The US financial meltdown

Part 1: What really happened - Roots of the economic crisis in overaccumulation, financialisation and 'global apartheid'

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This is the first of three papers presented at the UKZN Centre for Civil Society, about the US financial crisis (3 October), implications for South Africa (24 October), and social resistance there and here (31 October). A version was presented to a conference on the Political Economy of Monetary Policy and Financial Regulation, in honor of Jane D'Arista, at the University of Massachusetts Political Economy Research Institute (PERI), University of Massachusetts, Amherst, 2 May 2008

Abstract

The global economy's vast financial sector expansion – in the context of productive sector stagnation tendencies - has increased the leading powerbrokers' capacity to devalue large parts of the Third World (including major emerging market sites), as well as to write down selected financially volatile and vulnerable markets in the North (e.g. dot.com and real estate bubbles). In contrast to the 1930s, this set of partial write-downs of overaccumulated financial capital has not yet created such generalized panic and crisis contagion as to threaten the entire system's integrity. Shifting and stalling the necessary devalorization of overaccumulated capital, particularly as it bubbles up via financial sectors into speculative markets, entailed spatial and temporal fixes. In addition, extra-economic coercion has intensified, including gendered and environmental stresses. The result is a world economy that concentrates wealth and poverty in more extreme ways, geographically, and brings markets and the non-market spheres of society and nature together in a manner adverse to the latter. Reform of the system is long overdue, and the post-Keynesian political economist Jane D'Arista's ideas for revitalized multilateral financial institutions, following Keynes' International Clearing Union proposal, are worth revisiting. However, the context remains one of top-down inability to reform: severe bias in multilateral financial and development agencies amounting to a neoliberal-neoconservative fusion. Moreover, there is constrained space and political will at national level in most states. These factors compel us to consider – in a future paper - the exercise of social power from below, against the worst depredations of oppression, which are often experienced through the financial circuit of capital.

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Introduction

The crash of a variety of US financial institutions – at this writing on 3 October, the five main investments banks, the two main home mortgage guarantors, the largest insurance company, the largest-ever bank to collapse and the Dow Jones itself (which on 29 September had the biggest-ever fall in share prices) – is being superficially explained by mainstream commentators. Many mention deregulation, corruption, greed, feckless borrowing by debt-addicted consumers, or a combination. Joseph Stiglitz adds 'ideology, special-interest pressure, populist politics, and sheer incompetence'. Here is US political commentator Thomas Edsall describing the banal mainstream discourse:

> *The Huffington Post*, October 2, 2008
> Conservatives Seek To Shift Blame For Crisis Onto Minority Housing Law
> by Thomas B. Edsall
> Blame for the current economic crisis has been laid on many doorsteps, including the Gramm-Leach-Bliley Financial Services Modernization Act of 1999; credit default swaps; hedge funds; the Commodity Futures Modernization Act of 2000; Alan Greenspan; and Phil and Wendy Gramm. But it has fallen to right-wing pundit Ann Coulter to blaze a truly simple path through the maze of credit derivatives, collateralized loan obligations, tranches, securitization transactions, and Thomson Financial League Tables. This gentle lady spells out the source and origin of the current economic crisis: "THEY GAVE YOUR MORTGAGE TO A LESS QUALIFIED MINORITY!"

Amidst the cacophony, we really need to consider *structural roots and shoots* of this crisis now – especially in a South African economy that suffers many of the same features of US financial capitalism (the subject of the next paper in this series). After all, there is no doubt that financial volatility remains central to the way global markets are developing, and that such volatility constrains economic, social, political and environmental progress in the Third World. The grounding of volatility as a symptom of deeper economic tensions also requires setting the stage politically. These are the main objectives of the second section.

Having done so, the third section allows us to consider two half-hearted and one visionary approach to global financial reform, from above. Time constraints do not permit me to dissect the various reform proposals for the immediate symptoms of the crisis, in the US financial institution collapses. Instead, let us retrace several global financial reform proposals to give global context. First, the *status quo* processes of the Monterrey Financing for Development agenda in 2002 led in 2005 to G7 finance ministers offering sufficient debt relief as to keep borrowers – especially in Africa - paying both large downpayments and high rates of export earnings. However, the experience of such extreme Northern domination through the International Monetary Fund was the main reason for Latin American countries (and a few others) repaying the IMF early, threatening its own revenue streams. With these divergent forces at work, there was very little on offer in multilateral reform. Second, at least one country, Norway, made some tentative steps forward (e.g. to defunding the World Bank due to its water privatization fetish, and to canceling earlier corrupt shipping loans), but these were half-hearted and contradictory. Third, we can turn to a much clearer agenda for reform, by post-Keynesian financial economist Jane D'Arista in 1999. But no constituency for this project was built during the crucial early 2000s, as the Jubilee movement's weak Northern base and militant but strong Southern group found themselves marginalized, and as the rest of the global justice movement addressed issues not immediately concerned with finance – the topic of the third paper in this series.

So, with nothing breaking the deadlock and no enlightened capitalists ready to address the root causes, as witnessed by the limits of financial architecture debates, it is crucial to nurture an approach more respectful of deep-seated popular challenges to commodification and corporate globalization. Cases to be explored in a later paper include the challenge to multinational corporate power in the sphere of AIDS medicines patents and reparations for past 'Odious Debts' to regimes like apartheid. In the sphere of consumer finance, we will turn to experiences as diverse yet interrelated as the SA township 'bond boycott' and Mexico's 'El Barzon' movements. Finally, aiming again at global financial governance, activists' World Bank Bonds Boycott strategy, especially powerful during the early 2000s, is another way to disempower some of the most dysfunctional aspects of global finance (the Bretton Woods Institutions), and instead empowering investors to do something more useful with their resources.

Before setting out the case for enhanced, and more radical, internationalist civil society activism, the roots of the crisis should be explained.

2. The crisis: roots and shoots, and stalls and shifts

About a dozen key moments mark the onset of systemic global financial volatility and its policy companion, namely the imposition of neoliberalism across the world:

- in 1973, the Bretton Woods agreement on Western countries' fixed exchange rates - by which from 1944-71, an ounce of gold was valued at US$35 and served to anchor other major currencies – disintegrated when the US unilaterally ended its payment obligations, representing a default of approximately $80 billion, leading the price of gold to rise to $850/ounce within a decade, and at the same time, several Arab countries led the formation of the Oil Producing Exporting Countries (OPEC) cartel, which raised the price of petroleum dramatically and in the process transferred and centralized inflows from world oil consumers to their New York bank accounts ('petrodollars');

- from 1973, 'los Chicago Boys' of Milton Friedman – the young Chilean bureaucrats with doctorates in economics from the University of Chicago - began to reshape Chile in the wake of Augusto Pinochet's coup against the democratically-elected Salvador Allende, representing the birth pangs of neoliberalism;

- in 1976, the International Monetary Fund signalled its growing power by forcing austerity on Britain at a point where the ruling labor Party was desperate for a loan, even prior to Margaret Thatcher's ascent to power in 1979;

- in 1979 the US Federal Reserve addressed the dollar's decline and US inflation by dramatically raising interest rates, in turn catalyzing a severe recession and the Third World debt crisis, especially in Mexico and Poland in 1982, Argentina in 1984, South Africa in 1985 and Brazil in 1987 (in the latter case leading to a default that lasted only six months due to intense pressure on the Sarnoy government to repay);

- at the same time, the World Bank shifted from project funding to the imposition of structural adjustment and sectoral adjustment (supported by the IMF and the 'Paris Club' cartel of donors), in order to assure surpluses would be drawn for the purpose of debt repayment, and in the name of making countries more competitive and efficient;

- the overvaluation of the US dollar associated with the Fed's high real interest rates was addressed by formal agreements between five leading governments that devalued the dollar in 1985 (Louvre Accord), but with a 51 percent fall against the yen, required a revaluation in 1987 (Plaza Accord);

- once the Japanese economy overheated during the late 1980s, a stock market crash of 40 percent and a serious real estate downturn followed from 1990, and indeed not even negative real interest rates could shake Japan from a long-term series of recessions;

- during the late 1980s and early 1990s, Washington adopted a series of financial crisis-management techniques - such as the US Treasury's Baker and Brady Plans – so as to write off (with tax breaks) part of the $1.3 trillion in potentially dangerous Third World debt due to the New York, London, Frankfurt, Zurich and Tokyo banks which were exposed in Latin America, Asia, Africa and Eastern Europe (although notwithstanding the socialization of the banks' losses, debt relief was denied the borrowers);

- in late 1987, crashes in the New York and Chicago financial markets (unprecedented since 1929) were immediately averted with a promise of unlimited liquidity by Alan Greenspan's Federal Reserve, a philosophy which in turn allowed the bailout of the Savings and Loan industry and various large commercial banks (including Citibank) in the late 1980s notwithstanding a recession and serious real estate crash during the early 1990s;

- likewise in 1998, when a New York hedge fund - Long Term Capital Management (founded by Nobel Prize-winning financial economists) – was losing billions in bad investments in Russia, the New York Fed arranged a bailout, on grounds the world's financial system was potentially at high risk;

- starting with Mexico in late 1994, the US Treasury's management of the mid- and late 1990s 'emerging markets' crises again imposed austerity on the Third World while offering further bailouts for investment bankers exposed in various regions and countries – Eastern Europe (1996), Thailand (1997), Indonesia (1997), Malaysia (1997), Korea (1998), Russia (1998), South Africa (1998, 2001), Brazil (1999), Turkey (2001) and Argentina (2001) - whose hard currency reserves were suddenly emptied by runs; and

- in addition to a vastly overinflated US economy (with record trade, capital and budget deficits) whose various excesses have occasionally unraveled – as with the dot.com stock market (2000) and real estate (2007) bubbles – the two largest Asian societies, China and India, picked up the slack in global materials and consumer demand during the 2000s, but not without extreme stresses and contradictions that in coming years threaten world finances, geopolitical arrangements and environmental sustainability.

This is merely a list of major events that reflect tensions and occasional eruptions. Crucial to this story line is that treatment of the problems never amounted to *genuine resolutions* to the overall volatility. One reason for this is the adverse balance of forces that emerged from several political processes in train during the same period. A catalogue of geopolitical changes since the 1970s would emphasize at least four major developments:

- the 1975 US defeat by the Vietnamese guerrilla army, which reduced the US public's willingness to use its own troops to maintain overseas interests;

- the demise of the Soviet bloc in the early 1990s, as a result of economic paralysis, foreign debt, bureaucratic illegitimacy and burgeoning democracy movements;

- Middle East wars throughout the period, with Israel generally dominant as a regional power from the 1973 war with Egypt (notwithstanding its 2006 defeat in Lebanon); and

- the rise of China as a potent competitor to the West (in political as well as economic terms) during the 1990s-2000s.

These were merely the highest-profile of crucial geopolitical developments, leaving a sole superpower in their wake, yet one with much lower levels of legitimacy, dubious military and cultural dominance, slower economic growth, higher poverty and inequality, and vastly reduced financial stability over the past third of a century. One critical aspect of the struggle between *classes* associated with these developments was the waning of the Third World nationalist project and a dramatic shift in class power, away from working-class movements that had peaked during the late 1960s, towards capital and the upper classes.

Chronologically, other crucial moments that helped define the splintered, polarized political sphere since the 1970s included the following:

- formal democratization arrived in large parts of the world – Southern Europe during the mid-1970s, the Cone of Latin America during the 1980s and the rest of Latin America during the 1990s, and many areas of Eastern Europe, East Asia and Africa during the early 1990s – partly through human/civil rights and mass democratic struggles and partly through top-down reform - yet because this occurred against a backdrop of economic crisis in Latin America, Africa, Eastern Europe, the Philippines and Indonesia, the subsequent period was often characterised by instability, in which 'dictators passed debt to democrats' (as the Jubilee South movement termed the problem) who were compelled to impose austerity on their subjects, leading to persistent unrest;

- the ebbing of Third World revolutionary movements - in the wake of transformations in Nicaragua, Iran and Zimbabwe in 1979-80 - was hastened by the US government's explicit attacks during the 1980s on Granada, Nicaragua, Angola and Mozambique (sometimes directly but often by proxy), as well as on liberation movements in El Salvador, Palestine (via Israel) and Colombia, as well as former CIA client regimes in Panama and Iraq, hence sending signals to Third World governments and their citizenries not to stray from Washington's mandates;

- after Vietnam, the US's subsequent ground force losses in Lebanon during the early 1980s and in Somalia during the early 1990s (followed by Afghanistan and Iraq in the mid-late 2000s) shifted the tactical emphasis of the Pentagon and NATO to high-altitude bombing, which proved momentarily effective in situations such as the 1991 Gulf War (decisively won by the US in the wake of Iraq's invasion of Kuwait), the Balkans during the late 1990s, the overthrow of Afganistan's Taliban regime in 2001 and the initial ouster of Saddam Hussein in Iraq in 2003;

- the 1989-90 demise of the Soviet Union had major consequences for global power relations and North-South processes, as Western aid payments to Africa, for example, quickly dropped by 40 percent given the evaporation of formerly Cold War patronage competition (until the resurgence of Chinese interest in Latin America and Africa during the 2000s);

- the consolidation of European political unity followed corporate centralization within the European Economic Community, as the 1992 Maastricht treaty ensured a common currency (excepting the British pound which was battered by speculators prior to joining the euro zone), and as subsequent agreements established stronger political interrelationships, at a time most European social democratic parties turned neoliberal in orientation and voters swung between conservative and centre-right rule, in the context of slow growth, high unemployment and rising reflections of citizen dissatisfaction;

- persistent 1990s conflicts in 'Fourth World' failed states gave rise to Western 'humanitarian interventions' with varying degrees of success, in Somalia (early 1990s), the Balkans (1990s), Haiti (1994), Sierra Leone (2000), Cote d'Ivoire (2002) and Liberia (2003), although other sites in central Africa - Rwanda in 1994 and since then Burundi, northern Uganda, the eastern part of the Democratic Republic of the Congo, Somalia and Sudan's

Darfur region - have witnessed several million deaths, with only (rather ineffectual) regional not Western interventions;

- the 2001 attack on the World Trade Center in New York City and the Pentagon near Washington (followed by attacks in Indonesia, Madrid and London) signaled an increase in conflict between Western powers and Islamic extremists, and followed earlier bombings of US targets in Kenya, Tanzania and Yemen which in turn received US reprisals against Islamic targets in Sudan (actually, a medicines factory) and Afghanistan in 1998 and Yemen in 2002; and

- the early-mid 2000s rise of left political parties in Latin America included major swings in Venezuela (1999), Bolivia (2004) and Ecuador (2006), as well as turns away from pure neoliberal economic policies in Brazil, Argentina, Uruguay and Chile, and were joined during the mid-2000s in Europe by left coalitions in Norway and Italy.

This list of seminal political moments should not obscure other important trends that seem to have accompanied them:

- social and cultural change, including postmodernism, the 'network society', demographic polarizations and family restructurings;

- new technologies brought about by the transport, communication and computing revolutions;

- major environmental stresses including climate change, natural disasters, depletion of fisheries and worsening water scarcity; and

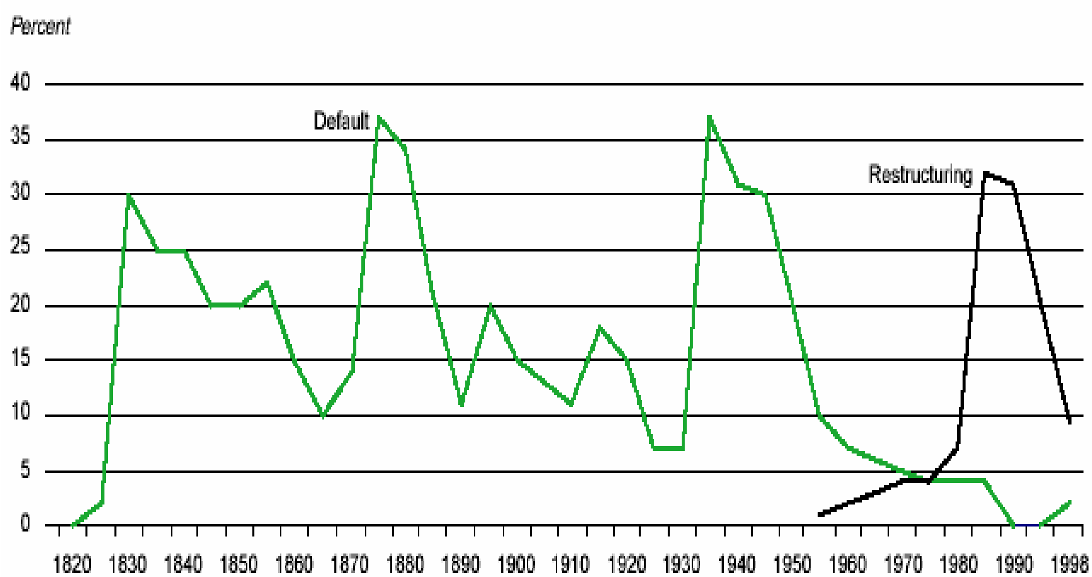
- health epidemics, such as AIDS, Bovine Spongiform Encephalopathy, anthrax, drug-resistant tuberculosis and malaria, severe acute respiratory syndrome and avian flu.

In the realm of *ideology* the importance of these polarizing events and processes cannot be overstated. Moreover, given the rise of neoliberal and neoconservative philosophies (formerly 'modernization' and colonialism), there have been sometimes spectacular counterreactions ranging from Islamic fundamentalism and resurgent Third World Nationalism, to Post-Washington Consensus and 'global governance' reform proposals, to global justice movement protests.

If we accept this catalogue of moments and power relations associated with the unfolding of economic crises and political realignments, as spelled out above, then we might consider a further step in contextual work, namely mapping an 'array of forces' configured in a snapshot matrix of contending ideologies in the Appendix, highlighting positionalities, internal contradictions, key institutions and exemplary personalities. That then allows us to ask whether the most reasonable of D'Arista's visions, namely the evolution of the current chaos in global political economy and geopolitics back to a more stable, predictable, prosperous and evenly-distributed set of political-economic relations, such as existed during the immediate post-War quarter-century (1945-70). It is with the hope of restoring such balance that D'Arista has provided three proposals for restructuring, in a 1999 Financial Markets Center article.

Before addressing these, I would only add a story line about the underlying cause of the financial crises currently afflicting the world economy, which I take to be associated with worsening conditions of *overaccumulation*. The main reason a neoliberal-neoconservative fusion has continued, even as tensions in economic relations have worsened, is the success of bailouts, as we are seeing at present in the wake of the subprime mortgage market's contagion. Crisis *displacement* techniques became much more sophisticated since the 1930s freeze of financial markets, crash of trade, Great Depression and by 1939 interimperial turn to armed aggression. By 1936, these conditions had compelled John Maynard Keynes to write his *General Theory*, which advocated much greater state intervention so as to boost purchasing power. The difference today is that such drastic problems have been averted, largely through *moving* devaluation - what Joseph Schumpeter called 'creative destruction' - across both time (via the credit system) and space, and also through 'accumulation by dispossession'. Of course, new institutions emerged to facilitate this, namely the IMF and World Bank which were able to turn what in earlier times (1830s, 1870s, 1930s) were defaults, into reschedulings (Figure 1).

Figure 1: Sovereign debt defaults, 1820-1999



Source: Barry Eichengreen in the World Bank's *Global Finance Tables*, Washington DC, 2000.

Thus in relation to Third World debt (one of many financial bubbles since the early 1970s), the key innovation from global capitalist managers is the Bretton Woods Institutions' capacity to reschedule debt, so as to delay the necessary clearing away of the economic deadwood associated with fictitious capital formation. Hence the disempowerment and financial disruption of the Bretton Woods Institutions will necessarily be one component of the broader strategy of dealing with debt. More generally, beyond the simple illustration of debt default mitigation, we might make four arguments regarding financial volatility and social power, considered 'from above'.

- first, the durable late 20th century condition of overaccumulation of capital - as witnessed in huge gluts in many markets, declining increases in per capita GDP growth, and falling corporate profit rates - was displaced and mitigated ('shifted and stalled' geographically and temporally) at the cost of much more severe tensions and potential market volatility in months and years ahead;

- second, the temporary dampening of crisis conditions through increased credit and financial market activity has resulted in the expansion of 'fictitious capital' – especially in real estate but other speculative markets based upon trading paper representations of capital ('derivatives') - far beyond the ability of production to meet the paper values;

- third, geographical shifts in production and finance continue to generate economic volatility and regional geopolitical tensions, contributing to unevenness in currencies and markets as well as pressure to 'combine' market and non-market spheres of society and nature in search of restored profitability; and

- fourth, capital uses power associated with the two stalling and shifting (temporal and spatial displacement) tools above to draw additional surpluses from non-market spheres (environmental commons, women's unpaid labor, indigenous economies), via extra-economic kinds of coercions ranging from biopiracy and privatization to deepened reliance on unpaid women's labor for household reproduction in an ever-expanding process of long-distance labor migrancy.

Having set the stage, then, what is to be done? In the next section, three different approaches are considered: those of the existing powerbrokers; those of Norway (the North's most leftwing and internationally-activist government in financial reform), and those of Jane D'Arista in her important 1999 Financial Markets Center report.

3. Whose reforms – Monterrey, Norway, D'Arista?

The past decade, since the East Asian crisis, has witnessed renewed elite debate about reforming the world financial system. Naturally, the establishment institutions are contemplating marginal changes largely for the sake of relegitimization and recapitalization, rather than for genuine problem-solving. However, one country, Norway, has suggested deeper reforms for North-South financial relations, and begun them on a piece-meal basis. Finally, Jane D'Arista's own ideas about new institutions that can melded onto the world financial system should be considered.[1]

In the Mexican city of Monterrey in March 2002, the United Nations' Financing for Development (FFD) Conference was the first major international opportunity to correct global capital markets since the spectacular late 1990s emerging markets crises. South African finance minister Trever Manuel and former International Monetary Fund managing director Michael Camdessus[2] were UN secretary general Kofi Annan's special envoys at the conference.

Mexico's ex-president Ernesto Zedillo effectively managed the process, even though the Yale-trained neoliberal economist's five-year term in Mexico City was notable for repression, failed economic crisis-management, and the end of his notoriously corrupt party's 85-year rule. Zedillo appointed as his main advisor (and document author) John Williamson of the Washington-based Institute for International Finance, a think-tank primarily funded by the world's largest commercial banks.

It was, in short, a site for preaching to the converted, as reflected in Manuel's endorsement of privatisation during his high-profile address to business elites who had gathered on the conference sidelines: 'Public-private partnerships are important win-win tools for governments and the private sector, as they provide an innovative way of delivering public services in a cost-effective manner.'[3] Back in South Africa, such PPPs were nearly universally failing, from the standpoint of workers and consumers, and sometimes also businesses, in water, sanitation, electricity, telecommunications, the postal system, forestry, air and road transport, ports and road construction.[4] In August 2001 and October 2002, the main trade union federation, Cosatu, held two-day mass stayaways against private parternships involving essential public services. They targeted Manuel, though at Monterrey he didn't mention these problems, even as caveats, nor did he concede his government's repeated failure to reach revenue targets from state asset sales.

While the Monterrey final report that Manuel helped steer through the conference contained some pleasing rhetoric, it promotes only orthodox strategies. ODA shortfalls and external debt were considered the main constraints, whereas global financial volatility, while recognised as a problem, was not explicitly linked to development goals. Achieving the Millennium Development Goal targets would cost $54 billion per year, according to IMF and World Bank estimates.[5] The report observed 'dramatic shortfalls in resources required to achieve the internationally agreed development goals.'[6] But it endorsed the Highly Indebted Poor Countries (HIPC) initiative, as 'an opportunity to strengthen the economic prospects and poverty reduction efforts of beneficiary countries.' The New Partnership for Africa's Development carries a similarly worded endorsement of HIPC.[7] Manuel suggested that, 'the HIPC Trust Fund be fully funded, and that provision is made for topping-up when exogenous shocks impact on countries' debt sustainability,' as if the programme was otherwise satisfactory.[8]

Within a year of Monterrey, the World Bank admitted some of HIPC's mistakes. The Bank was forced to accept longstanding criticisms that its staff 'had been too optimistic' about the ability of countries to repay under HIPC, and that projections of export earnings were extremely inaccurate, leading to failure by half the HIPC countries to reach their completion points.[9] Although HIPC had been endorsed by NGO campaigners such as Jubilee Plus, it was a mirage from the outset. The London lobby group conceded, 'According to the original HIPC schedule, 21 countries should have fully passed through the HIPC initiative and received total debt cancellation of approximately $34.7 billion in net present value terms. In fact, only eight countries have passed Completion Point, between them receiving debt cancellation of $11.8 billion.'[10]

Add a few other countries' partial relief via the Paris Club ($14 billion) and the grand total of debt relief thanks to the 1996-2003 exercise was just $26.13 billion. There remained more than $2 trillion of Third World debt that should have been canceled, including not just HIPC countries but also Nigeria, Argentina, Brazil, South Africa and other major debtors not considered highly-indebted or poor in the mainstream discourse. The lack of financial provision for HIPC in western capitals reflects deep resistance to debt relief and, probably, the realisation that there are merits to using debt as a means of maintaining control over Third World economies. HIPC began in 1996, and in late 1999 was accompanied by a renaming of the structural adjustment philosophy: Poverty Reduction Strategy Papers (PRSPs). More than two years later, at Monterrey, Manuel told fellow finance ministers that PRSPs were 'an important tool for developing countries to reduce their debt burdens… a thorough and useful PRSP requires time, resources and technical capacity.' He suggested the Bretton Woods Institutions *increase* their role, to 'provide more technical assistance to meet those particular challenges.'[11]

Civil society activists saw things differently. Resistance to structural adjustment increased across the Third World, sometimes in the form of 'IMF riots.' Annual reports in the World Development Movement's *States of Unrest* series include dozens of countries and hundreds of IMF riots. In Africa, as an example, anti-neoliberal protests were called by students, lecturers and nurses in Angola; public sector workers in Benin; farmers, electricity workers and teachers in Kenya; municipal workers in Morocco; healthworkers in Niger; the main trade union federation, including police and municipal workers, in Nigeria; community groups and organised labor in South Africa; and bank customers and trade unionists in Zambia. As the World Development Movement found, the new version of structural adjustment did not fool the victims: 'PRSPs have failed to deviate from the IMF's free market orthodoxy.' The report covering 2002 showed that:

> The protesters in developing countries come from across the social spectrum. They are not always the poorest of the poor …they are also the newly emerging middle-classes: teachers, civil servants, priests, doctors, public-sector workers, trade-union activists and owners of small businesses. This broad based movement clearly indicates how policies promoted by the IMF and World Bank are not only keeping the poor in poverty, but are also impoverishing sectors of society generally relied upon for wealth creation, economic development and civil society leadership. Policies intended to promote economic development and poverty reduction in the emerging and fragile economies of developing countries are not only failing, but are actually leading to economic stagnation, which is felt across the social spectrum.[12]

In the same critical spirit some months earlier, a Jubilee South conference of the main African social movements in Kampala concluded:

> • The PRSPs are not based on real people's participation and ownership, or decision-making. To the contrary, there is no intention of taking civil society perspectives seriously, but to keep participation to mere public relations legitimisation.

- The lack of genuine commitment to participation is further manifested in the failure to provide full and timeous access to all necessary information, limiting the capacity of civil society to make meaningful contributions.

- The PRSPs have been introduced according to pre-set external schedules which in most countries has resulted in an altogether inadequate time period for an effective participatory process.

- In addition to the constraints placed on governments and civil society organisations in formulating PRSPs, the World Bank and IMF retain the right to veto the final programs. This reflects the ultimate mockery of the threadbare claim that the PRSPs are based on 'national ownership.'

- An additional serious concern is the way in which PRSPs are being used by the World Bank and IMF, directly and indirectly, to co-opt NGOs to 'monitor' their own governments on behalf of these institutions.[13]

The latter gambit had begun to fail by the time the FFD convened in Monterrey. Even the World Bank's best African case, Uganda, heard its National NGO Forum report: 'Among CSOs there is growing concern that perhaps their participation in the endeavour has amounted to little more than a way for the World Bank and IMF to co-opt the activist community and civil society in Uganda into supporting the same traditional policies.'[14] Other NGO, funding agency and academic studies of PRSPs were highly critical.[15] The Harare-based debt-cancellation advocacy network, Afrodad, studied the experiences in Burkina Faso, Mauritania, Mozambique, Tanzania and Uganda, the first African countries to undergo PRSPs. Afrodad noted that in each of these countries, there were processes with varying degrees of participation that preceded the PRSPs:

> The PRSPs, rather than introducing participation into poverty and development concerns, interfered to lesser or greater degrees with existing processes. The relationship is still one of 'if you want what we have to offer, you must do things our way.' At the global level, this reflects well entrenched power relations rather than anything that could be called 'participatory.'[16]

A report by a Sussex University academic found a 'broad consensus among our civil society sources in Ghana, Malawi, Mozambique, Tanzania and Zambia that their coalitions have been unable to influence macro-economic policy or even engage governments in dialogue about it.'[17]

An underlying objective of those who authored the Monterrey Consensus was to grant more power to the Bank, Fund and WTO. In contrast, the WHO, International labor Organisation, UN Conference on Trade and Development and UN Research Institute for Social Development were too centrist, or even leftist, to be integrated into Monterrey's neoliberal framework. When Monterrey requested states to 'encourage policy and programme coordination of international institutions and coherence at the operational and international levels,' some institutions were more coherent than others. Coordination would come between the Bretton Woods Institutions and WTO first, and was a dangerous new mode of introducing cross-conditionality. Although opposed by many Third World negotiators at the WTO, such coherence was one of Manuel's only explicit Monterrey ambitions reported back home: 'ensuring that international institutions effectively consider the extent of overlapping agendas... [because] conflicting policies serve no one, especially not the poor.'[18]

On the contrary, it should be obvious that the world's poor *would have* been served if there *had been* conflicting policies between the institutions of the embryonic world-state, for example, if the World Bank had taken former chief economist Joseph Stiglitz's advice seriously, or if conflict simply led to gridlock between the global economic institutions. As critics in the main progressive agriculture think-tanks explained in May 2003, 'Over the decades, loan conditions of the IMF/World Bank have forced developing countries to lower their trade barriers, cut subsidies for their domestic food producers, and eliminate government programs aimed to enhance rural agriculture. However, no such conditions are imposed on wealthy industrial countries.' Instead, the WTO explicitly permits the dumping of 'surplus foods at prices below the cost of production, driving out rural production in developing countries and expanding markets for the large transnational exporting companies. It also prohibits developing countries from introducing new programs that may help their local agriculture producers. As a result the agriculture sectors in developing countries, key for rural poverty reduction, have been devastated.' Similar NGO complaints were made about the 'coherence agenda' on water privatization, regulation of foreign investors, and governance of the multilateral institutions.[19]

A more 'coherent' approach did not mean the Monterrey Consensus would consider even timid suggestions for global governance reforms. The Monterrey final report merely recognized 'the need to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting... We encourage the following actions [from the International Monetary Fund and World Bank]: to continue to enhance participation of all developing countries and countries with economies in transition in their decision-making.'[20]

In reality, at the Bretton Woods Institutions, nearly fifty Sub-Saharan African member countries were represented by just two directors, while eight rich countries enjoyed a director each and the US maintained veto power by holding more than 15% of the votes. (There is no transparency as to which board members take what positions on key votes.) The leaders of the Bank and IMF are chosen from, respectively, the US and EU, with the US treasury secretary holding the power of hiring or firing.[21] Political will to change the system was lacking for another five years, and as Manuel put it at a press conference during the September 2003 IMF/Bank annual meeting in Dubai, when asked why no progress was made on Bretton Woods democratisation, 'I don't think that you can ripen this tomato by squeezing it.'[22] It was only in September 2007 that China and a few other countries won slightly higher voting share, and this was at the expense of poorer countries.

If democratic reform was off the agenda, financial liberalisation continued. To be sure, the Asian crisis stalled the persistent armtwisting efforts of US treasury secretary Larry Summers to force through an amendment to the IMF articles of agreement which would end all exchange controls everywhere. Nevertheless, when Ethiopian prime minister Meles Zenawi resisted in 1997, according to both Robert Wade and Joseph Stiglitz, the IMF cut off the cheaper loans it had earlier made available. Cross-conditionality also made Ethiopia ineligible for other lowinterest loans and grants from the World Bank, the European Community, and aid from bilaterals.[23] Stiglitz waged war within the Bank and Clinton regime, finally winning concessions, but he learned a lesson: 'There was clear evidence the IMF was wrong about financial market liberalisation and Ethiopia's macroeconomic position, but the IMF had to have its way.'[24] It was not just Ethiopia that would witness a renewed attack on exchange controls. In the immediate wake of the Asian crisis, in 1999, then IMF managing director Camdessus argued, 'I believe it is time for momentum to be re-established... Full liberalisation of capital movement should be promoted in a prudent and well-sequenced fashion.'[25]

What of the potential for prudent work-out of unrepayable debt? This, too, has been under discussion for Bretton Woods reform. As the *The Guardian*'s Larry Elliott explained,

> Gordon Brown and his fellow finance ministers told the IMF to draw up a plan that would give bankruptcy protection to countries. The idea was to give states the same rights as companies if they went belly-up, avoiding the expensive bail-outs that have accompanied the big financial crises of the past decade. The IMF was given six months to come up with a blueprint, but when it reported back last month the idea was dead in the water. Billions of dollars from the bail-outs ended up in the coffers of the big finance houses of New York and George Bush was told not to meddle with welfare for Wall Street. The message was understood: the US used its voting power at the IMF to strangle the bankruptcy code at birth.[26]

It was up to civil society critics, including Canadian financial-democracy activist Robin Round of the Halifax Initiative, to take the critique forward:

> After five long years of preparatory work, the UN Financing for Development conference is a diplomatic disaster. This conference was to find new ways to wipe out poverty and narrow the growing gap between rich and poor. Intense US pressure, however, gutted the process, reducing the final conference statement to a set of vague principles and generalities. Shamefully, Canada became the echo in the room whenever the US spoke.
>
> Governments eliminated or weakened commitments that could have delivered real reform to global finance and trade systems that by their very nature keep the poor poor. They left out commitments to review trade policies that block access to markets in rich countries. How can you develop, when you can't sell your goods abroad?
>
> They overlooked the urgent need to cancel the crippling debt of developing countries. How can you develop, when you must pay the International Monetary Fund before you inoculate children?
>
> They refused to examine how the World Bank and IMF manipulate developing countries' economic, fiscal, and social policies. How can you develop, when you're not allowed to govern your own country?[27]

Three years later, it was clear in the run-up to Gleneagles, hence, that the debt payments that African and other Third World countries continued to make were unjustifiable. Large mobilizations of British citizens – and Blair's unpopularity because of the Iraq War, during an election year – compelled the British government to offer Africa some financial concessions so as to appear humanitarian in character. According to Alex Wilks of the European Network on Debt and Development:

> British finance minister Gordon Brown said in February 2005 that the G8 meeting in Scotland on 6-8 July would be known as the '100% debt relief summit'. Both Tony Blair and George W Bush used similar language at their White House press conference on 7 June… In actual fact, the official plan may only write off 10% of low-income country debt. Not a penny more… The eighteen-to-thirty-eight beneficiary countries will eventually have their debts canceled, but will also have a corresponding amount cut from the aid flows they were likely to receive… Zambia will stop paying its debts to three creditors, but will not receive the equivalent amount in aid to spend, likely less than 20% of the amount of debt canceled. In order to get what little extra money they are eligible for, the governments of developing nations will have to accept harsh World Bank and IMF conditions. This typically means privatization and trade liberalization, misconceived policy measures which often harm poorer people and benefit international traders.[28]

What difference, then, would the finance ministers' announcement make? According to *GreenLeft Weekly*:

> The huge figures most often quoted by the press, $50-55 billion, include IMF, World Bank and African Development Bank debts owed by around 20 of the other poorest Third World countries, which may become eligible for debt cancellation in the future; possibly nine more in 12-18 months, and another 10 or so at some undetermined date. While the $1.5 billion a year made available will certainly be of use for the 18 poverty-stricken countries, it will only boost their collective budget by about 6.5% per annum. The modest sum illustrates that the Western media's backslapping over their governments' 'generosity' is more than a little exaggerated and somewhat premature. Those 18 countries account for only 5% of the population of the Third World, and if all 38 countries become eligible in the future, it will still only affect around 11%.[29]

African and global justice advocates offered harsh condemnations:

- Jubilee South in Manila: 'The multilateral debt cancellation being proposed is still clearly tied to compliance with conditionalities which exacerbate poverty, open our countries further for exploitation and plunder, and perpetuate the domination of the South… Even if the debt cancellation were without conditionalities, the proposal falls far too short in terms of coverage and amounts to demonstrate a bold step towards justice by any standard.'

- Demba Moussa Dembele, director of Forum for African Alternatives in Dakar: 'At the moment this is nothing but a promise… Therefore we will wait to see how this decision is put into action and with what conditions. Caution is necessary also because the 'creditor' countries are long-time masters of the arts of duplicity, manipulation, and concealment.'

- Jayati Ghosh, economics professor at Nehru University, India: '[E]ven otherwise well-informed and progressive people in the developing world were fooled into thinking that, for a change, the leaders of the core capitalist countries were actually thinking about doing some good for people desperately in need of it… The G8 debt relief deal is actually a paltry and niggardly reduction... And this pathetic amount is being traded for yet more major concession made by the debtor countries, in terms of sweeping and extensive privatization of public services and utilities, which is about all that is left for governments to sell in these countries, as well as large increases in indirect taxes which fall disproportionately on the poor.'

- African Network & Forum on Debt and Development based in Harare: 'Nothing short of the continuation of the chains of slavery and bondage for the citizens in those countries… The agreement does not address the real global power imbalances but rather reinforces global apartheid.'[30]

A few weeks after the finance ministers' announcement, at the African heads of state meeting in the African Union in Sirte, Libya issued an unprecedented call for comprehensive debt cancellation for all of Africa. Although some African elites more forcefully objected to their debt burdens, most continued to the bidding of the IMF and World Bank. In one crucial case, however, parliament and civil society advocated repudiation: Nigeria. That particular case is worth contemplating, in the wake of its October 2005 agreement with the following Paris Club countries, which were owed $30 billion: Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, the Russian Federation, Spain, Switzerland, the UK and US. As the IMF explained,

> The agreement envisages a phased approach, in which Nigeria would clear its arrears in full, receive a debt write-off up to Naples terms, and buy back the remainder of its debt. The agreement is conditional on a favorable review of its macroeconomic and structural policies supported by the Fund under a nonfinancial arrangement.[31]

The underlying agenda came to fruition on October 20. Nigeria, $6.3 billion in arrears, would first pay $12.4 billion in up-front payments. As Rob Weissman of *Multinational Monitor* reported,

> You can celebrate this deal, as the Paris Club does, if you ignore the fact that creditors generally write down bad debts as a matter of course (not charity), the billions over principle that Nigeria has already sent out of the country, the fact that the deal imposes IMF conditionality on Nigeria (even though the IMF isn't providing credit to the country), and the reality of the severe poverty in Nigeria.[32]

According to the leader of Nigeria's Jubilee network, Rev. David Ugolor,

> The Paris Club cannot expect Nigeria, freed from over 30 years of military rule, to

> muster $12.4 billion to pay off interest and penalties incurred by the military. Since the debt, by President Obasanjo's own admission, is of dubious origin, the issues of the responsibilities of the creditors must be put on the table at the Paris Club. As desirable as an exit from debt peonage is, it is scandalous for a poor debt distressed country, which cannot afford to pay $2 billion in annual debt service payments, to part with $6 billion up front or $12 billion in three months or even one year.[33]

Similarly, remarked the Global AIDS Alliance,

> The creditors should be ashamed of themselves if they simply take this money [$12.4 billion]. These creditors often knew that the money would be siphoned off by dictators and deposited in western banks, and the resulting debt is morally illegitimate. They bear a moral obligation to think more creatively about how to use this money. Nigeria has already paid these creditors $11.6 billion in debt service since 1985.[34]

The next step was for president Obasanjo to agree to a reimposition of neoliberal policies by the IMF, under the rubric of the new 'Policy Support Instrument' (PSI). That instrument also deserves further consideration. According to Jubilee Africa's Soren Ambrose,

> The Paris Club requires that countries applying for relief be under an IMF program, but the prospect of agreeing to one is political dynamite in Nigeria. The Paris Club was however under great pressure to complete a landmark deal with Nigeria, where the legislature had threatened to simply repudiate the debts, so the PSI was deemed an acceptable alternative. Nigerian Finance Minister Ngozi Okonjo-Iweala told Reuters on May 18 that 'the IMF makes sure it is as stringent as an upper credit tranche programme and then monitors it like a regular program, but the difference is that you develop it and you own it'.[35]

Indeed, the core message of the PSI document released by the IMF is its desire to retain effective control of African countries' macroeconomic policies, *on behalf of 'donor' countries* (i.e., its shareholders):

> Around 40% of donors expressed a need for on/off signals, and a majority for multidimensional assessments. According to the survey, the Fund is expected to assess, first and foremost, macroeconomic performance and policies. Like low-income members, donors consider a quantified medium-term macroeconomic framework—with quarterly or semi-annual targets—to be essential for the assessment of policies and progress made. Most also expect the Fund to assess structural reforms that are either macro-economically critical, or within the Fund's core areas (e.g., tax system, exchange system, financial sector).[36]

This represents, simply, the expansion of the existing system of control of debtor countries, to those countries which won't be so indebted in a formal sense, and hence which need more IMF 'signaling' to donors than is feasible with the standard annual Article IV surveillance reports. What the Nigerian case illustrates is that the IMF is pulling strings on behalf of the

G8 'donor' countries, and that the G8 will continue to support the IMF if such functions benefit northern countries.

A related financial issue – partly captured in the 'payments to private creditors' account – is African access to 'portfolio capital', which are private credits and investments used for Africa's corporate securities, stock market investments, currency purchases and the like. This has mainly taken the form of 'hot money': speculative positions by private-sector investors. The main site of investment action has been South Africa's stock exchange, and to a much smaller extent nascent share markets in Nigeria, Kenya, Zambia, Mauritius, Botswana, Ghana and Zimbabwe (all of whose stock exchanges have at least $1 billion capitalization). In 1995, for example, foreign purchases and sales were responsible for half the share trading in Johannesburg. But these flows have had devastating effects upon South Africa's currency, with 30%+ crashes over a period of weeks during runs in early 1996, mid-1998 and late 2001.[37] In Zimbabwe, the November 1997 outflow of hot money crashed the currency by 74% in just four hours of trading.[38]

As a result, the performance of the eight major African stock markets has been extremely erratic, sometimes returning impressive speculative-style profits to foreign investors and sometimes generating large losses. With a market capitalization of $409 billion in mid-2005, the Johannesburg Stock Exchange dwarfs the other seven (which share roughly $30 billion in capitalization). In 2000-01 and 2003, the JSE was negative, but returned 12% in $-denominated profits in 2002, 40% in 2004 and 29% in the first half of 2005. (There are no exchange controls preventing foreign repatriation of recently-invested dividends and profits from South Africa, and great controversy has erupted over the excessive outflows to the several huge London-registered corporations which were once South African.)

The other source of financial account outflows from Africa that must be reversed is capital flight. A major study by Leonce Ndikumana and James Boyce (updated in April 2008) estimated that from 1970 to 2004, total capital flight from 40 Sub-Saharan African countries was at least $420 billion (in 2004 dollars). The external debt owed by the same countries in 2004 was $227 billion; a substantial portion of debt was used for public infrastructure related investments, including water, even if (as noted below), the 'returns' were not impressive. Using an imputed interest rate to calculate the real impact of flight capital, the accumulated stock rises to $607 billion. According to Ndikumana and Boyce,

> Adding to the irony of SSA's position as net creditor is the fact that a substantial fraction of the money that flowed out of the country as capital flight appears to have come to the subcontinent via external borrowing. Part of the proceeds of loans to African governments from official creditors and private banks has been diverted into private pockets – and foreign bank accounts – via bribes, kickbacks, contracts awarded to political cronies at inflated prices, and outright theft. Some African rulers, like Congo's Mobutu and Nigeria's Sani Abacha, became famous for such abuses. This phenomenon was not limited to a few rogue regimes. Statistical analysis suggests that across the subcontinent the sheer scale of debt-fueled capital flight has been staggering. For every dollar in external loans to Africa in the 1970-2004 period, roughly 60 cents left as capital flight in the same year. The close year-to-year correlation

> between flows of borrowing and capital flight suggests that large sums of money entered and exited the region through a financial 'revolving door'.[39]

In at least 16 countries, a very strong case could be made that the inherited debt from dictators is legally 'Odious', since the citizenry were victimized both in the debt's original accumulation (and use against them), and in demands that it be repaid: Nigeria under the Buhari and Abacha regimes from 1984-98 ($30 billion), South Africa under apartheid from 1948-93 ($22 billion), the DRC under Mobuto from 1965-97 ($13 billion), Sudan under Numeiri from 1969-85 ($9 billion), Ethiopia under Mengistu from 1974-91 ($8 billion), Kenya under Moi from 1978-2002 ($5.8 billion), Congo under Sassou from 1979-2005 ($4.5 billion), Mali under Trore from 1968-91 ($2.5 billion), Somalia under Siad Barre from 1969-91 ($2.3 billion), Malawi under Banda from 1966-94 ($2.2 billion), Togo under Eyadema from 1967-2005 ($1.4 billion), Liberia under Doe from 1980-90 ($1.2 billion), Rwanda under Habyarimana from 1973-94 ($1 billion), Uganda under Idi Amin Dada from 1971-79 ($0.6 billion) and the Central African Republic under Bokassa from 1966-70 ($0.2 billion).[40] Other undemocratic countries - including Zimbabwe under Mugabe in recent years ($4.5 billion) - could also be added to this list, which easily exceeds 50% of Africa's outstanding debt.

The process also works via multinational corporations. In his book *Capitalism's Achilles Heel*, Brookings Institution scholar Raymond Baker documents 'falsified pricing, haven and secrecy structures and the illicit movement of trillions of dollars out of developing and transitional economies… Laundered proceeds of drug trafficking, racketeering, corruption and terrorism tag along with other forms of dirty money to which the US and Europe extend a welcoming hand.' Adds John Christensen of the Tax Justice Network, nearly one third of the value of the annual production in sub-Saharan Africa was taken offshore during the late 1990s. Across the world, eight million 'high net-worth individuals' have insulated $11.5 trillion in assets in offshore-financial centres.[41]

Many of these financial accounts – especially relating to capital flight - highlight the extent to which exchange control liberalization has occurred, especially in Africa. Ironically, IMF researchers - including the then chief economist, Kenneth Rogoff - finally admitted in 2003 that there was severe damage done through more than two decades of financial liberalization. Rogoff and his colleagues (Eswar Prasad, Shang-Jin Wei and Ayhan Kose) admitted 'sobering' findings, namely 'evidence that some countries may have experienced greater consumption volatility as a result... Recent crises in some more financially integrated countries suggest that financial integration may in fact have increased volatility'.[42] These conclusions are also conceded by the World Bank, which promoted financial liberalization with a vengeance during the 1980s-90s. By 2005, even Bank staff had to concede that central objectives were not met:

> To be sure, most African countries have introduced market-based reforms in their financial sectors. But post-liberalization problems still need to be addressed. Financial reform programmes anticipated an initial increase in the spread between lending and deposit rates, but the spread continues to widen in many countries. Moreover, since liberalization, many financial systems have seen high real interest rates. There has also been little financial deepening. While normally liberalization was expected to encourage

> financial deepening, with a positive effect on savings mobilization and credit allocation, for most of Africa, ratios of money and credit to GDP have not increased.[43]

Within Africa, the main driving force behind the liberalized, integrated financial system is the South African government.[44] Pretoria removed its main exchange control - the Financial Rand - in 1995 and permitted the offshore listing of the largest firms in 1998-2000. Results, during a period of alleged post-apartheid macroeconomic 'stability', included severe currency crashes in 1996, 1998 and 2000-01, followed by very high interest rate increases. The high rates exacerbated the already serious problem of stagnant investment, which was also affected by the late 1990s liberalization of restrictions on movement of corporate financial headquarters. But because of prevailing power relations in Pretoria and Johannesburg, South Africa's official agenda is to amplify liberalization.

In contrast to the subimperial project of South Africa, it is worth considering global financial reforms proposed by a self-styled post-imperial government, that of Norway. The ruling coalition's October 2005 'Soria Moria Declaration' set some high standards for shifts in North-South financial relations:

> Norway must adopt an even more offensive position in the international work to reduce the debt burden of poor countries. The UN must establish criteria for what can be characterised as illegitimate debt, and such debt must be cancelled.
>
> The Government will…:
>
> - work to ensure that the multilateral aid is increasingly switched from the World Bank to development programmes and emergency aid measures under the auspices of UN agencies. Norwegian aid should not go to programmes that contain requirements for liberalisation and privatisation, act as a spearhead for international agreements on new global financing sources that can contribute to a redistribution of global wealth and the strengthening of the UN institutions, such as aircraft tax, carbon dioxide tax, tax on arms trade or duty on currency transactions,…
> - work for greater openness about Norway's role in the World Bank and the IMF and evaluate changes in the political management and mandate for Norway´s role,
> - support a democratisation of the World Bank and the IMF. Developing countries must be given much greater influence, among other things by ensuring that the voting right is not solely linked to capital contributions,
>
>   lead the way in the work to ensure the debt cancellation of the poorest countries´ outstanding debt in line with the international debt relief initiative. The costs of debt cancellation must not result in a reduction of Norwegian aid, cf. the adopted debt repayment plan. No requirements must be made for privatisation as a condition for the cancellation of debt. The Government will support the work to set up an international debt settlement court that will hear matters concerning illegitimate debt…[45]

These are excellent promises, reflecting strong lobbying by the progressive Norwegian civil society organisations like the debt movement Slug and the country's Attac branch, and a high level of social consciousness about the ills of corporate globalization. Subsequent events indicated the potential for at least partial implementation of Soria Moria:

- In October 2006, after many years of discussion, the Norwegian government cancelled debt dating to the late 1970s Shipping Export Credit Campaign.

- The following month Oslo hosted – and made a successful bid for the secretariat position of - the Extractive Industries Transparency Initiative, allowing critics of petro-mineral corruption a platform that was shared, ironically, with World Bank president Paul Wolfowitz.

- A few weeks later, the government's conference on the World Bank and International Monetary Fund (IMF) considered whether neoliberal conditions were still being imposed on Third World debtors.

- When, a few days later, the Nobel Peace Prize was given to an anti-poverty financier, Muhammad Yunus of Grameen Bank, the Oslo Nobel committee appeared to be acting consistent with the government's agenda of putting a human face on globalization and capitalism.

- In February 2007, the government cut funding for the World Bank's water privatization facility in the wake of a critical report by two NGOs.

- In August 2007, the Norwegian finance ministry mandated the Government Pension Fund, Global, to sell $14 million worth of shares in Vedanta Resources after its Council on Ethics found the firm's subsidiaries were guilty of large-scale eco-social damage in India. This decision assisted Indian activists attempting to prevent alumina mining in Orisa. Several other major firms - Wal-Mart Stores, Freeport McMoRan Copper & Gold Inc., DRD Gold Limited, BAE Systems, Lockheed Martin Corporation – also suffered disinvestment by the Fund.

Together, at first blush, these initiatives appear to potentially shake post-Cold War North-South power relationships, and to suggest new prospects for a social-democratic reform agenda for global governance. However, much deeper dilemmas remain, because some of the Norwegian reforms legitimate the existing system rather than confronting and weakening it. In making an assessment especially of debt and financial institutions, the first factor to take into account is the adverse balance of forces at the global scale, given the fusion of neoliberal and neoconservative institutions and personnel.

For example, Norway's own debt cancellation in late 2006 was interesting yet not decisive. There are NOK 4,4 billion in outstanding loans from Norway to the Third World. Of that amount, more than two thirds came from the Norwegian Ship Export Campaign during the late 1970s, when 156 ships were sold for NOK 3.7 billion to 21 countries via the Norwegian Guarantee Institute for Export Credits'. Within ten years, Gro Harlem Brundtland had determined that the campaign was economically unsustainable, benefiting Norway more than the countries, by maintaining its dying ship-building industry a bit longer. A further eighteen years later, after vast repayments on the illegitimate loans, the following countries still owe for the ships plus interest in arrears:

Myanmar: NOK 1 579 million
Sierra Leone: NOK 60 million
Sudan: NOK 772 million
Peru: NOK 48 million
Ecuador: NOK 225 million
Jamaica: NOK 19 million
Egypt: NOK 168 million

The late 2006 write-off only affects Myanmar (Burma) and Sudan once they are readmitted to international financial markets, while Sierra Leone must still go through its HIPC completion. The cost to the Norwegian government of the debt cancellation, it estimates, will be only NOK 577 million between 2007-21. The major question raised by this opening is whether reparations should be paid by Norway to countries which already repaid loans for the ships. Leading debt campaigner John Jones of Networkers South North explains:

> 1. Norway has accepted co-responsibility for the debt tragedy. That is new. They have, however, *not* accepted the concept of 'illegitimacy'. So the victory for the NGOs is only partial, albeit a significant partial one. It seems as if it has been important for the government of Norway to accommodate the debt cancellation demand without upsetting the World Bank and the other major finance powers. And that is no good sign. To break this institutional loyalty will be the toughest challenge in the time to come. The new Norwegian government will have to prove it will change its former pro-World Bank attitude and follow up its basic policy paper on this issue. It will mean a change of mind or manpower in the bureaucracy at the Ministry of Foreign Affairs, and is no small task.
>
> 2. If the loans were granted on wrong premises, Norway should follow their logic to go into the question of repayment of money gone to serve these loans. In the case of Ecuador more than $100 million has been repaid over the years to downpay $24 million. Originally the loan was only $59 million. The remaining $35 million has been 'forgiven' today. Hugo Arias' alleged claim that Norway should return the $100 million is well taken and correct. The original loan was misplaced and should be considered as part of internal Norwegian subsidy of shipyards and be financed as such. Ecuador is a good example to show the story of debt and debt-payments.
>
> 3. The 'forgiveness' of Sierra Leone's debt is pending on that country's reaching the World Bank HIPC completion points. It so happens that Norway does not accept privatization conditionalities any longer, but has not detected what it means for Sierra Leone to 'reach completion points' - yes - it implies *privatization*. Someone at the ministry has not done their job. NGOs still will have to do it for them when it comes to keeping financial actors accountable.[46]

Similarly, Jones suggests that the way Oslo relates to the World Bank also requires more critical consideration. In February 2007, a Norwegian NGO - the Association of International

Water Studies (FIVAS) - and the British World Development Movement campaigning group issued a report, '*Down the Drain: How aid for water sector reform could be better spent*'. This apparently persuaded development minister Erik Solheim to withdraw from the Bank's Public Private Infrastructure Advisory Facility, which Oslo had funded with $2.85 million since 1999. According to Jones,

> To be consistent in its policies, the ministry will be expected to look into funds used for private sector investment which is ten times bigger, and even its national NORFUND that channels billions into 'risk taking private investments' and unashamed privatisation projects. However, it is no secret that Solheim has signalled little personal interest in these cuts and has done little of substance to alter the government's institutional set up or other policies to reduce neoliberal practices in general. He will have to come up with much more substantive measures to convince critics that his admissions to the NGOs are more than cheap bones to distract the dogs.[47]

According to Solheim, addressing the November 2006 conference on conditionalities, 'We are not saying that liberal economic policies and privatisation are wrong. But it should be a choice of that country - through a democratic debate - not one made by international lenders or institutions.'[48] In the process, he not only missed an excellent opportunity to indeed say neoliberalism is 'wrong', he also neglected to consider the political content behind conditionality. This was also something that two major internal World Bank reviews in 2005-06 failed to do, in arguing the case that conditions on loans and debt relief have diminished, or that they simply assist toward broader objectives including borrower ownership, harmonisation, customisation, criticality, transparency and predictability.[49] In contrast, at least three critical NGO studies during 2005-06 found increases in neoliberal conditionality, in part by showing how definitional tricks by the Bank erased the problem without even identifying it.[50] According to these and other civil society critiques put forward to the Norwegian Conference on Conditionality,

- Aggregate World Bank and IMF economic policy conditions rose on average from 48 to 67 per loan between 2002 and 2005;

- World Bank and IMF continue to put conditions on privatisation and liberalization despite the acknowledged frequent failures of these policies in the past;

- The Bank does not give enough space for governments to define their own policies;

- The continuing secrecy of World Bank and IMF negotiations with borrowing country governments inhibits the development of genuine broad based 'ownership' and leaves reform programmes open to the accusation that they have been illegitimately forced on governments by the Bank; and

- IMF macroeconomic conditions, especially high interest rates aimed at combating moderate levels of inflation and stringent fiscal policies, impair much needed spending on social and economic development.[51]

Three Norwegian researchers contracted by the foreign ministry - Benedicte Bull, Alf Morten Jerve and Erlend Sigvaldsen – found that in forty Poverty Reduction Growth Facility loans, 'privatization is a condition in over half… In addition, 10 of the programs described in detail the privatization plans of the government, but these were not included in the policy conditionalities. That means that in only 7 of the 40 cases did privatization not figure as an important element of the PRGF.'[52] The Bull report is critical, to be sure. However, those in power might make the case that allegedly pragmatic changes warrant ongoing Norwegian support, particularly in relation to discontinued user fees for health and education, as well as water/energy utility practices. As the consultants claim, 'All indications are that the IFIs have changed thinking and even practice with regard to privatization and liberalization conditionalities in the utility sector, allowing a wider specter of alternatives and increasing the emphasis on government as an important player.'

Yet it is also widely known that because of lower profits, economic problems in expanding supply grids to poor people, problems with currency conversions for profit repatriation and rising social resistance, the once inexorable march of European and US water firms into the Third World reversed beginning in 1998. This was the main basis for recommendations by the 2002-2003 Camdessus Commission for dramatic increases in publicly-subsidised risk insurance for water privatisers like the French firm Suez, which lost large amounts due to the political and financial meltdown in Argentina.

In short, it appears that in some crucial ways, the Norwegian consultants missed 'the devil in the details', and thus offer a less critical analysis than is warranted. This is reminiscent of the kind of thinking in Norad during the early 2000s, in which – as the agency's website still claims in December 2006 (in a document not updated since May 2004) – 'The increased focus in Norad on private sector development has in turn led to greater focus on developing countries' financing of their own development. Efforts to increase tax revenues, provide savings opportunities for the population and provide possibilities for creating local investment capital have become more central components of development cooperation.' Finally, while the withdrawal of $2.8 million of Norwegian grants to the World Bank's Private Public Investment Advisory Fund in early 2007 was noted and appreciated especially by water justice campaigners, the subsequent state budget a few weeks later provided $200 million to the Bank for its International Development Association. Hence Norway's role as a vanguard global financial reformer leaves a great deal to be desired.

In the meantime, the *actual* reform of the world financial system was being undertaken by Latin American and other medium-sized debtors, repaying their IMF loans early, hence disempowering the International Monetary Fund. To some extent this was made possible by the surpluses accumulated in Venezuela's accounts by petroleum rents, and Hugo Chavez's willingness to lend to neighbors. Supported by Chavez and Rafael Correa of Ecuador, the Bank of the South will potentially take forward the objective of South-South financial cooperation, although its initial size is modest.

Finally, then, consider Jane D'Arista's work, so expansive in clarifying varied aspects of economic crisis and reform. In 1999, D'Arista suggested three proposals for rearranging global financial regulatory institutional arrangements. In its latest manifestation, as a PERI research paper in 2007, she suggests revising John Maynard Keynes' mid-1940s International Clearing Union proposal to penalise exporters and mitigate processes of financial uneven development between countries.[53] This would work with two other reforms:

- The first proposal puts forward a plan for establishing a public international investment fund for emerging markets. Structured as a closed-end mutual fund, this investment vehicle would address the problems that have emerged with the extraordinary growth in cross-border securities investment transactions in the 1990s. The proposal advocates a role for the public sector in managing those problems so that private portfolio investment – now the dominant channel for flows into emerging markets – can promote steady, sustainable growth rather than the boom and bust cycles that so far have been its primary contribution.

- The second proposal recommends a new allocation of special drawing rights (SDRs), the international reserve asset issued by the International Monetary Fund (IMF). Issuing a new round of SDRs would provide substantial short-term relief from the debt burdens that aggravate imbalances in nations' access to international liquidity and perpetuate policies favoring lower wages, fiscal and monetary austerity and deflation.

- The third proposal articulates an alternative to the privatized, dollar-based international monetary system that is a root cause of global instability and market failure. This proposal would create an international transactions and payments system managed by a public international agency in which cross-border monetary exchanges can be made in each country's own currency. This critical feature would help governments and central banks conduct effective economic policies, including countercyclical initiatives, at a national level. Equally important, it would allow all countries — not just a privileged few — to service external debt with wealth generated in their domestic markets. Thus it would help end the unsustainable paradigm of export-led growth that now governs the global economy.[54]

Although the second idea, recapitalizing and strengthening the IMF, is distasteful (and one she's told me is not so crucial to her program), D'Arista's ideas have coherence and vision, and are realistic insofar as they relate to existing international financial interrelationships. William Greider has given them the strongest endorsement, and it is worth recalling his view, from 2000, about the barriers to seeing them implemented:

> The centers of financial wealth - especially the United States - would likely be the skeptics, since it requires them to surrender much of their ability to manipulate and dominate others... Many reformers will object that this subject is wildly premature, too abstract for citizens to grasp, too distant from present politics to engage their scarce energies... Someday, I predict, political leaders will be compelled to consider something like this, though I fear it may require a bloody catastrophe to get their

attention.[55]

'Someday' is the operative word. Greider acknowledges that a major shake-up would be necessary: 'When the United States developed into a truly national economy in the late nineteenth century, it suffered repeated, disastrous financial upheavals that eventually persuaded politicians, albeit reluctantly, to accept the need for a central bank. The question now is whether the world has yet had enough of the chaos and profiteering to accept something similar.' Greider also notes that D'Arista's sense of such power imbalances as exist within multilateral financial agencies today results in advocacy of institutional governance characterized by a rotating executive committee whose members are picked on grounds of both population and economic output.

4. Conclusion: Towards financial democratization, deglobalization and decommodification

To conclude, we must face up to a formidable challenge: the current balance of forces is terribly adverse, as suggested in the Appendix, which divides global ideologies into five categories: Neoconservative, Neoliberal, Post-Washington, Third World Nationalist and Global Justice. The basic barrier is that too many neoconservatives and neoliberals populate the multilateral institutions, so that not since perhaps 1996 when the Montreal Protocol agreed upon chlorofluorocarbon emission reductions, have we seen a serious global governance reform. In areas ranging from democratization of the IFIs and UN Security Council, to climate change, to international aid and trade, efforts made to establish cooperative reforms across North and South have profoundly failed.

During the 1990s, Western donors (including Scandinavians) had effectively united with the Bretton Woods Institutions via the Paris Club, drawing in UN agencies and large corporations, with nearly uniform cooperation by Third World elites. The result was a coherent neoliberal bloc which in the mid-2000s was taken over by notable neoconservative officials, leading to multilateral reform gridlock:

- the European Union chose the outgoing Spanish Francoist finance minister Rodrigo Rato as IMF managing director in mid-2004, and his replacement in September 2007, Dominique Strauss-Kahn (from the neoliberal wing of the Socialist Party), was nominated by Nicolas Sarkozy and bulldozed through the selection process without even the charade of consultation (the US and Europe collectively hold 53% of voting shares and Washington immediately supported the Euro prerogative), at a time the Bretton Woods 'democracy deficit' had caused a recognised legitimacy crisis;

- Paul Wolfowitz – the architect of the illegal US/UK/Coalition of the Willing war against Iraq – was appointed by Bush to head the World Bank in March 2005, and when in June 2007 he was forced out due to petty nepotism, Wolfowitz was replaced by fellow neocon Robert Zoellick, formerly Bush administration US Trade Representative and member of the Project for a New American Century (hence signatory to a 1998 letter to Bill Clinton advocating an invasion of Iraq on grounds that

'American policy cannot continue to be crippled by a misguided insistence on unanimity in the UN Security Council');

- the European Union's hardline trade negotiator Pascal Lamy won the directorship of the World Trade Organisation in early 2005, confirming the lack of room for trade reform;

- the US-influenced choice for UN secretary general to replace Kofi Annan in 2007 was Ban Ki-moon, who proved himself loyal the first week on the job when he endorsed Washington's unprovoked bombing of Somalia;

- the head of UNICEF, chosen in January 2005, was Bush's agriculture minister Ann Veneman, although the USA and Somalia are the only two out of 191 countries which refused to ratify the United Nations Convention on the Rights of the Child;

- for another key UN post in February 2005, the outgoing neoliberal head of the World Trade Organisation, Supachai Panitchpakdi from Thailand (who served US and EU interests from 2003-05), was chosen to lead the United Nations Conference on Trade and Development;

- the Bush adminstration's undersecretary of state Christopher Burnham was made UN undersecretary general for management, notwithstanding Washington's persistent UN dues-chiseling;

- Bush's choice to direct the UN's World Food Programme was Josette Sheeran, former managing editor of the neocon newspaper *Washington Times,* owned by the South Korean Moonies (an appointment Ban allegedly promoted); and

- to ensure that Washington's UN directives retained powerful – bullying and often sinister – force, Bush appointed the notorious John Bolton as US Ambassador in mid-2005, and in December 2006, after the Democrat-controlled Congress refused to endorse Bolton, replaced replaced him with former US Ambassador to occupied Iraq, Zalmay Khalilzad.[56]

So the hope for global economic reform *top down,* seems myopic. Instead, what kinds of examples can we find, *bottom-up,* that correspond to the pressures of global financial volatility, and social resistance? The next paper in this series will address the ways grassroots activists are moving forward against an undemocratic and destructive global financial system. The spirit is in keeping with a strong normative statement by a leading 20th century economist:

> I sympathize with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, 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.[57]

John Maynard Keynes, writing these words in 1933, sounds similar to the protesters at the World Trade Organization's Seattle meeting, who called for the deglobalization of capital, through the globalization of people. Can this principle be found in grassroots activism that relates to global economic injustice, especially in the sphere of finance? One must look rather closely, but yes, and we take up the story in coming pages.

Five International Ideological Currents

(Patrick Bond, bondp@ukzn.ac.za, October 2008)

Political current:	**Global Justice Movements**	**Third World Nationalism**	**Post-Wash. Consensus**	**Washington Consensus**	**Resurgent Rightwing**
Tradition	socialism, anarchism	*national* capitalism	social democracy	neoliberalism	neoconservatism
Main agenda	'deglobalisation' of *capital* (not people) – i.e., 'globalisation-from-below' and international solidarity; anti-war; anti-racism; indigenous rights; women's liberation; ecology; 'decommodified' state services; radical participatory democracy	increased (but fairer) global integration via reform of interstate system, based on debt relief and expanded market access; reformed global governance; regionalism; rhetorical anti-imperialism; and Third World unity	fix 'imperfect markets;' add 'sustainable development' to existing economic framework via UN-centric global state-building; promote a (limited) degree of global Keynesianism; oppose US unilateralism and militarism	rename and reimpose neoliberalism (PRSPs, HIPC, PPPs) with provisions for 'transparency', self-regulation and bail-out mechanisms; co-opt potential emerging-market resistance; offer financial support for US-led Empire	unilateral petro-military imperialism; crony deals, corporate subsidies, protectionism and tariffs; reverse globalization of people via racism and xenophobia; religious extremism; patriarchy; homophobia
Leading institutions	social movements; environmental justice activists; indigenous people; autonomists; radical activist networks; leftist labour movements; liberation theology; radical NGOs (e.g., ActionAid, Focus on the Global South, Global Exchange, IBASE, IFG, IPS, Nader centres, TNI); radical media (Znet, Democracy Now! *GreenLeft*, Indymedia, Pacifica, *Counterpunch*, Pambazuka, Rebelion.org); semi-liberated zones (Bolivarian projects, Kerala); sector-based or local coalitions in the World Social Forum; some Latin American states	Non-Aligned Movement, G77 and South Centre; self-selecting regimes (often authoritarian): Argentina, Brazil, China, Egypt, India, Indonesia, Kenya, Libya, Malaysia, Nigeria, Pakistan, Palestine, Russia, South Africa, Turkey, Uganda, Zimbabwe ; *AlJazeera*, some supportive NGOs and thinktanks	some UN agencies (e.g., Unicef, Unifem, Wider); some INGOs (e.g., Care, Civicus, IUCN, Oxfam, TI); large enviro. groups (e.g., Sierra and WWF); big labour (e.g., ICFTU and AFL-CIO); liberal foundations (Carnegie, Ford, MacArthur, Mott, Open Society, Rockefeller); Columbia U. economics department; the Socialist International; Norway	US state (Fed, Treasury, USAid); corporate media, IT and financiers; World Bank, IMF, WTO; elite clubs (Bilderburgers, Trilateral Commission, World Economic Forum); some UN agencies (UNDP, Unctad, Global Compact); universities and think-tanks (U. of Chicago economics, Cato, Council on Foreign Relations, Adam Smith Inst., Inst. of International Economics, Brookings); BBC, CNN and Sky; most of G8	White House and Pentagon; Republican Party populist and libertarian wings; Project for a New American Century; right wing think-tanks (AEI, CSIS, Heritage, Manhattan); Christian Right institutions and media; petro-military complex and industrial firms; rightwing media (Fox, *National Interest*, *Weekly Standard*, *Washington Times*); proto-fascist European parties - but also Zionism and Islamic extremism

Political current:	Global Justice Movements	ThirdWorld Nationalism	Post-Wash. Consensus	Washington Consensus	Neocon-servatism
Internal disputes	role of state; party politics; fix-it vs nix-it for int'l agencies; gender and racial power relations; divergent interests (e.g., Northern labor or environment vs Southern sovereignty and indigenous rights); tactics (e.g., merits of symbolic property destruction)	degree of militancy versus the North; divergent regional interests; religion; large vs small countries; internecine rivalries	some look left (for alliances) while others look right to the Wash. Consensus (in search of resources, legitimacy and deals); which reforms are optimal	Differing reactions to US empire due to divergent national-capitalist interests and domestic political dynamics	Disputes over US imperial reach, religious influence, and how to best protect culture, patriarchy, and state sovereignty
Exem-plary propo-nents	**POLITICAL SOCIETY:** F.Castro H.Chavez R.Correa E.Morales **CIVIL SOCIETY:** C.Abugre, Z.Achmat E.Adamovsky M.Albert T.Ali E.Altvater S.Amin C.Augiton D.Barsamian A.Ben-Bela M.Barlow H.Belafonte W.Bello A.Bendana M.Benjamin P.Bennis F.Betto H.Bonafini A.Boron J.Bove J.Brecher R.Brenner D.Brutus N.Bullard A.Buzgalin L.Cagan A.Callinicos L.Cassarini J.Cavanagh C.Chalmers N.Chomsky T.Clarke K.Danaher M.Davis D.Dembele A.Dorfman A.Escobar L.Flanders R.Fisk E.Galeano G.Galloway S.Gill S.George D.Glover A.Goodman M.P.Giyose A.Grubacic R.Hahnel M.Hardt D.Harvey D.Henwood J.Holloway W.Kaara B.Kagarlitsky J.Kelsey N.Klein D.Korton J.Kovel J.LeCarré A.Leonard S.Longwe T.Mkandawire M.Lowy M.Mamdani J.Mander Marcos A.Mittal G.Monbiot M.Moore L.Nacpil R.Nader V.Navarro A.Negri T.Ngwane N.Njehu A.Olukoshi O.Ongwen G.Palast L.Panitch M.Patkar J.Perkins J.Pilger A.Roy E.Sader D.Sari J.Sen C.Sheehan V.Shiva I.Shivji J.Singh B.Sousa Santos W.Soyinka A.Starr J.Stedile H.Sumnono T.Teivainen A.Traoré V.Vargas H.Wainwright N.WaThiong'o L.Wallach I.Wallerstein P.Waterman M.Weisbrot R.Weissman D.Wen C.Whitaker E.Wood H.Zinn	**POLITICAL SOCIETY:** J.Aristide M.Gaddafi W.Jiabao C.Kirchner R.Mugabe D.Ortega V.Putin **CIVIL SOCIETY:** Y.Akyuz Y.Graham M.Khor Y.Tandon	**POLITICAL SOCIETY:** M.Bachelet E.Solheim G.Verhofstadt K.Watkins **CIVIL SOCIETY:** A.Adedeji N.Birdsall Bono G.Brundtland B.Cassen P.Eigen B.Geldof A.Giddens W.Hutton P.Krugman K.Naidoo M.Robinson D.Rodrik J.Sachs W.Sachs A.Sen G.Soros N.Stern J.Stiglitz J.Sweeney	**POLITICAL SOCIETY:** B.Bernanke T.Blair G.Brown M.Camdessus H.Clinton K.Dervis L.daSilva A.Krueger P.Lamy M.Malloch-Brown T.Mbeki A.Merkel H.Poulson R.Prodi K.Rudd M.Singh D.Strauss-Kahn SupachaiP. **CIVIL SOCIETY:** E.Cardoso J.Chirac B.Clinton H.DeSoto T.Friedman B.Gates A.Greenspan H.Kissinger K.Rogoff L.Summers M.Yunus	**POLITICAL SOCIETY:** E.Abrams K.Adelman G.W.Bush D.Cheney R.Gates N.Gingrich J.Haider S.Harper J.Howard Z.Khalilzad B.Ki-moon I.Paisley J.M.le Pen J.Negroponte E.Olmert S.Peres O.Reich C.Rice K.Rove N.Sarkozy A.Scalia R.Tobias A.Veneman R.Zoellick **CIVIL SOCIETY:** Z.Brzezinski P.Buchanan A.Colter J.Falwell H.Kissinger W.Kristol R.Limbaugh R.Murdoch G.Norquist M.Peretz R.Perle R.Scaife P.Wolfowitz

Notes

1. Longer versions of the material in this section can be found in Bond, P. (2006), *Talk Left, Walk Right,* Pietermaitzburg, University of KwaZulu-Natal Press; and in an article, 'Post-Imperialist North-South Financial Relations?', in *Studies in Political Economy,* 81, 2008.
2. In retirement, Camdessus remained an active agent of the Washington Consensus. In 2001 he served as an advisor to Pope John Paul II. In 2002-03 he was head of a World Water Forum infrastructure financing panel that was extremely controversial. In June 2003 he was chosen as the G8's special liaison for Africa, and played a role in promoting the New Partnership for Africa's Development.
3. Manuel, T. (2002), 'Remarks to the International Business Forum at the International Conference on Financing for Development,' Monterrey, 18 March.
4. See Bond, P. (Ed)(2002), *Fanon's Warning: A Civil Society Reader on the New Partnership for Africa's Development*, Africa World Press and AIDC, pp.141-142 for a discussion of the primary pilots and their failings.
5. United Nations (2002), 'Report of the International Conference on Financing for Development,' A/CONF.198/11, Monterrey, Mexico, 22 March, Statement by Mike Moore, Director-General, World Trade Organisation. The IMF and Bank tend to underestimate the recurrent costs associated with most basic-needs goods, because the institutions generally insist on cost-recovery and self-financing.
6. The citations are from United Nations, 'Report of the International Conference on Financing for Development,' paragraphs 2,4,25,39,41,49,52,54,71.
7. For a critique of NEPAD's pro-HIPC financing arguments, see Bond, P. (Ed)(2005) *Fanon's Warning*, Trenton, Africa World Press, pp.183-192. NEPAD only adds that more resources are required and a few more countries added to those elegible for relief.
8. The quote by Manuel demonstrated a smug analysis of HIPC and a surprisingly unambitious reform agenda (Manuel, T. (2002), 'Mobilizing International Investment Flows: The New Global Outlook,' Speech to the Commonwealth Business Council, 24 September). Ironically however, while in Monterrey, Manuel began to admit the programme design flaws: 'We also need to ask: will the debt relief provided by the HIPC Initiative lead to sustainable debt levels? If the answer is no we would need to look at ways to address the areas of concern of the HIPC framework' (Manuel, 'Remarks to the International Conference on Financing for Development'). Such talk was cheap, for in neither the Monterrey Consensus nor NEPAD, nor any initiative of Manuel's, was HIPC's failed framework substantively addressed.
9. *Financial Times*, 27 February 2003. This possibility, often stated at the programme's outset by civil society critics, was only hinted at in Monterrey's main source of official information: International Monetary Fund and International Development Association (2001), 'The Impact of Debt Reduction under the HIPC Initiative on External Debt Service and Social Expenditures,' Washington, 16 November. The Bank, paradoxically, blamed failure upon 'political pressure' to cut debt further as the key reason repayments were still not 'sustainable.'
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13. Jubilee South (2001), 'Pan-African Declaration on PRSPs,' Kampala, 12 May. The document serves as Appendix Four to Bond and Manyanya, *Zimbabwe's Plunge*.
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17. McGee, R. (2002), 'Assessing Participation in Poverty Reduction Strategy Papers: A Desk-Based Synthesis of Experience in sub-Saharan Africa,' Sussex, University of Sussex Institute for Development Studies.
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