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US HEGEMONY AND THE WORLD BANK: STIGLITZ'S FIRING AND KANBUR'S RESIGNATION

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As a republic founded on ideals the US is keenly aware of the impact of ideas on actions. Its foreign economic policy since the Second World War has sought to convince the world of the truth of liberal free market ideology—all will benefit in the longer run from a political economy characterized by (1) competition in free markets for goods, services and capital, (2) corporations managed so as to maximize shareholder value, (3) stock markets used for buying and selling corporate control, (4) government intervention only in cases of obvious market failure (roads, defence, minimal social security safety nets). If the US can get this ideology embraced around the world to the point where powerful segments of national elites want these same things for themselves, it can achieve its foreign economic policy objectives at much less cost than relying on more materially-based negotiation or coercion. In particular, the idea of the *mutual* benefits of free markets, if widely accepted, allows free market critics to be easily discredited as defenders of special interests at the expense of the general good.

During the Cold War, opening the rest of the world's markets had to be balanced against containing communism. With the end of the Cold War "The successor to a doctrine of containment must be a *strategy of enlargement*, enlargement of the world's free community of market democracies", declared US national security advisor Anthony Lake. "During the Cold War, even children understood America's security mission: as they looked at those maps on their schoolroom walls, they knew we were trying to contain the creeping expansion of that big, red blob. Today…we might visualize our security mission as promoting the enlargement of the 'blue areas' of market democracies."[1]

The multilateral economic organizations, above all the IMF and the World Bank, are important vehicles of the enlargement strategy. But here

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[1] National Security Affairs Presidential Assistant Anthony Lake, speech of September 21, 1993, emphasis added.

the US faces a dilemma. On the one hand, it wishes to control these organizations so that they promote US foreign policy objectives. Therefore it has to ensure that appointment procedures yield people at the top of the organizations who will in turn ensure that the organizations explain to the world why all benefit from free markets in the longer run and why alternative institutional arrangements are not viable. Or at least that people in prominent positions within them who say contrary things can be silenced or got rid of. On the other hand, the more overtly the US controls the organizations and the more it is seen to intervene in ways that violate the rules of multilateral decision-making, the more they loose the legitimacy of multilateralism and the less effectively they can achieve certain kinds of US objectives. The US has to structure and operate within the organizations in a way that looks as though the organizations act in accordance with rules decided by the collective of member governments rather than according to US discretionary judgments. [2]

The point can be made more generally. “The supremacy of a social group manifests itself in two ways”, Antonio Gramsci proposed, “as ‘domination’ and as ‘intellectual and moral leadership’…. A social group dominates antagonistic groups, which it tends to ‘liquidate’, or subjugate perhaps even by armed force; it leads kindred or allied groups”.[3] Hegemony, Gramsci said, is the additional power, beyond domination, that accrues to a dominant group by it convincing subordinate groups that its rule serves not only its own interests but also those of the subordinate groups. In other words, hegemony is soft power, the ability to make others want the same thing as yourself, as distinct from hard power, the ability to force others to give you what you want.

The convincing takes place through some combination of (1) belief that the system of rule created by the dominant group brings material and other benefits to all or most participants, and that the feasible alternatives are worse, and (2) belief that the processes and procedures of the dominant system of rule are fair, and will be enforced on the dominant group as well as on the subordinate group. Hegemony, in other words, has two pillars, one substantive, the other procedural.

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[2] See Ngaire Woods, “The challenges of multilateralism and governance”, in Chris Gilbert and David Vines (eds), *The World Bank: Policies and Structure*, Cambridge University Press, forthcoming; “The challenge to international institutions”, in Ngaire Woods (ed.), *The Political Economy of Globalization*, Basingstoke: Macmillan, 2000. On the US’s influence in the Fund see Strom Thacker, “The high politics of IMF lending”, *World Politics,* 52, October 1999, 38-75, p.64.

[3] Quoted in Giovanni Arrighi and Beverley Silver, “Hegemonic transitions: past and present”, *Political Power and Social Theory*, 13, 1999, 239-75, at 254.

The US dilemma in multilateral organizations, then, is that US intervention to strengthen the substantive pillar—the idea of mutual benefits from free markets--may come at the expense of the procedural pillar, by breaking collectively legitimated rules of, for example, personnel selection; and vice versa.

US Levers

As its own bilateral aid program has shrunk the US has found the World Bank an especially useful instrument for projecting its influence in developing countries. The Bank is a source of funds to be offered to US friends or denied to US enemies, and a source of Anglo-American ideas about effective ways to organize an economy--and increasingly, a polity. The US in effect chooses the president of the Bank. It has by far the largest share of votes (17.0 percent as compared to number 2 Japan's 6 percent and number 3 Germany's 4.7 percent at end of fiscal 1997). On some constitutional issues it can exercise a veto, the only member state able to do so. The US also makes the single biggest contribution to IDA, the Bank's soft-loan affiliate dedicated to lending to the poorest countries. The US Congress has to approve the normally three-yearly pledges to IDA; and also has to approve the release of pledged money every year (something done by no other legislature amongst the Bank's members). The annual release decision and the tri-annual pledge decision give the Congress and those who can influence it abundant opportunities to impose conditions on the US's contribution to IDA and thereby on the Bank as a whole. All these give the US levers of direct or pro-active influence over the Bank.[4]

In addition, American thinking about the roles of governments and markets sets the conceptual center of gravity of Bank thinking, not European, Japanese, or developing country thinking.[5] The large majority of Bank economists have a post-graduate qualification from a North American university, whatever their nationality (as is indeed true of large numbers of the world's elite opinion leaders). The Bank's location in the heart of Washington DC, just a few blocks from the White House, the Treasury, and the Washington think-tanks, plus the fact that its staff read US newspapers and watch American TV, plus the fact that English is its only language of

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[4] Catherine Gwin, "U.S. relations with the World Bank", chapter 6 in *The World Bank: Its First Half Century*, vol. 2, *Perspetives*, Brookings Institution, Washington DC, 1997, 195-274.

[5] On the differences in the thinking of US economists compared to European (especially French) economists see Bruno Frey et al., "Consensus and dissensus among economists: an empirical enquiry". *American Economic Review*, 74 (5), 1984, 986-94.

business, mean that American premises structure the very mindset with which most Bank staff approach development.

However, to remain within the zone of effectiveness—the zone where the Bank is reliably responsive to US foreign policy aims and US domestic constituency groups but is still seen as having enough independence to induce weaker states to participate--the US often limits its direct interventions to negative power, to ensuring that the Bank does not do or say things contrary to US objectives as distinct from instructing it more pro-actively. With the result that, as one observer noted, "Any signal of displeasure by the U.S. executive director has an almost palpable impact on the Bank leadership and staff, whether the signal is an explicit complaint or simply the executive director's request for information on a problem." [6] Negative power requires, above all, the capacity to ensure that senior Bank people who do or say things contrary to US objectives can be silenced or fired. The ways of doing so must be hidden, of course, if the rule-based character of multilateralism is to be maintained and the procedural pillar of hegemony protected.

Positions and Ideas

From this point of view the chief economist at the World Bank is a critical position, because the incumbent can shape the content of what the Bank tells the world about how countries should develop and about how countries are developing. The Bank's legitimacy rests on the claim that its development advice reflects the best technical research, a claim which borrowing governments can cite as the publicly acceptable justification for following its advice even if, in fact, they do so because they are too weak to do otherwise or too dominated by an oligarchy that benefits from the Bank's policies. The chief economist has much influence over what research is done and by whom, what evidence is accepted, what conclusions are drawn, how the conclusions are advertised; hence much influence over what constitutes "the best technical research" and what does not.

The US Treasury has therefore always been keenly interested in the appointment, exercising a de facto veto. While other nationalities have been

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[6] William Ascher, "The World Bank and U.S. control", in M. Karns and K. Mingst (eds), *The United States and Multilateral Institutions: Patterns of Changing Instrumentality and Influence*, London: Routledge, 1992, 115-140, at 124. See also Kapur et al., *The World Bank*, op.cit.

well represented in most other top-level posts, the chief economist has always been an American, with only two recent exceptions.[7]

Another important ideas-controlling position is director of the *World Development Report.* The *World Development Report* (WDR), published annually, is the Bank's flagship publication. Each number takes a theme and presents the Bank's conclusions on it, running to 200-300 pages. The recent WDRs have been about such subjects as *Attacking Poverty* (2000/01), *Entering the 21st Century* (1999/2000), *Knowledge for Development* (1998/99), and *The State in a Changing World* (1997). The core budget ranges from $3.5 million to $5 million, handsomely supplemented from trust funds and foundations. Each WDR has a print run of at least 50,000 in English, some have gone to over 100,000, and smaller numbers are translated into seven languages.[8] Free copies are given to individuals or organizations from developing countries.[9]

The director of each WDR is chosen by the chief economist with the approval of the president. The director and chief economist together choose a team of 5-10 Bank full-time authorial staff plus consultants plus administrators. They normally have about 18 months to prepare the report. Then they disband, while a new team is already well under way with the WDR for the following year. The Bank is careful to project an image of WDR independence, since the message is meant to be based on empirical evidence and the best technical research.[10] The drafts are circulated for internal comment, and member governments also get to comment. More recently consultation exercises have been held with non-governmental organizations.

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[7] Michael Bruno, chief economist in the mid 1990s, was the first exception; he was an Israeli who had lived in the US and taught at US universities. The current chief economist, Nicholas Stern, appointed in 2000, is the second exception; he is British.

[8] In addition the Bank produces about 50,000 copies of the WDR summary across seven languages (Chinese, German, French, Spanish, Japanese, Russian and Vietnamese). UNCTAD's annual *Trade and Development Report*, the only multilateral development report to provide serious economic challenges to heartland World Bank views in favor of the free market and the neoliberal state, has a print run of only about 12,000 in English, plus another 7-8,000 copies split between the other five official languages of the UN (Chinese, Russian, French, Spanish, Arabic). It is produced on a shoestring budget of less than $700,000. UNDP's *Human Development Report* has a print run of 100,000 in 12 languages, with a budget of roughly $1.5 million.

[9] The Bank is now thinking of ways to achieve broader distribution in developing countries, perhaps by compact disc.

[10] The contrast between the image of the WDR as a report by independent social scientists and its reality as an advocacy document is caught in a statement by Wolfensohn, intended, ironically, to assert the independence of the Bank from the US Treasury. "I'm out there with the CDF [Comprehensive Development Framework], and every speech I make says it. You think I'm going to let a WDR go out that doesn't say it [doesn't promote the CDF]?" Deepak Gopinath, "Wolfensohn agonistes", *Institutional Investor*, September 2000.

This essay describes two recent cases where a senior person in the Bank said things contrary to what the US Treasury wanted to hear the Bank saying, and ended up leaving the Bank in a blaze of publicity. The first case concerns the resignation of Joseph Stiglitz, chief economist from 1996 to 1999, and then his firing as special advisor to the president. The second case concerns the resignation of Ravi Kanbur, director of the *World Development Report 2000,* called *Attacking Poverty*. For all the media attention at the time these are minor events in the wider scheme of things. But often it is the minor events that show the texture of power. Or as Sherlock Holmes said to Watson, “It has long been an axiom of mine that the little things are infinitely the most important”. [11]

Wolfensohn and the US Treasury

James Wolfensohn was appointed president of the Bank in 1995, coming in from Wall Street. He had long been interested in the job, but it was his close relationship to top members of the Clinton administration and the Democratic Party that clinched his nomination. His relationship with the US Treasury, in particular with Lawrence Summers, Deputy Treasury Secretary when Wolfensohn was appointed and Treasury Secretary by 1999, has been stormy. The assertive Summers, himself a former chief economist of the Bank, made no secret that Wolfensohn was not his choice as president. From the beginning he had little compunction about telling him what to do. Staff around Wolfensohn learned that a Summers telephone call was likely to plunge their boss into a foul mood—especially because in the end Wolfensohn, no less strong-minded, has not often felt able to tell Summers when to go to hell. [12]

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[11] For another fine-grained study of the Bank in interaction with the US and Japan see Robert Wade, “Japan, the World Bank, and the art of paradigm maintenance: *The East Asian Miracle* in political perspective", *New Left Review*, 217, May/June 1996, ____.

[12] Summers even blew Wolfensohn up for the Bank having invited Jeffrey Sachs to be a keynote speaker at the Annual Bank Conference on Development Economics in April 2000. Summers did not care for Sachs, who had made highly publicized criticisms of the IMF’s and the Treasury’s handling of the Asian crisis and who, as a member of the International Financial Institutions Advisory (Meltzer) Commission, had broken ranks with the Democrats and sided with the Republicans, allowing the Republicans to claim that the report was a bipartisan majority report. Sachs had put his name to the majority report’s call for the World Bank to be reduced to a glorified grant-making body, like UNDP. How, Summers wondered, could the Bank give a hostile critic a keynote address right after the anti-Bank demonstrations at the Spring Meetings of the Bank and the Fund? When Summers came to the Bank during the Spring Meetings and saw the posters advertising the forthcoming conference with Sachs’ name prominently displayed he complained loudly, and the instruction went out from the economics vice president’s office to take them down. Sachs was invited to be a keynote speaker by conference organizer and Bank staff member Boris Pleskovic. Pleskovic was close to Sachs, having in the early 1990s brought Sachs to his native country of Slovenia to propose an alternative to the draft privatization law emphasizing employee ownership then sailing through parliament.

Stiglitz's Resignation and Firing

Wolfensohn appointed Joseph Stiglitz as chief economist in late 1996. Stiglitz had become one of the most prestigious among American economists for his seminal contributions to the economics of information, for which he was widely seen as a Nobel prize winner-in-waiting. He was also close to certain Democratic Party leaders. During the first Clinton administration he had been a thorn in Treasury's side as chairman of the Council of Economic Advisors. Treasury endorsed his move to the Bank to get him further away. But in his new position Stiglitz began to criticize the IMF, especially its handling of the Asian crisis in 1997 and 1998, at first privately, then publicly. He even advised the Ethiopian government how to resist IMF demands that it open up its financial system. Since the IMF strategy was being decided in close consort with the US Treasury, Stiglitz was also criticizing the Treasury. Summers tried to get Wolfensohn to rein him in. But Wolfensohn was hesitant to do so, not only because of Stiglitz's prestige in the outside world and his reputation as an unshutupable *enfant terrible,* but also because he had sympathy for much of what Stiglitz was saying.[13]

The situation changed as the decision-time for Wolfensohn's second presidential term drew near in 1999. Wolfensohn badly wanted a second term, not least to consolidate his claim to the all-important Nobel Peace Prize. By then Summers was Treasury Secretary, the most powerful figure in the Clinton Cabinet by far. Summers had the main voice in the decision about Wolfensohn's second term. In essence, Summers made his support conditional on Stiglitz's non-renewal. Wolfensohn agreed. Stiglitz resigned a month before his term expired so as to go out standing rather than in effect be thrown out.

But Stiglitz also had many opponents inside the Bank, including some of his own staff of researchers, even some of his immediate managers. Some shared the ideological disposition of the IMF and the Treasury.

And Stiglitz had a non-aggression pact with Sachs, on grounds of common enmity to the IMF. Plescovic and Stiglitz together invited Sachs before Stiglitz resigned as chief economist.

[13] See the common themes in James Wolfensohn, "The challenge of inclusion: 1997 Annual Meetings address", World Bank, September 23, 1997; "The other crisis: 1998 Annual Meetings address", World Bank, October 6, 1998; "Coalitions for change: 1999 Annual Meetings address", World Bank, September 28, 1999. Joseph Stiglitz, "Towards a new paradigm for development: strategies, policies and processes", World Bank, October 19, 1998; Stiglitz, "Participation and development: perspectives from the Comprehensive Development Paradigm", World Bank, February 27, 1999.

Riding high in the Bank before Stiglitz, they did not take kindly to his criticisms. Even those who did not object to his views on the limitations of free markets said he was treating the Bank like a travel agency, neglecting his internal roles of mentoring his staff, debating economic strategy internally, and making strategic decisions about the research complex. He often forgot to thank those whom he left carrying the can. The staff reciprocated, giving him amongst the lowest evaluations of all senior Bank staff in the Staff Attitude Survey of 1999; he was the "caboose". At his farewell Wolfensohn paid barbed tribute to him, declaring himself to be a great admirer…of "someone I understand I have met in the past few years—when he wasn't traveling".[14]

The president announced Stiglitz's resignation in November 1999. But the president also announced that Stiglitz would stay on as "special advisor to the president", and would chair the search committee for a

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[14] Quoted in Avenue, *Financial Times*, June 27, 2000, p.15. Wolfensohn went on to tell a story about what happened to Joe on a recent trip to Nepal. Joe met a shepherd, and asked him, "Will you give me a sheep if I guess the exact number of sheep?" The shepherd said "Yes", Joe said "437". The shepherd said, "That's amazing". As Joe grabbed his prize the shepherd said, "Will you give it back if I guess your occupation." Joe said "Yes" and the shepherd said, "Economist". Joe said, "That's amazing, how did you know?" The shepherd said, "If you put down my sheepdog I will tell you". Another speaker at the farewell read out "The top ten reasons why Joe left the chief economist job" , or "How Joe came to appreciate the Korean workers' slogan that IMF stands for I'M Fired".

1. He had just seen one too many "hot Summers" in Washington.
2. To write--as guest expert--the new travel guide for IMF staff called: "First-Rate Hotels in Third-Rate Countries."
3. He thought that after convincing the IMF on the need for capital controls as a prophylactic against hot money, it would be relatively easy to go on to reform the Vatican's views on birth control.
4. To become new co-author of the next edition of the Fischer-Dornbusch macro-text--to be entitled "First-Rate Macro for Third-Rate Economists".
5. So that he could speak more freely as Special Advisor to President Wolfensohn.
6. To join Jeffrey "Russia" Sachs and Larry "Pollution" Summers on the WHO's new "Economists' Taskforce to Find a Vaccine for Foot-in-Mouth Disease."
7. To be able to take naps at home instead of in Bank committees. (Joe could never last as a top Bank manager because he couldn't take naps with his eyes open.)
8. He knew it would be a full-time job trying to teach his new Palm Pilot to read his handwriting. (When Joe read Keynes on the power of "academic scribblers" he took the scribbling part seriously.)
9. To write "whatever comes into his mind" in the afterword to the new edition of Anders Aslund's classic book "How Russia Became a Market Economy." [Stiglitz had said in one of his better known papers, "Whither reform?"—or the advisor who wrote the paper under Stiglitz's name had said—that Aslund's complaining about shock therapy not working in Russia was like recommending that the old house paint be removed with a flamethrower and then complaining that the paint job was not completed because the house burned down.]
10. To become economic advisor to the April 16 protesters so that, at last, he wouldn't have to wear shoes to work.

successor. This enabled Stiglitz to keep his well-appointed office and two secretaries.

Stiglitz explained his departure, saying "it became very clear to me that working from the inside was not leading to responses at the speed at which responses were needed. And when dealing with policies as misguided as I believe these policies were, you have to either speak out or resign…Rather than muzzle myself, or be muzzled, I decided to leave."[15]

Then in April 2000 Stiglitz published an article in the *New Republic*, called "What I learned at the world crisis". It appeared not coincidentally one week before the Spring Meetings of the Bank and the Fund, at which campaigners were planning anti-Bank-Fund demonstrations. In best Stiglitz knock-about style it said,

> "Next week's meeting of the International Monetary Fund will bring to Washington, D.C., many of the same demonstrators who trashed the World Trade Organization in Seattle last fall. They'll say the IMF is arrogant. They'll say the IMF doesn't really listen to the developing countries it is supposed to help. They'll say the IMF is secretive and insulated from democratic accountability. They'll say the IMF's economic "remedies" often make things worse--turning slowdowns into recessions and recessions into depressions.
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> And they'll have a point. I was chief economist at the World Bank from 1996 until last November, during the gravest global economic crisis in a half-century. I saw how the IMF, in tandem with the U.S. Treasury Department, responded. And I was appalled." [Stiglitz went on to explain why, see annex.][16]

Larry Summers was appalled, furious and close to apoplexy. He rang Wolfensohn and spoke to him in a way that Wolfensohn was spoken to by few others. He told him that all connections between Stiglitz and the Bank had to be severed. Wolfensohn called Stiglitz to his office for a tense and testy meeting. Wolfensohn told him he was no longer a special advisor and no longer welcome in the Bank. Stiglitz pointed out that the "optics" would not be good if he were fired so soon after the *New Republic* article. Wolfensohn threatened that if the story leaked he would call a press conference and denounce him. Stiglitz took this as black-mail. Meanwhile, Stanley Fisher, deputy managing director of the Fund, Summers' ally and passionate Stiglitz opponent, called a special staff meeting to discuss how the Fund was going to respond to Stiglitz's article. He informed the gathering that Wolfensohn had agreed to fire Stiglitz, to the delight of all.

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[15] Louis Uchitelle, "World Bank economist felt he had to silence his criticism or quit", *New York Times*, 2 December, 1999, C1.

[16] Joseph Stiglitz," What I learned at the world economic crisis", *New Republic,* April 17, 2000.

Meanwhile again, the Bank's External Affairs department told the press and anyone in the Bank who would listen that Stiglitz had not been fired, his post had merely been abolished.

Kanbur's Resignation: Abridge Too Far

Ravi Kanbur, a distinguished professor of development economics, was brought in by Stiglitz to lead the team writing the *World Development Report 2000* on "Attacking Poverty". This was always going to be a sensitive subject, because poverty reduction is the very core of the Bank's mission and because it is the focus of the most passionate debates in the whole of development studies. Kanbur was chosen for several reasons. He had been a Bank insider (chief economist of the Africa region), but was now a Cornell University professor—this plus his identity as a developing country national helped secure the reputation of the WDR as independent. More importantly, he was known to be broadly sympathetic to the views about development sketched by Wolfensohn in the Comprehensive Development Framework and elaborated by Stiglitz and his advisors in several papers (referred to earlier). These were not mainstream economics views. They had been severely criticized by several academic development economists, including Jagdish Bhagwati and T.N. Srinivasan, who argued that Wolfensohn's and Stiglitz's views, if translated into Bank policy, would encourage countries to adopt ostensibly "anti-poverty" measures that would slow growth and in turn slow poverty reduction, as in India in the 1950s to the 1970s.

The January 2000 ("red cover") WDR draft began with the proposition that economic growth is indeed important. "Growth is the engine of poverty reduction". But, it continued, we know this. In this report we want to show what is less well understood--that other things are also, with growth, on center stage as the key ingredients of a poverty reduction strategy. How do we know? Because we see a wide range of results in terms of poverty reduction when we hold growth performance constant. What else matters? We call them empowerment, security, and opportunity. The red cover draft discussed them in that order, with the more growth-oriented "opportunity" discussed last in order to highlight the less familiar first two.

The report draws extensively on the "Consultations with the Poor" exercise that the Bank has been running since 1998, a combination of new and existing participatory studies involving some 60,000 people in 60 countries. Drafts were reviewed via an intensive and independently moderated electronic consultation exercise involving 1,523 subscribers in 80

countries, a far bigger scale than for any other *World Development Report*. The Bank has been widely praised for having engaged alternative perspectives. Some non-governmental organisations (NGOs) saw Kanbur's approach as promising evidence of the Bank's growing openness to alternative perspectives on development issues.

The most controversial part of the argument was the section on empowerment of the poor—on how to create or scale up organizations of the poor, including networks, cooperatives, unions and the like so as to articulate their interests in the political and market realms, and how to make state organizations more responsive to citizens. Initially the critics said, "Why is this stuff being given priority over growth?", but later (especially once the US Treasury weighed in) the cry grew to "get rid of this stuff", "these chapters pander to noisy and nosy NGOs", and best of all, "the Bank should not be in the business of empowerment". The security/safety-nets material was also controversial for its argument that in the context of freeing up markets by privatizing, removing trade protection, and the like, the first thing to do is to create effective safety nets, then do the market reforms. Without safety nets market reforms will create losers who have nothing to fall back on. Many critics said, "Of course we need social safety-nets, but they have to be built simultaneously with market reforms, not made a condition of market reforms".

From Yale, T. N. Srinvasan launched a critique of the report's conceptual foundations. "Security, opportunity and empowerment could at best be termed as diagnostics and at worst as three symptoms of the disease or syndrome of poverty, but they certainly do not provide an analytical engine", he said. He also said that the report lacked causal analysis, taking cross-country regressions too literally as the basis for policy judgments. From Princeton Angus Deaton sent in scathing comments. Some of the Bank's leading macro economists agreed with Srinivasan and other external critics that the draft short-changed economic growth, despite the opening declaration of growth being the engine of poverty reduction.[17]

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[17] David Dollar, a metric of Bank economists, had earlier co-authored a paper setting out the "growth first" argument. David Dollar and Aart Kraay, "Growth *is* good for the poor", Development Research Group, The World Bank, March 2000. (The paper was written and discussed in the Bank before the red cover draft of the WDR and not a response to it.) The paper showed that high growth is indispensable for poverty reduction, when supplemented by good policies and good governance. Dollar and Kraay disassociated themselves from the popular portrayal of their paper as a manifesto for growth-is-everything. (Letter to *The Economist*, June 24, 2000.) As Dollar explained the core of the argument, "The main effort of our paper is to explain income inequality and changes in inequality… It [turns out to be] very hard to systematically explain inequality. Because growth-enhancing policies have no systematic effect on inequality, they tend to raise income of the poor in the same proportion as mean income" (Dollar, personal communication, 12 September 2000).

The Treasury's written comments were different in tone from those of all other governments. They read like marching orders.[18] They called for much more emphasis on economic growth and on free markets as the route to economic growth. Treasury Secretary Summers made a speech at about this time in which he said that discussing poverty reduction without emphasizing economic growth was like Hamlet without the prince. In oral comments on the January draft US officials made statements like, "Give them [NGOs, trade unionists and the like] an inch of nuance and they'll take a mile of protection". At the same time, however, Treasury also called for more emphasis on core labor standards, leading one WDR insider to characterize the Treasury message as "Growth, growth, growth, plus labor standards".

The Treasury's tone was probably stiffened by the anti-WTO, anti-globalization demonstrations in Seattle in November 1999. The Treasury saw Seattle as a worrying unequal alliance between well-organized, traditional forces of western protectionism and naive pro-development NGOs. The success of the alliance in obstructing the conference—and the fact that President Clinton chose not to take on the forces of US protectionism in his address--raised the importance of stressing open markets not only in the eyes of Treasury but also in parts of the Bank. [19]

A member of the WDR team commented on this part of my text, "My experience is that the vast majority of the pressures for changes came from the outside [rather than from Bank economists]…from a small number of smart, influential, senior external individuals (and the interests they represent) who play dirty to win. They won several battles along the way and took Ravi's scalp, but I think we won the war….Most Bank research staff, including those labeled 'ultra-orthodox', essentially agreed with the thrust of the draft WDR ; remaining differences were good old-fashioned fights about data, methods and interpretation." See the important contribution by Mark Weisbrot, Dean Baker, Robert Naiman, and Gila Neta, "Growth may be good for the poor—but are IMF and World Bank policies good for growth? A closer look at the World Bank's most recent defense of its policies", Center for Economic and Policy Research, Washington DC, August 7, 2000.

[18] They read like marching orders to the WDR team, but not to a bank research manager who commented, "I don't remember them reading like marching orders. I remember going over them with Nick Stern to try to see what Ravi was so upset about. Nick said something like, `I can't see what the fuss is about, they seem reasonable enough comments, don't they?'" But he acknowledged that " the same text `feels' different if you are reading it as part of a team that is being criticized by it (I think that Ravi was by then feeling pretty beleaguered all round), and if you are reading it as an outside observer brought in to look at a problem, which is more or less what Nick and I were doing. I know that Ravi was indeed very concerned by his perception of Treasury pressure, but I don't think that satisfying the Treasury played any part in Nick's subsequent work on the WDR. As an example, Ravi thought that the lateness of the Treasury's comments was `strategic'….I couldn't see any strategic advantage in getting your comments in late - rather the opposite, and there are plenty of more plausible explanations for lateness of comments" (personal communication, 12 September 2000).

[19] Other elements behind Treasury's comments included the not always smooth relationship between Summers and Kanbur when Summers was chief economist at the Bank and Kanbur reported to him as chief

Kanbur explained to some members of the team what he understood was going on. He put his hand on the desk and said (to paraphrase), "Suppose this is where US officials 'really' believe the truth to lie. The NGOs, trade unionists and the like argue that the truth is over here, far to the left. The US is saying that you—the World Bank, the WDR—have to position yourself over here, far to the right, in order that, in the end, the middle ground coincides with the truth." Kanbur and the team saw themselves as serious social scientists, and were dismayed to find themselves expected to play this game—all the while being assured that they were of course completely independent.

Kanbur conceded ground to the critics by, for example, moving the "Opportunity" section into first place. (This could be justified along the lines of, "We'll deal with what we know first, then we'll get into the interesting stuff.") And in his "Overview" to the draft of the green cover draft (the next after the red cover) he made substantive changes in emphasis in the "growth first" direction. But then he himself considered he had gone too far, and tried to pull it back closer to the argument of the red cover. The acting chief economist, listening to both Treasury and the Bank's macro economists, expressed his unease at Kanbur's pull back, and Kanbur wondered then about resigning but was persuaded not to.

Kanbur attended a review meeting with the president and the managing directors in May 2000, where he was surprised that the president expressed sympathy with the "growth first" view. A few days later he met with a couple of the managing directors. One of them, closest of all to the president, summarized the thrusts of the Treasury and other critics, and urged Kanbur to redraft.

Kanbur concluded that he and the WDR were on a slippery slope. On the one hand, they faced insistent pressure from both the US Treasury and some powerful Bank economists. On the other hand, Stiglitz's successor had only just been appointed, and being new and untested might not be in a strong position to protect them.[20] They seemed to have less support from the

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economist of the Africa region; Treasury's anger at Stiglitz, which spilt over onto Stiglitz's appointee; and Summer's anger at the Bank giving Sachs a platform at the ABCDE conference in April 2000.

[20] A Bank research manager disagrees. "Nick [Stern, Stiglitz's successor] had been Ravi's supervisor as a graduate student - they knew each other very well, for goodness sake. Ravi was far from being unprotected, because Nick was in a really powerful position (just think about it, if Nick had resigned!). I think that Nick, like me, was rather baffled by Ravi's resignation. If we had really felt the Treasury hegemony which you claim then we would both have quit - after all, we both have good academic jobs to go back to. Nick was appointed on Joe's recommendation. Nick saw absolutely no reason to resign, and on the contrary could not see a good reason for Ravi to resign. Nick is not a poodle brought in by Washington; after all a previous US administration did its best to block his appointment to the post a few years ago" (personal communication, September 12, 2000).

president than they had counted on. The choice was to revise the WDR to push it even further from the January version in the direction of the Washington Consensus, or to fight to protect the January version's central argument but then have the Bank more or less subtly dissociate itself from it as "Kanbur's report" and sweep it under the carpet. If he resigned the publicity would force the Bank to declare "ownership" of the WDR as the work of an independent team of social scientists, not poodles, lackeys, or toadies of the Treasury. "We don't know why he resigned, we gave him complete independence, and to show our commitment to the process and our independence from the Treasury we will keep the main themes the same, though we will of course improve the quality."

Kanbur left the Bank immediately after the meeting with the two managing directors, returned the next day to collect a few belongings, and disappeared. After sending a brief email note to the team informing them of his intention, he resigned on May 25th.[21] Efforts were made to persuade him to withdraw his resignation, including by the president, to no avail. His deputy took over as director.

The story broke in the press a fortnight later. Kanbur refused all press interviews. He did not want to dissociate himself from the Bank or the WDR, because this might legitimize the Bank in making pro-Washington Consensus revisions to the draft.

In the end the report proceeded with the messages of the January 2000 version for the most part intact. The resignation created a dramatic crisis, in response to which the remaining members of the WDR team and the new chief economist dug in their heels to assert the Bank's independence and limit the drift in the Treasury's direction.[22] There were three main

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[21] Some economists say that the elaborate consultation process with NGOs had yield such a long and rambling document that Kanbur jumped ship to avoid further association with a mess. This is probably wishful thinking.

[22] A Bank research manager comments, "Your claim that Ravi's strategy worked and that this accounts for the red cover [January] version being kept more or less intact again does disservice to Nick who simply choose to shape the final report as it was because that is what he believed. Your angels/devils story depends upon Nick (and myself) being poodles or tacit devils. We're not; we were both chosen by Joe, see ourselves as part of the continuity, and both greatly regret Ravi's decision which we think was an unnecessary tactical manoevour." To further complicate the story one should note dissent within the US government, as seen in the letter from 15 congresspeople (but no heavyweights) to Treasury Secretary Summers in July 2000 protesting at Treasury's strong-arm tactics over the WDR. Summers responded in mid September. He did not address Kanbur's resignation. He said that Treasury's only real complaint with the WDR draft was that it "placed too little emphasis on the crucial role of economic growth in the process of poverty reduction..." He also said that the World Bank solicited Treasury comments, so there was no unwanted interference. The congressional staffer who distributed Summers' letter to NGOs remarked, "I can't believe it took treasury a month and a half to draft a response full of over-used platitudes".

substantive changes. First, a chapter was added on growth and poverty, even though, in the eyes of some, its Washington Consensus message was inconsistent with the rest of the argument. Second, the chapter on market reforms ("Making markets work for the poor") was changed from emphasizing the idea of social safety nets as a precondition for labor-displacing market reforms to, "Do market reforms and social safety nets simultaneously"--which might provide more excuse for countries to do the market reforms and skip the safety nets; and in other ways the January draft's emphasis on the hazards of market reforms was softened and the emphasis on benefits strengthened. Third, the January version had blamed the Asian crisis partly on rapid opening of financial markets, and advocated capital controls as a normal instrument of developing country economic management. The final version waters this down to the need for a "cautious approach" to liberalizing financial markets, with capital controls only as transitional measures en route to free capital markets. This change was dear to Treasury's heart, for Treasury has given top priority to building free capital markets into the basic architecture of the world economy.[23] These several changes are significant, but do not eclipse the central messages of the January version.

One would need to know a lot about the back-channel communications between people in the Treasury and people in the Bank to know the full extent of the US role. Treasury people claim their role was minimal beyond putting their point of view on the table, like many other member governments, and cite as evidence the fact that Treasury's written comments came in quite late in the process. But even without knowing the back-channel communications, several points suggest something more. First, the "marching orders" tone of Treasury's comments, like no others; second, their timing, right at the height of the debate, the time most effective for tipping the scales; and third, the close correspondence between the revisions

[23] "At Treasury, our most crucial international priority remains the creation of a well funded, truly global capital market" (Summers, "America's role in global economic integration", conference, *Integrating National Economies: The Next Steps*, Brookings Institution, Washington DC, January 9, 1997). After the Asian crisis began Treasury Secretary Rubin reiterated that, "Global capital flows have been an enormous boon to growth in countries around the world, lifting millions of people out of poverty—this is especially true in the dynamic, rapidly industrializing countries of East Asia". He even urged China to lift capital controls. "China would also benefit by opening itself more widely to foreign investment, allowing foreign firms to bring their expertise and capital to the Chinese market" (Robert Rubin, "Remarks to the national center for APEC, Seattle, Washington, September 18, 1997). Robert Wade, "The US role in the long Asian crisis of 1990-2000", in F. Batista-Rivera and A. Lukauskis (eds.), *The East Asian Crisis and Its Aftermath*, Edward Elgar, forthcoming. "Wheels within wheels: Rethinking the Asian crisis and the Asian model", *Annual Review of Political Science 2000*, 3: 85-115.

wanted by the managing director and the acting vice president, and those wanted by the US Treasury.

Conclusions

The cases of Stiglitz and Kanbur show US influence at work inside the World Bank, of a kind that no other member state comes close to matching. The Treasury was able to make Stiglitz's non-renewal as chief economist a condition of Wolfensohn's second term; and to ensure that Stiglitz was later fired as special advisor to the president. Treasury's pressure on the draft WDR—and the president's and managing director's apparent acquiescence--was construed by Kanbur to be sufficiently potent to prompt him to resign.

On the other hand these cases show a situation far more complicated than "the US pulls the lever and the Bank responds", as though the Bank were an arm of the federal government. The US had a lot to do with the fact that Stiglitz had no chance of being renewed, but Stiglitz's chances were in any case low because of the disgruntlement of top managers and even many of his own staff, not all of it informed by ideology. Wolfensohn then appointed him as a special advisor and gave him a key role in finding a successor, actions that the Treasury cannot have welcomed. Only after Stiglitz made a flagrant attack on the Fund did both Treasury and Fund demand that Wolfensohn fire him as special advisor—and Wolfensohn obliged, even though by then safely reappointed for a second term.

Kanbur's appointment also indicates Bank independence, for he was guaranteed to steer the WDR on poverty in a direction that the Treasury did not like. Kanbur resigned as director of the WDR rather than revise the draft in line with Treasury demands, but the effect was to embarrass the senior management into committing itself to keep the core messages intact—precisely so that the Bank would not be seen to be the Treasury's lackey--and to steel the WDR team to do the same, though with changes at the edges in the Treasury's direction.

The Bank's independence is also seen in the fact that Jeffrey Sachs was indeed invited to the Bank's Annual Conference on Development Economics, and accepted. And it is seen, ironically, in the fact that Summers and the Treasury are in favor of the Bank supporting the ILO's labor standard about unions and collective bargaining, but the Bank cannot bring itself to do so—in this respect the Bank appears more neo-liberal than the Treasury.

Which is to say that the US Treasury does not always get the Bank to do what it wants, and the Bank may do what the Treasury wants for reasons beyond the fact that Treasury wants it. But these specific episodes have to be seen in the context of the continuing "game" between Treasury and the Bank, in which the Bank has only rarely championed actions or ideas that the Treasury does not want. Having been bruised by the Stiglitz affair and the Kanbur affair, the Bank is likely to be cautious about offending the US in future interactions—and US hegemony will be that much less challenged. This is how the antibodies work over the long term to marginalize people who advocate (political) "empowerment" measures as well as (market) "opportunity" measures for poverty reduction, for example, leaving the advocates of more or less free markets on the commanding heights.[24]

Is US hegemony a bad thing? The question of how it operates is separate from the question of its costs and benefits. For the latter one has to distinguish different strands. In the immediate context of the WDR 2000 it may well be a good thing that the Treasury insisted on more attention to economic growth. The ascendancy of governance, participation and environmental protection in the development agenda has indeed tended to eclipse economic growth. One sees it in the World Bank's new Comprehensive Development Framework, which shifts attention from growth towards non-income aspects of poverty and legitimates the Bank's retreat from hard-nosed technical subjects like industrial technology policy and irrigation investment towards soft-nosed education, health, participation, legal reform and cultural properties.[25] Yet developing countries have been experiencing a severe growth crisis. It is not widely known that ever since 1960 average incomes in developing countries have grown more slowly than OECD incomes in most years, causing a big widening in world income inequality. And the growth crisis has worsened in the past two decades--the median rate of growth in developing countries' average incomes since 1980 has been 0.0 percent.[26] This in itself is an important proximate cause of

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[24] See the recent Bank policy paper, "Social Protection Strategy Paper: From Safety Net to Trampoline"., Social Protection Sector, World Bank, March 1999. The poor are poor, it says, because they have too few assets and do not manage them for maximum returns; the solution is to help them better manage their portfolios. The paper barely mentions collective action by poor people and their allies, or citizen collective insurance.

[25] Social sector lending increased from 18 percent of the total in 1995 to 25 percent in 1999.

[26] Median unweighted GDP per capita growth in 1960-79 was 3.4 percent for developed countries, 2.5 percent for developing countries; in 1980-98, 1.8 percent and 0.0 percent, respectively. The weighted average growth rate for developing countries in 1980-98 was 0.8 percent. The smaller fall of the weighted average reflects the accelerated growth of China and India. William Easterly, "The lost decades: explaining developing countries' stagnation 1980-98", typescript, World Bank, January 2000. Branko Milanovic, "True world income distribution, 1988 and 1993", Policy Research Paper 2244, Development Research Group, World Bank, November 1999.

rising numbers in poverty. The growth crisis of developing countries should be right at the forefront of the development debate, as also the steps that OECD countries should take to moderate it, including lifting US union-sponsored protectionism. But the swelling phallanx of US-led and mostly western-based NGOs, who have succeeded in advancing the governance, participation and environmental agendas, are not likely to place it there, because they show little serious interest in economics and economic growth.[27]

Or as another example, the US Treasury role in the WDR 2000 may have been useful in counterbalancing the zanier tendencies in the empowerment movement which assume that benevolent paternalism is always wicked and that giving power to the poor will result in cooperative thriving rather than looting as shamelessly as the other lot. In short, any general presumption of NGO enlightenment and US hegemonic darkness is foolish.

These qualifications notwithstanding, the Bank would be a better development agency if the US—both the US state and US NGOs--had less control over it, if people from other states, with knowledge of other (social democratic, developmental state) forms of capitalism had more influence over what the Bank says and does, causing the Bank to sanction a wider range of institutional configurations. We know from Japan and countries of continental Europe that efficiency, catch-up, innovation and well-being can be promoted not only by competition but also, in some spheres, organizational loyalties. In a social democratic ideology, free markets in labor are constrained by the need to protect organizational loyalties, corporations are managed with responsibilities to employees and other stakeholders as well as shareholders, they are not bought and sold on the stock market, and the public sector expresses the principle of mutual responsibility through public supervision of health care, education and collective social insurance.[28] Certainly social democratic systems are on the defensive at the start of the present century. They are under question from

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[27] I agree that fast economic growth can do wonders for poverty reduction without much by way of targetted "anti-poverty" measures, especially when asset distribution is relatively equal; I question whether the liberal free market recipe is generally good for growth. See Mark Weisbrot, et al. "Growth may be good for the poor—but are IMF and World Bank policies good for growth? A closer look at the World Bank's most recent defense of its policies", cited above. And Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton: Princeton University Press, 1990, final chapter.

[28] I am indebted to the magnificent book by Ronald Dore, *Stockmarket Capitalism, Welfare Capitalism: Japan and Germany versus the Anglo-Saxons*, Oxford: Oxford University Press, 2000. Dore's book should be read in conjunction with the work of Robert Lane on happiness, depression, and social support; for example, "The road not taken: friendship, consumerism, and happiness", *Critical Review*, 8 (4), 521-554.

segments of national elites (the return on generous scholarship funding out of American wealth for foreign students in American graduate schools), and under pressure from capital flows out of Europe. The US Treasury declares that capital will continue to flow out and the Euro will continue to fall "unless and until Europe shows more commitment to overhauling its restrictive labor market and generous welfare systems which are seen as a barrier to growth", in effect setting liberal free market conditionalities on US cooperation in intervention on behalf of the Euro.[29] But political economies with social democratic characteristics clearly can be effective vehicles of late development. And the world economy would be less fragile if it contained a stabley broader range of capitalist forms.

One acid test of the Bank's independence from US views would be the appointment of a chief economist and associated staff who openly champion these arguments. However, the only long term way to moderate US hegemony over the Bank is to shift its headquarters--or some important headquarters functions--out of the US. Constitutionally the European states have enough votes to do this. A World Bank with important staff and headquarters functions in, say, Berlin or Paris would be suffused by the more diverse European views of political economy.

Short of that, the Europeans and the Japanese could organize themselves to steer the Bank a bit more. The Nordics have already been doing so on the "social" aspects of development by putting up millions of dollars in trust funds for Bank work in this area--an area where the Treasury is happy to let them take the lead and pay the cost, because peripheral to US interests. The question is when the Europeans and Japanese will exercise more leadership on the issues where the US Treasury really does want the Bank as its instrument, such as opening developing country markets; and when the representatives of developing countries on the board of the Bank will concert their actions for a change.

ANNEX STIGLITZ ON THE IMF AND THE TREASURY

Continued from text:

"The global economic crisis began in Thailand, on July 2, 1997. The countries of East Asia were coming off a miraculous three decades…. But the seeds of calamity had already been planted. In the early '90s, East Asian countries had liberalized their financial and capital markets--not because they needed to attract more funds (savings rates were

[29] *International Herald Tribune*, 20 September 2000.

already 30 percent or more) but because of international pressure, including some from the U.S. Treasury Department….

As the crisis spread to other East Asian nations--and even as evidence of the policy's failure mounted--the IMF barely blinked, delivering the same medicine to each ailing nation that showed up on its doorstep. I thought this was a mistake….

When I talked to senior officials at the IMF--explaining, for instance, how high interest rates might increase bankruptcies, thus making it even harder to restore confidence in East Asian economies--they would at first resist. Then, after failing to come up with an effective counterargument, they would retreat to another response: if only I understood the pressure coming from the IMF board of executive directors--the body, appointed by finance ministers from the advanced industrial countries, that approves all the IMF's loans. Their meaning was clear. The board's inclination [read: the US Treasury's inclination] was to be even more severe; these people were actually a moderating influence. My friends who were executive directors said they were the ones getting pressured. It was maddening, not just because the IMF's inertia was so hard to stop but because, with everything going on behind closed doors, it was impossible to know who was the real obstacle to change. Was the staff pushing the executive directors, or were the executive directors pushing the staff? I still do not know for certain.

I shouldn't have been surprised. The IMF likes to go about its business without outsiders asking too many questions. In theory, the fund supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. Officially, of course, the IMF doesn't "impose" anything. It "negotiates" the conditions for receiving aid. But all the power in the negotiations is on one side--the IMF's--and the fund rarely allows sufficient time for broad consensus-building or even widespread consultations with either parliaments or civil society. Sometimes the IMF dispenses with the pretense of openness altogether and negotiates secret covenants.

Critics accuse the institution of taking a cookie-cutter approach to economics, and they're right. Country teams have been known to compose draft reports before visiting. I heard stories of one unfortunate incident when team members copied large parts of the text for one country's report and transferred them wholesale to another. They might have gotten away with it, except the "search and replace" function on the word processor didn't work properly, leaving the original country's name in a few places. Oops.

It's not fair to say that IMF economists don't care about the citizens of developing nations. But the older men who staff the fund--and they are overwhelmingly older men--act as if they are shouldering Rudyard Kipling's white man's burden. IMF experts believe they are brighter, more educated, and less politically motivated than the economists in the countries they visit. In fact, the economic leaders from those countries are pretty good--in many cases brighter or better-educated than the IMF staff, which frequently consists of third-rank students from first-rate universities.(Trust me: I've taught at Oxford University, MIT, Stanford University, Yale University, and Princeton University, and the IMF almost never succeeded in recruiting any of the best students.)

…Quite frankly, a student who turned in the IMF's answer to the test question "What should be the fiscal stance of Thailand, facing an economic downturn?" would have gotten an F.

By January 1998, things had gotten so bad that the World Bank's vice president for East Asia, Jean Michel Severino, invoked the dreaded r-word ("recession") and d-

word ("depression") in describing the economic calamity in Asia. Lawrence Summers, then deputy treasury secretary, railed against Severino for making things seem worse than they were, but what other way was there to describe what was happening? Output in some of the affected countries fell 16 percent or more…. Not only was the IMF not restoring economic confidence in East Asia, it was undermining the region's social fabric. And then, in the spring and summer of 1998, the crisis spread beyond East Asia to the most explosive country of all--Russia.

The calamity in Russia shared key characteristics with the calamity in East Asia—not least among them the role that IMF and U.S. Treasury policies played in abetting it. But, in Russia, the abetting began much earlier. Following the fall of the Berlin Wall, two schools of thought had emerged concerning Russia's transition to a market economy. One of these, to which I belonged, consisted of a mélange of experts on the region, Nobel Prize winners like Kenneth Arrow and others. This group emphasized the importance of the institutional infrastructure of a market economy--from legal structures that enforce contracts to regulatory structures that make a financial system work….

The second group consisted largely of macroeconomists, whose faith in the market was unmatched by an appreciation of the subtleties of its underpinnings--that is, of the conditions required for it to work effectively. These economists typically had little knowledge of the history or details of the Russian economy and didn't believe they needed any. The great strength, and the ultimate weakness, of the economic doctrines upon which they relied is that the doctrines are--or are supposed to be--universal. Institutions, history, or even the distribution of income simply do not matter…. And the universal truth is that shock therapy works for countries in transition to a market economy: the stronger the medicine (and the more painful the reaction), the quicker the recovery. Or so the argument goes.

Unfortunately for Russia, the latter school won the debate in the Treasury Department and in the IMF. Or, to be more accurate, the Treasury Department and the IMF made sure there was no open debate and then proceeded blindly along the second route. Those who opposed this course were either not consulted or not consulted for long.

.…The rapid privatization urged upon Moscow by the IMF and the Treasury Department had allowed a small group of oligarchs to gain control of state assets. The IMF and Treasury had rejiggered Russia's economic incentives, all right--but the wrong way. By paying insufficient attention to the institutional infrastructure that would allow a market economy to flourish--and by easing the flow of capital in and out of Russia—the IMF and Treasury had laid the groundwork for the oligarchs' plundering.

…East Asia is better off, though it still struggles, too…. IMF boosters suggest that the recession's end is a testament to the effectiveness of the agency's policies. Nonsense. Every recession eventually ends. All the IMF did was make East Asia's recessions deeper, longer, and harder."

…The Treasury Department is so arrogant about its economic analyses and prescriptions that it often keeps tight--much too tight—control over what even the president sees.

…Open discussion would have raised profound questions that still receive very little attention in the American press: To what extent did the IMF and the Treasury Department push policies that actually contributed to the increased global economic volatility?…

…And not everything the protesters say will be right. But, if the people we entrust to manage the global economy--in the IMF and in the Treasury Department--don't begin a dialogue and take their criticisms to heart, things will continue to go very, very wrong. I've seen it happen."

END