

On Friday, April 14, 2000 the International Forum on Globalization (IFG) held a 12-plus hour non-stop Teach-In at the Foundry United Methodist Church in Washington D.C. on the subject of "Beyond Seattle -- Globalization: Focus On The International Monetary Fund And The World Bank." The following is a hypertext transcript of David Korten, second speaker in the evening panel on "The Casino Economy: The Anatomy of Global Control." He was introduced by John Cavanagh, Director of the Institute for Policy Studies. Online recordings of this panel are available at <http://www.radio4all.net/proginfo.php?id=1873>.

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## **One World--One World Government Bretton Woods or The United Nations?**

IFG Washington - World Bank/IMF Teach-In  
David C. Korten  
4/14/00

Our first speaker on this panel is a best-friend a movement can have in the sense that he has impeccable credentials and total devotion. In 1992 David Korten's career took a very surprising turn. A former U.S. Agency for International Development field specialist and a faculty member at the Harvard University School of Business left that world of development elites -- and I think we should announce to *everyone* in that world, We welcome you if you want to come over to our side! -- and he founded a new organization called the People-Centered Development Forum . Many of you know David through his remarkable books, *When Corporations Rule the World* and *The Post-Corporate World*. He is also the chair of the board of a terrific magazine which is helping to lay out an alternative future, *YES! Magazine*. Please welcome David Korten.

Thank you-thank you all you wonderful people! I missed you all in Seattle and I'm glad to be with you tonight.

A few weeks ago I met with a group of students at Harvard University who told me a new international program has just been introduced there to prepare students for careers in the World Bank. Let us assure that those who join that program have very *short* careers.

For more than half a century the World Bank and IMF have advanced a development model that wantonly destroys the lives of people, society, and the planet to make money for the super rich. Together they are arguably responsible for more human death and suffering than any other nonmilitary organizations in human history -- a true plague upon the earth. Closing them down on Sunday and Monday will be an important symbolic act toward the larger healing goal of permanently closing their doors.

A newly globalizing civil society is awakening to a basic insight. The institutions of global corporate tyranny have only the power that we yield to them. We can and we must withdraw that power.

Indeed, for the first time in human history, we the people of the world have the opportunity and the necessity to rethink and recreate our institutions to align them with a vision of a world built on a foundation of radical democracy that works for every person, every community and for the whole of life. We must make full use of that opportunity.

The police violence in Seattle against those who sought only to exercise their right of

nonviolent political expression exposed the visible face of a more subtle tyranny that uses money as its instrument of political and social control. Tonight I will focus on one example, the use of the debt mechanism, in the name of development, to subordinate Southern countries to the interests of a small Northern elite.

Much of my turnaround in relation to the international development establishment occurred when I really came to terms with the nature of authentic development which is about increasing the capacity of a people to use their domestic resources to better meet their own needs -- trading with their neighbors at the margin for essential resources, goods, and services not reasonably available at home, while freely sharing information, technology, and culture as an act of cooperation. It is a model eloquently advocated by the widely revered British economist John Maynard Keynes, who once wrote that:

I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel -- these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and above all, let finance be primarily national.

(Got this right out of Herman Daly's book!)

Authentic development based on such principles offers little opportunity for colonial extraction. Whether from intent or from ignorance, the North mobilized after World War II through the Bretton Woods institutions to assure that authentic self-reliant development would gain no foothold in the newly liberated colonies.

It was all so simple. The World Bank trained cadres of young economists, teaching them to believe that rapid development depends on foreign borrowing to supplement investment based on domestic savings. Few seemed to notice the obvious -- that when you borrow abroad you are borrowing foreign money that is only useful to buy foreign products, thus increasing your economy's dependence on imports. You are also building up foreign debts that can only be repaid by exporting ever more of your domestic resources and production. Almost inevitably you end up at the mercy of foreign lenders -- like the World Bank.

In truth the World Bank has functioned first of all as an export financing facility for Northern corporations. That's what the lending is really about. And with time the debts created by foreign borrowing, that the bank encouraged, grew so large that more and ever larger loans were needed just to keep up with the payments due on old debts. By the early 1980's the world's bankers were concerned that these debts might bring about a collapse of the entire global financial system.

The IMF and the World Bank then swung into action to restructure the economies of indebted nations, redirecting their resources to loan repayment and opening them further to foreign exploitation. Adjusted governments, as you know, were required to:

- Cut government spending on education, health care, the environment, and subsidies for necessities such as food grains, and cooking oils.

- Devalue their national currencies and increase exports by accelerating the plunder of natural resources, reducing real wages, and subsidizing export-oriented foreign investments.
- Liberalize financial markets to attract speculative short-term portfolio investments, which set the stage for the Asian financial crisis John just described.
- Increase interest rates to attract foreign capital, thereby forcing domestic businesses into bankruptcy and imposing new hardships on indebted individuals.
- Eliminate tariffs and other controls on imports, increasing the import of consumer goods purchased with borrowed foreign exchange, undermining local agriculture and industries unable to compete with cheaper imports, increasing the strain on foreign exchange accounts, and deepening external indebtedness.

And what happened when you complied? You were rewarded with still more loans -- rather like pouring gasoline on a burning house to put out the flames. The results, of course, were disastrous. In 1980 when concern began to mount that the debts were unpayable, the total external debt of low and middle income countries was \$580 billion. In 1997, after fifteen years of structural adjustment it totaled \$2.2 trillion. In 1996 sub-Saharan Africa paid \$2.5 billion more in debt service than it received in new long-term loans and credits. Africa's interest payments on foreign debts are now four times greater than its expenditures for health care.

It is an all too typical case of how the rich use debt as an instrument of control to expropriate the resources of the poor.

It is very interesting if you take a logical extension of the structural adjustment policies, it suggests that the World Bank and IMF consider the ideal to be a country in which all assets and resources are owned by foreign corporations producing for export to generate foreign exchange to repay international debts. Their ideal country has no public services and all its domestic needs are met by goods and services imported from abroad and paid for with money borrowed from foreign banks. And they have the audacity to insist that this is all for the benefit of the poor.

Resistance is essential, but resistance alone is also a losing strategy. We must claim the initiative to transform a world dedicated to the love of money to a world dedicated to a love of life. This is why I am deeply involved with *YES! Magazine* which John mentioned, a publication that documents the growing momentum behind deep change and tells how we can each connect with the countless positive initiatives being taken by people everywhere to create a world that works for all. Check out the *YES!* exhibit upstairs in the tabling room.

So let's look for a moment at alternatives to world rule by the Bretton Woods institutions. Here we face a very critical global reality.

Currently, global governance is in fact divided between two competing systems: the United Nations system -- comprised of the United Nations secretariat and its specialized agencies; and the Bretton Woods system -- comprised of The World Bank, the IMF, and the World

Trade Organization. For all its deficiencies, the United Nations has generally aligned with the cause of human rights, human development, and the environment. The Bretton Woods institutions, by contrast, have consistently aligned with the interests of money, banks, and global corporations. We have only one world. There must be only one world government, the United Nations.

The founders of the United Nations intended that responsibility for managing global economic affairs -- including the overall supervision and policy direction of the Bretton Woods institutions -- would fall under UN jurisdiction. In reality the Bretton Woods institutions separated themselves entirely from the United Nations. Though the United Nations has been starved of resources and is in desperate need of reform, it remains the appropriate focus of our hopes for democratic global governance responsive to the needs of people and planet. The challenge of building a strong, effective and accountable United Nations is now even greater than it was when the UN was founded after World War II, because now we must dismantle the Bretton Woods institutions and undo the enormous damage they have wrought, while simultaneously creating the institutional framework for a planetary system of locally rooted, globally *cooperative*, just, sustainable, and compassionate economies based on the principles of authentic development and responsive to the needs of all. The following are some specific recommendations.

- By its every action the **World Bank** increases the foreign indebtedness of low income countries. Let us replace it with a **United Nations International Insolvency Court** (that a number have recommended) to which indebted countries can turn for assistance in freeing themselves from the chains of international debt and from IMF conditions without sacrificing their ability to provide essential public services.
- The **International Monetary Fund** forces countries to give up control over the flow of money and goods across their borders, leading to massive trade imbalances, international indebtedness, exploitation, and financial instability. Let us replace that institution with a **United Nations International Finance Organization** responsible for:
  - Limiting the build up of international debt, monitoring national trade and current account balances, and facilitating negotiations toward agreement on corrective action where consequential and persistent imbalances between imports and exports are found.
  - Helping national governments establish capital controls that strengthen domestic employment, domestic investment, domestic ownership of productive resources, and domestic technical capabilities; and that discourage financial speculation.
  - Control money laundering by international and offshore banks and tax evasion by individuals and corporations using offshore tax havens.

You begin to get the pattern here. What we need are institutions that do *exactly the opposite* of what the Bretton Woods institutions are doing.

- Then we come to the **World Trade Organization**, which regulates national and local governments to prohibit them from regulating transnational corporations, trade, and finance in the public interest. Let us replace the World Trade Organization with a **United Nations Organization for Corporate Accountability**. This organization would:
  - Coordinate international anti-trust actions to break up global concentrations of corporate power, with special attention to banking, media, and agribusiness.
  - Initiate dechartering procedures against transnational corporations with repeated convictions for criminal behavior.
  - Enable those harmed by a corporate subsidiary in one country to sue the parent company based in another country for damages.
  - Establish an internationally enforceable code of conduct covering all corporations with operations in more than one country, including a strict prohibition on corporate political participation of any kind.

There is a lot of work to be done at all levels to fix the damage created by more than fifty years of Bretton Woods and to set humanity on a more positive course, including serious political reforms at local and national levels to establish the democratic accountability of often badly corrupted governments. No where is this more important than here in the United States.

Regrettably for many of us who grew up loving our country and believing it to be the bastion of democracy and the defender of world freedom, it is a sad thing to come to the realization that the United States government has been the chief architect of the destructive policies of the Bretton Woods system and has time-after-time acted to undermine democracy and authentic development in Southern countries. It is the chief barrier to the reform of the destructive structures of corporate globalization.

For those of us who hold U.S. citizenship we have a special obligation to the world to end this travesty through the deep reform of our political system. We have for example, too long acquiesced in the ritual choice between two largely identical candidates both owned body-and-soul by corporate money. In our upcoming presidential election let us not waste our votes on Al Gore in the futile hope he might *eventually* actually get around to reading *Earth in the Balance*.

This year we have the opportunity to vote for a serious candidate who has proven time and time again over a long and productive life to be an uncorruptible champion of the issues we all care about so deeply -- a true modern hero. He will be joining us here tonight. His name is Ralph Nader. He is running under the banner of the Green Party. We must give him our support and our votes.

We must prove that we are committed to real change. Vote for Ralph and the Green Party, and subscribe to *YES! Magazine*.

<http://www.ratical.org/co-globalize/ifg041400DK.html>

