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*Foreign aid and foreign direct investment have both tended to create enclave economies that are oriented toward external exchange rather than internal, integrated development. The problem is how to avoid the extremes of autarky (going it alone as a country) and globalization. Two key elements of a solution are 1) autonomous development that focuses on creating internal exchange linkages and 2) regional trade with countries on an equal level of development, which can learn from each other. The North, particularly the United States, has resisted efforts by developing countries to achieve a degree of autonomy. The US wants to bind other countries into a system that benefits American interests by maintaining them in a condition of dependency. This is not the conscious intent of those in the development field, but it is the result of their development programs. Americans need to become more conscious that "help" may actually hinder.*



### **The Paradox of Assistance that Does Not Assist**

Development assistance since WWII has not really worked, and yet it continues. The countries that have developed are the countries that did not take official advice. The countries where the footprint of the big development institutions—World Bank and International Monetary Fund (IMF)—is the strongest are the ones that had the least development. So, why do they not learn? Why do these institutions not change?

They do not develop new policies because they are trying to shape the world in a way that is compatible with Western interests, more particularly American interests. The World Bank and IMF say they want development to enable countries to become more autonomous, to act independently of Western companies, and to supply primary goods to Western markets. In fact, there has been no effort to promote autonomous development. They promote a type of development in which countries are integrated into a global economy where the West and the North are in control, and developing countries supply primary resources and cheap labor.

This vision of development is one that we would not want for ourselves. Japanese companies are producing in the US, controlling the technologies. We are on the receiving end and should learn a lesson. We consider it natural for our factories to be in other countries and imagine that is how they develop. But we are learning that it is a very subordinated form of

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development when our role is to open up and let foreigners "help" us with industrial development by building their factories in our country. It is a sophisticated interference with our autonomous development.

### **Helping Others: Enabling Them to Help Themselves**

Americans often see problems in the world and want to know how we can help. But help is not always helpful. It is not what it seems on the surface. A lot of the sort of celebrity-driven fundraising efforts are only oriented towards relief that makes us feel good about ourselves. If we really want to help, we should consider how to enable people to become more autonomous so they do not need our help in the future.

For example, we provide foreign aid and pride ourselves on feeding the hungry. But in the long-term, that often hinders the development of agricultural capacity in developing countries. Our foreign aid has never really been oriented towards helping poor farmers. It has been oriented towards helping American agribusiness by off-loading surplus production from subsidized industrialized agriculture. For any country to be able to feed itself, the farmers have to have a market for their product. Foreign aid in the form of surplus food from the North can destroy the market for the local farmers.

With foreign aid, we give other countries an incentive to become locked into our system, which means supplying us with raw materials and cheap labor, and giving up their own autonomous development. We deceive ourselves by thinking that if they just act like us and become integrated into our system, they will become rich. That is not the way history happens.

### **New World Order: Indirect External Control**

The West tries to maintain a postcolonial world order, dominated by the West, but which does not require direct, administrative control in the manner of early 20th century colonialism. This could be seen as "neo-neocolonialism."

We attempt to integrate other countries into the system for our benefit, which affects the very definitions of development, local industry, and so forth. It is all geared in a very natural way to the needs of the North, extracting resources, extracting cheap labor, not creating genuine foreign competition.

We integrate countries into a system of domination using local counterparts. Local elites have new powers, but the cost of their loyalty to Western companies and government is that it forecloses the more solidaristic, locally-based development that we have seen in East Asia. In East Asia, you

still have elites, but they do not get their legitimacy from the West. They are not doing our business. They are doing what is best for their countries. In most other countries, the elites are oriented towards being part of the global elite. They get very wealthy by selling out their countries. Relative poverty has been increasing because of this sort of collaboration.

### **The World Bank and IMF as American Institutions**

At the end of the day, the World Bank and the IMF facilitate a system of subordination to American interests. When I was at the World Bank, we would get phone calls from US government officials, saying "Do this, do that," and people would do it, even though we were supposedly an international institution. When I started working for the World Bank, my father regarded it as a "government job." I said the World Bank is not part of the American government. It is an international organization. Ten years later I realized he was right. It is three blocks from the White House, and the president of the World Bank is always an American. In what sense is it not an American institution?

Another bit of evidence is the standard career path from IMF to Wall Street. When you are in the IMF, you do Wall Street's bidding. You bail out the companies on Wall Street that are about to get burned, and are in some debt default in the third world. When people retire, they take the "yellow brick road" from 19th street, the headquarters of the IMF, to Wall Street. A recent example is Stanley Fischer, who became the number two man at the IMF (because the head of the IMF is always a European, but the number two person is always American). When Stan Fischer retired from the IMF, he went to Wall Street to work for CitiBank. He conflicted with Joe Stiglitz, who was criticizing the IMF. Joe was then the chief economist of the World Bank, a job previously held by Stan. Joe said Stan was doing Wall Street's work. That infuriated people at the IMF. But where do they go when they leave? They go to Wall Street.

I do not think the behavior of international bureaucrats and people doing economic development is deliberately or self-consciously oriented towards domination by the North. The people are sincere about development, but it is a weird sort of sincerity. There are certain questions they do not ask themselves. They deliberately do not notice evidence that their programs are probably not in the best interests of the people they are supposed to be helping. Instead of realizing that they are harming the people they are supposedly helping, they just keep that hidden from themselves. They do

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not realize what they are doing, although they have many opportunities to. Living a lie, they ignore the obvious and give it another interpretation. There are enormous personal incentives not to become conflicted about this. It makes them sleep better at night. You see this in a million small ways in the way these organizations act.

### **Autonomous Development vs. Western Interests**

The currently international system locks countries into a state of semi-development where the elites are part of the globalized elites and the poor are not doing very well at all. The question then is, how do you change that to a system where there is much more autonomous development internationally and regionally? The Western companies and governments do not want this to happen.

We had a period where the Japanese developed very autonomously, and we went along with it because Japan represented an alternative to communist development. We went along with China because we saw their industrial development with Western companies as a way of defeating communism. South Korea also developed autonomously. All of them are producing their own cars. They all wanted to learn from the West and then build their own factories instead of having Western companies operate on their soil. East Asian have developed with a model of the corporation as an extended family, in which leaders take responsibility for what happens to workers.

Latin America is a different story. Venezuelan President Hugo Chávez is seen as a rebel against the international order. He is now trying to reallocate their oil wealth to spur local development, and have regional trade agreements with other countries, and deliberately trying to leave America out of the equation. They will sell us oil, but they do not want American companies controlling their industrial development. American companies and the American government always interpret this as something terrible that we have to stop. Americans have long controlled things that happen in Latin America, but Castro took Cuba out of that system first, and now Chávez in Venezuela is doing it, and perhaps Bolivia and Argentina. The momentum is building now in Latin America for nations to become more autonomous individually and as a group in this American-dominated system.

### **Development through Trade Among Equals**

Countries should not try to be autarchic, have no external trade. They should trade with countries that are more or less on the same level of de-

velopment. Jane Jacobs said it is really beneficial when cities or countries trade with other cities or countries of roughly the same level of development. What you import from a technological equal you may then learn how to make yourself and then re-export it to some other country that has not learned yet. Imports should have the effect of spurring local development, not smothering it.

A lot of World Bank programs open markets that smother local producers who cannot immediately compete. That forecloses the possibility of local industry. But if you had the countries of Latin America trading with each other, different countries have different specialties. They can learn from other countries how to do what the other countries do well; then the trade pattern will change as they re-export. It is a process of learning from others, and sort of ratcheting up.

To climb the technological ladder a country has to start with something it can do. African countries could then trade among themselves as a primary form of international trade, and then ratchet up. I call it climbing "Jacob's ladder" (from Jane Jacobs). The best course lies between economic isolationism and globalization.

Globalization is neither good nor bad. It can mean learning from others in a globalized sense (good) or integrating people into an American-dominated system (bad). It can mean making imports compatible with self-development (good) or remaining reliant on imports (bad). Part of globalization is very compatible with poverty reduction, and part of it is keeping the poor in the situation they are in now. We need to make these kinds of distinctions. We should say "Yes" to certain types of globalization and "No" to other types of globalization.

### **Tariffs, Agricultural Subsidies, and Development in Africa**

A debate has been going on for a few years about trying to lower the price supports for American agriculture, so that the Third World can sell agricultural products in the U.S. It is not a simple debate at all. The problem for Africa is not how to sell more raw materials to Europe and the US. That would lock them into becoming an agricultural supplier and not an industrial country. African development requires industrial development.

How do you industrialize agriculture in Africa? It will not happen by simply reducing tariffs and other trade barriers. Instead, the process needs to begin with trade between the African countries selling to each other in a much more active way; and learning agricultural practices from each other,

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rather than thinking that lowering trade barriers in Western Europe is a panacea. The idea of selling to Europe presupposes that you can produce the same sort of products to the same standards that European customers or consumers are accustomed to. That takes a long time.

### **Development Assistance vs. Autonomous Development**

It is ironic when people assume development assistance from foreign sources will help the poor. The real sources of long-term poverty reduction have come historically from internally developing the middle class through industrial development. Genuine development occurs when that is done in such a way that everyone benefits, not just an elite.

In Mexico, for example, some elites are tied to the western companies, and they are not going to spur broad-based Mexican development. But there are other elites in Mexico, who are American educated and want to see Mexico develop on its own. They have their own institute, centered at Monterey, the Monterey Institute of Technology, or MIT. MIT is really driving the whole higher-educational system and technology acquisition in Mexico, and it is an entirely autonomous process. American companies are not involved.

Mexican development will eventually come from these indigenous Mexican groups that have been educated outside Mexico and then gone back. They are not working for American companies. They are working for their own companies, and they are doing a good job. The long-term development in Mexico will come from indigenous companies, like MIT. It will not come from the maquiladoras on the border, or from trade agreements with the US. Development in Mexico will come from the indigenous process of Mexicans learning internationally and then applying it in their own country. These leaders do not see their future as part of some international elite where they lose their Mexican identity. They see it as helping their own country.

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