and complaints about unfinished highways. But the people who marched 70 miles on foot from small towns to join the Cochabamba protest, the thousands who filled the city plaza day after day, and the women who went door to door gathering food donations to cook for the protesters, all clearly demonstrate that the uprising was over Bechtel. The fuse was the rate hikes, and narcotrafficking had about as much to do with it as Elián González. "This is a struggle for justice," says the mayor of a small town, who walked for 12 hours to join the protest, "and for the removal of an international business that, even before offering us more water, had begun to charge us prices that are outrageously high."

In the emerging battle over global economics, the humble people of this easily forgotten country have offered the world a powerful lesson. ■

Jim Shultz, executive director of The Democracy Center (www.democracyctr.org), lives in Cochabamba.



ICANN: Secret Government of the Internet?

The fight over who will control the Web

By Steven Hill

As the planet tiptoes toward experiments in global governance, the World Trade Organization is not the only institution raising concern. Depending on whose description you read, ICANN—the Internet Corporation for Assigned Names and Numbers—is either an innocuous nonprofit with a narrow technical mandate or the first step in corraling the Internet for commercial and other purposes.

ICANN is a nonprofit corporation that was chartered by the U.S. Commerce Department to oversee a select set of Internet technical management functions previously managed by the federal government. These functions include fostering competition in the domain name registration market (the selling of .com, .net and .org suffixes, which previously had been the exclusive monopoly of Network Solutions) and settling disputes over "cyber-squatting" (the intentional buying of domain names like McDonalds.com for later resale at exorbitant prices).

That all sounds fairly bureaucratic and benign, but there's more—and it has watchdogs like the Center for Democracy and Technology, Common Cause and the Markle Foundation really worked up. To understand their suspicion, it's necessary to know a bit about what's called the "root server," and the critical role ICANN plays in overseeing it. The root server is a high-powered

computer that functions as one of the crossroads of the Internet, through which all requests to view Web pages are routed.

Bizarre as it may seem for a decentralized global network that supposedly "exists nowhere and everywhere," the root server and the various domain servers to

which it points constitute the very heart of the Internet. After all the talk over the past few years about how difficult it will be to regulate the Internet, the domain name system looks like the one place where Internet policy can be enforced.

Whoever controls the root server can decide which other servers all Internet users worldwide will be directed to when they try to view any Web site address in the .com, .net and .org domains. Because they hold the authoritative list of names and addresses, controllers of the root server can require server operators to follow certain conditions, such as requiring them to pay a certain fee, to provide particular kinds of information about the people to whom they have handed out specific names and addresses, or to mandate transmission of files in a specified format. Since ICANN controls the root server, it is technically feasible for this nearly anonymous organization to exercise a kind of life-or-death power over the global network. Eliminate the entry for xyz.com from the .com domain server, and xyz.com vanishes entirely from cyberspace.

This raises important policy questions around issues of privacy, sovereignty and cyber-property that have the potential to go far beyond ICANN's narrow technical mandate. How would you resolve the following?

- One anti-abortion Web site listed the names of doctors performing abortions and crossed them off as they were