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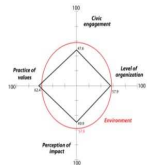
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Mea Culpa

By Roberto Bissio, *Third World Institute*

To view the original article in Spanish, visit <http://agendaglobal.redtercermundo.org.uy/2010/10/12/mea-culpa/>

The annual meeting of the governors of the International Monetary Fund (IMF) and World Bank in the first week of October is traditionally an occasion for protesters to rally against the system and criticise these sister institutions created at Bretton Woods at the end of World War II.

"We can not expect that economic growth alone will automatically generate the jobs that are needed. Job creation should be the priority of all policies and the financial system should serve the real economy," says one, criticising the policies that are exclusively focused on achieving macroeconomic targets at the expense of workers.

"Even before the crisis there was a questioning of prevailing paradigms and a sense that development economics needed rethinking. The crisis has only made that more compelling," argued another.

Nothing new in these quotes really, unless you know the authors of these blunt criticisms of the so-called "Washington Consensus", which for over two decades inspired (or was imposed on) the Ministers of Finance who gathered last week in the capital of the United States in their role as the "governors" of the World Bank and IMF.

The first quote is from Dominique Strauss-Kahn, IMF's highest authority, the second from Robert Zoellick, the World Bank president.

Strauss-Kahn spoke in Oslo on 13 September on how the "rules of the game have changed, the global economy after the crisis is not the same as before and, therefore, we must think differently."

Zoellick spoke at Georgetown University on 29 September about how "economics doesn't always get it right. Indeed, it can get things spectacularly wrong, as we saw in the recent crisis when bad ideas led to bad results that we are all still paying for."

Thus, on the eve of the IMF and World Bank annual meetings, leaders of both institutions are ahead of their critics with a formidable mea culpa.

"The great recession has left behind a wasteland of unemployment that threatens the livelihood, dignity and security of millions in the world," explained Strauss-Kahn. Referring in particular to young people, he said: "We cannot underestimate the frightening prospect of a lost generation, disconnected from the labour market and the gradual loss of skills and motivation."

Zoellick, for his part, acknowledges that "the economic crisis led to the biggest drop in world trade over the past sixty years" and that "many developing countries -- in part due to World Bank advice -- have made global integration a key component of their growth strategy," but he wonders whether "the export-led growth model of transformation [will] continue to succeed "

Zoellick, nominated to the post by President George W. Bush to replace ultra-conservative Paul Wolfowitz, who resigned over a scandal, reminded his audience, "I am not an economist" and said he "observed with concern when economics shifted away from political economy to "pure" theory."

While he spoke to the students, his words could not have gone unnoticed by the more than three thousand economists of whom he is boss and who he criticised by saying "Too often research economists seem not to start with the key knowledge gaps facing development practitioners, but rather search for questions they can answer with the industry's currently favourite tools."

For the World Bank, the big question is how to incorporate into the debate the voices of developing countries whose economies will exceed, in aggregate, those of developed countries in 2015. For the IMF, the debate is between the creation of jobs to which Strauss-Kahn aspires and the budget cuts recommended by economists in countries facing difficulties caused by the crisis ... at the risk of engendering a vicious circle in which global reductions in wages and social benefits generate greater economic downturn, lower taxes and, therefore, higher deficits and new cuts. It is not a minor issue.

In low-income countries, this is a theme of "life or death," said Strauss-Kahn. "We see instability, deterioration of democracy and even war."

The theme this year of the World Development Report, the flagship publication of the World Bank, is just that: "Conflict, Security and Development." The issue is so sensitive that, in an unprecedented move, Zoellick, the day after his lecture at Georgetown, decided to reject the draft and send the report back to the publishers, with the recommendation that it be made "less academic and more relevant for policymakers", even if it means delaying the publication for at least six months.



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Francais Espanol

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At the start of the second decade of the century there are two dozen "fragile states" either in a state of war or just leaving it. They are the recipients of the bulk of international aid, for which the World Bank is the largest implementation tool and - from Afghanistan to Haiti, the Congo and Sudan - most of the troops from overseas, both often from the same donors.

If the report does go beyond the generalities that academics can offer and is useful to policymakers, how do they decide what policies to recommend, as it is obvious that there is no consensus in the UN on these areas? Who will have the last word? The World Bank president? The World Bank board dominated by a handful of industrialised countries? The governors, mostly from developing countries?

Harvard economist Dani Rodrik, who avoids the neo-liberal label and is respected by both sides, said that Zoellick's speech made a "good impression" but noted that at no time did Zoellick mention the internal processes of the World Bank or its decision-making system. "Without changes, the majority of World Bank research will be pursued in Washington by economists from industrialised countries," as it has been up to now.

The highest authorities of the Bretton Woods institutions have opened a door with their self-criticism. Perhaps the protests during the annual meeting will no longer come from the demonstrators on the corner in Washington, but from inside the meeting itself.

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