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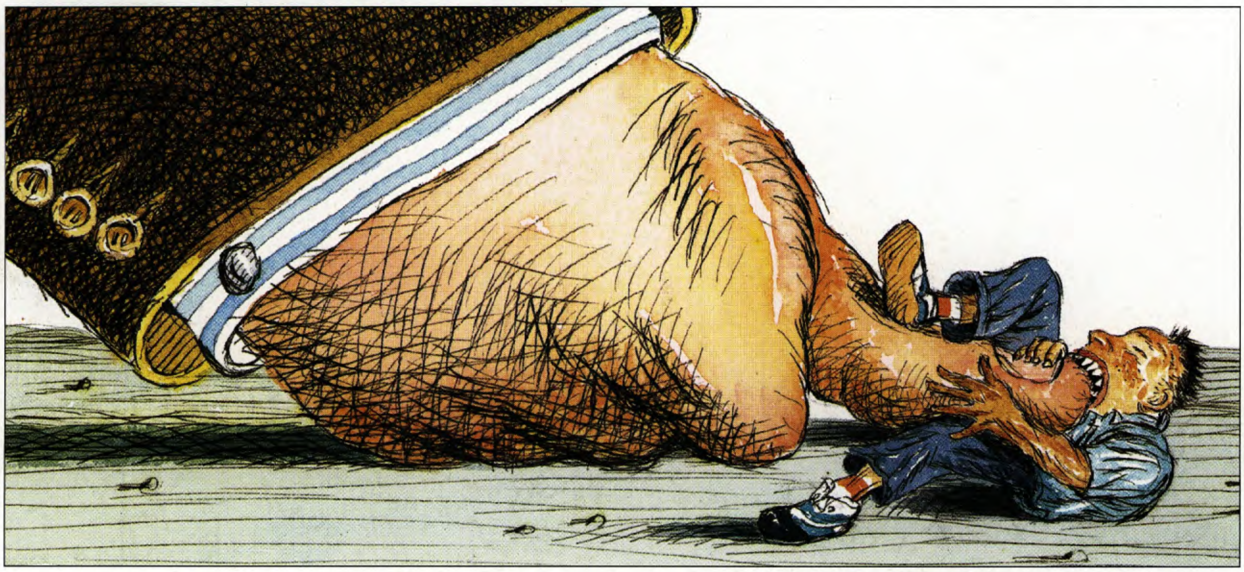

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THE ECONOMICS OF EMPIRE

Notes on the Washington Consensus

By William Finnegan

In early March, President Bush, on the verge of declaring war on Iraq, was asked at a press conference why he thought "so many people around the world take a different view of the threat that Saddam Hussein poses than you and your allies." Mr. Bush replied, "I've seen all kinds of protests since I've been the president. I remember the protests against trade. There was a lot of people who didn't feel like free trade was good for the world. I completely disagree. I think free trade is good for both wealthy and impoverished nations. That didn't change my opinion about trade."

Mr. Bush's "opinion about trade" tends to pop up in unlikely places. Shortly after September 11, 2001, he declared, "The terrorists attacked the World Trade Center, and we will defeat them by expanding and encouraging world trade." This was an odd conflation, and the *New York Times*, reporting his words, felt obliged to flag the president's confusion with a delicate addendum—"seeming to imply that trade was among the concerns of terrorists who brought down the towers." The United States trade representative, Robert B. Zoellick, was less delicate when he suggested in a speech around the same time that opponents of corporate-led globalization might have "intellectual connections with" the terrorists. The September 11 attacks were perpetrated, of course, by a genocidal death cult, not by unusually determined proponents of economic democracy.

"PROTEST AGAINST TRADE," GENOA

But what the Bush Administration is signaling in these muddled formulations (and in many less muddled statements—and, for that matter, in many major policy initiatives) is its transcendent commitment to a set of fixed ideas about international trade, finance, politics, and economic development. These ideas form a dogma—George Soros calls it "market fundamentalism"—that, as dogmas do, purports to explain everything, to fold every event into itself.

Sometimes known as the Washington Consensus,* other times simply as "free trade," this gospel has been the main American ideological

* *The term was coined in 1989 by John Williamson, of the Institute for International Economics, to describe the conventional wisdom at the U.S. Treasury Department, the World Bank, and the International Monetary Fund on policy reforms that would aid development in Latin America. Williamson later expressed dismay at the "populist definition," as he called it, of the term that had taken hold in public debate, where the Washington Consensus became synonymous with market fundamentalism, globally applied.*

William Finnegan is the author of Cold New World. *This article elaborates on ideas in an essay that will appear in* The Fight Is for Democracy, *a collection of original essays by nine writers to be published by HarperCollins in September.*

Photograph © AP/Wide World Photos

export since anti-Communism (to which it is related) lost strategic relevance. It is promulgated directly through U.S. foreign policy and indirectly through multilateral institutions such as the World Bank, the International Monetary Fund, and the World Trade Organization. Its core tenets are deregulation, privatization, "openness" (to foreign investment, to imports), unrestricted movement of capital, and lower taxes. Presented with special force to developing countries as a formula for economic management, it is also, in its fullness, a theory of how the world should be run, under American supervision. Attacking America is, therefore, attacking the theory, and attacking the theory is attacking America.

The possibility that the Marines and high-altitude bombers might need to be involved in spreading the good news about free trade does not, in context, seem far-fetched. Consider "The National Security Strategy of the United States," issued by the White House in September 2002. Presidents are required to submit a security strategy periodically to Congress, but the Bush edition received an unusual amount of attention because of its unprecedented assertion of an American right to strike U.S. enemies preemptively, as well as its vow to maintain American military supremacy over all rivals indefinitely. Just as notable, however, in another way, was the repeated, incongruous insertion of fundamentalist free-trade precepts. The Strategy claims to have discovered "a single sustainable model for national success"—the Washington Consensus. There is, in its authors' view, simply no other way. History has validated this messianic vision, and the American role in leading the world to its realization on this earth. "We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world," the Strategy avows. It even provides a list of policy particulars, such as "lower marginal tax rates" and "pro-growth legal and regulatory policies" (read: weaker environmental and labor laws), that it believes every country should adopt.

THAT THE MARINES MIGHT NEED TO BE INVOLVED IN SPREADING THE GOOD NEWS ABOUT FREE TRADE DOES NOT SEEM FAR-FETCHED

National-security strategy outlines are written by committee, are full of boilerplate, and cannot be expected to withstand close literary inspection. Still, the Bush strategy's attempt to articulate a worldview is worth quoting in full: "The concept of 'free trade' arose as a moral principle even before it became a pillar of economics. If you can make something that others value, you should be able to sell it to them. If others make something that you value, you should be able to buy it. This is real freedom, the freedom for a person—or a nation—to make a living." This formulation makes vulgar Marxism look subtle and humane. The only "real freedom" is commercial freedom. Free speech, a free press, religious freedom, political freedom—all these are secondary at best. There is a lockstep logic here, an airbrushed history, that suggest a closed intellectual system—the capitalist equivalent, perhaps, of Maoism or Wahhabism.

But beyond the triumphalist theory—and capitalism obviously has much to be triumphal about—there is the practice. The Washington Consensus has been around long enough now that results are in from many countries, including from some of the most diligent followers of its policy prescriptions. These results are less than encouraging. Argentina, for instance, did everything it was told to do by Washington throughout the 1990s—privatization, deregulation, trade liberalization, tax reform—and found itself a much-touted example of the virtues of *neoliberalismo* until shortly before its collapse in 2001. Today, Argentina is suffering through the worst economic crisis in its history. Yet even major failures seem not to shake the faith of the true believers in the Bush Administration, who include the president. Like other fundamentalisms, market fundamentalism seems impervious to argument or inconvenient facts. Inside the muscular church of laissez-faire, broad-brush ideas—all of them estimable in the abstract—get rolled together into a mesmerizing, internally coherent mantra.

But vulgarity and obtuseness should not be mistaken for sincerity. Not only is the case for President Bush's "opinion" that "free trade is good for both wealthy and impoverished nations" empirically feeble; there is plenty of evidence that rich countries, starting with the United States, have no intention of playing by the trade rules and strictures they foist on poorer, weaker countries as "a single sustainable model." We practice free trade selectively, which is to say not at all, and, when it suits our commercial purposes, we actively prevent poor countries from exploiting their few advantages on the world market. While President Bush extols a simple, sweeping, unexceptionable creed at every opportunity, however inappropriate, his administration, guided by figures such as Trade Representative Zoellick, pursues a far more complex and sophisticated agenda. Theirs is not an ideology of freedom or democracy. It is a system of control. It is an economics of empire.

I was in Bolivia not long ago, and I noticed how every conversation there seemed to turn, inexorably, toward the topics of development and exploitation. Angel Villagomez, a retired state road inspector, told me, "It's very sad. Here in

Bolivia we are sitting on a chair of gold—oil, gas, minerals—and yet all the wealth goes to foreigners." Villagomez was sitting outside his house, a simple adobe structure, on a chair of plastic. A vigorous, engaging man, he lives in a dusty *barrio marginal* near the Andean city of Cochabamba.

He was right about Bolivia. Although rich in natural resources, it is the poorest country in South America. Landlocked and thinly populated, it offers a less operatic example, perhaps, of a country struggling with neoliberalism than its neighbor, Argentina, but, in its deep-running underdevelopment and obscurity, a more typical one.

In the early 1980s, Bolivia emerged from many years of military rule in an economically impossible position. It had been looted by the generals. Its foreign debt was overwhelming. In 1985, inflation reached a surreal annual rate of 24,000 percent. The country had no choice but to consent to radical treatment. Advised by Jeffrey Sachs, the young American economist who later became known for designing "shock therapy" plans for countries emerging from Communism, the reformers in Bolivia were led by the minister of planning (later president), Gonzalo Sánchez de Lozada. To halt the inflationary death swoop, they drastically devalued the currency, abolished the minimum wage, and cut state spending to the bone. These measures plunged the economy into severe recession. Wages fell and unemployment skyrocketed. Tin miners, teachers, nurses, and factory workers were especially hard hit. The shock treatment worked, though, in the sense that prices eventually stabilized and the Bolivian government's good relations with its foreign creditors—and, most importantly, with their de facto enforcement arm, the International Monetary Fund—were restored.

There were conditions, of course. The I.M.F. and the World Bank (the Bank's development loans helped keep the country afloat) took effective control of large areas of public policy. Like many poor countries, Bolivia was subjected to what is blandly known as structural adjustment—a set of standardized, far-reaching austerity and "openness" measures that typically include the removal of restrictions on foreign investment, the abolition of public subsidies and labor rights, reduced state spending, deregulation, lower tariffs, tighter credit, the encouragement of export-oriented industries, lower marginal tax rates, currency devaluation, and the sale of major public enterprises. In Bolivia's case, the latter included the national railways, the national airlines, the telephone system, the country's vast tin mines, and a long list of municipal utilities. Many indebted countries have had to be force-fed structural adjustment, but Bolivia turned out to be a model student. The country's small, white, wealthy political class seemed to have come to a quiet understanding with the international bankers. The power of the workers and peasants, once organized and formidable, was clearly broken; all of the major parties were now business aligned. And so the parties began to trade the presidency around every election cycle, and their leaders found that

BOLIVIA, THE POOREST COUNTRY IN SOUTH AMERICA, PRIVATIZED ITS RAILWAYS, ITS AIRLINES, ITS PHONE SYSTEM, ITS TIN MINES, AND MOST OF ITS UTILITIES

they could collaborate profitably with the international corporations that came in to run the phone company or pump the oil and gas.

Angel Villagomez said, "The politicians here all campaign with their left hands up." He raised his left hand. "But once they get in office, they all turn out to have hearts that beat on the right!" He struck the right side of his chest sharply.

A newspaper editor in Cochabamba put it differently. "The World Bank *is* the government of Bolivia," he said.

Since both the World Bank and the I.M.F. are based in Washington, D.C., and Bolivia's primary overseer in the developed world has long been the United States, it's not surprising that some Bolivians detected that old-time Yankee imperialism in this new globalization regime. It wasn't, to be sure, gunboat diplomacy (except when it came to the war on drugs, an entirely different sore subject in Bolivia), and it wasn't a purely North American operation. The cheap foreign products that flooded the country after 1985 came from all directions, as did the foreign investors.

But the hundreds of local factories that went bankrupt, unable to compete, were, for the most part, Bolivian. And, contemplating what the anthropologist Lesley Gill calls the "imposed disorder" of post-shock Bolivia—the havoc and deep social pain caused by structural adjustment—contemplating, especially, the mysterious power of these faceless institutions, the World Bank and the I.M.F.—both ostensibly public agencies dedicated to the reduction of Third World poverty—many Bolivians must have asked one another, echoing those suave gringo outlaws Butch Cassidy and the Sundance Kid (who died, it may be remembered, after robbing a mining company in Bolivia), "Who *are* those guys?"

These pillars of the postwar international financial order were conceived during the latter part of World War II at a conference of American, British, and European economists and civil servants held in Bretton Woods, New Hampshire, and dominated intellectually by John Maynard Keynes. The World Bank was originally intended to help finance the reconstruction of postwar Europe—a project that neither private capital nor shattered states could be expected to undertake. After the Marshall Plan made that purpose redundant, the Bank, looking for a raison d'être, began to concentrate on Asia, Africa, and Latin America, where it loaned money to poor governments, usually for specific projects. Today, the Bank has 9,700 employees, 184 member states, and lends nearly $20 billion a year. The founding purpose of the I.M.F. was to make short-term loans to stabilize currencies and the balance of payments, promote international economic cooperation, and prevent another Depression. It, too, has changed with the times. Now it makes long-term loans as well, functions almost entirely in the developing world, and, by interpreting its mandate to maintain international financial stability as broadly as possible, seeks to actively manage the economies of many poor countries. Because almost all significant aid and loans to poor countries hinge on the I.M.F.'s assessment of a nation's financial soundness, the Fund has the leverage to dictate public policy in large areas of the globe. Power within the institutions was originally apportioned among governments according to their relative financial strength and contributions, which meant that the United States had the leading role from the start. Although the managing director of the I.M.F. is traditionally a European, the U.S. is the only country with an effective veto over I.M.F. actions. The president of the World Bank has always been an American. The Bank and the I.M.F work together closely. They are the two most powerful financial institutions in the world.

A GUATEMALAN CHILD PARTICIPATES IN THE GLOBAL LABOR MARKET

During the Cold War, loans were often nakedly political. Anti-Communist dictators—in Uruguay, Ethiopia, the Philippines—were rewarded. Dictatorships in general were viewed as more reliable than democracies, and useful Communists, such as Ceauşescu, in Romania, also became big clients. Even apartheid South Africa got loans from the World Bank. Robert McNamara, having presided over the Vietnam War, became president of the Bank in 1968. He aggressively expanded its operations, pushing poor countries to accept loans to build factories, highways, huge power projects, vast agro-industrial schemes. This development model had fundamental problems. By 1981, when McNamara retired, abandoned megaprojects littered the Third World, together with uprooted populations, ravaged forests and watersheds, countries no longer able to feed themselves, and an ocean of impossible debt.

Both the Bank and the I.M.F. passed through an ideological looking glass in the 1980s. They had been established and run on Keynesian principles—on assumptions that markets need state guidance, whether to stabilize currencies and prevent panics (I.M.F.) or to build infrastructure necessary for economic development (the Bank). But with the ascendance of Reaganite (and Thatcherite) free-market economics in the West—among their rich-country masters, that is—both institutions changed their operating philosophies.* They began pushing policies laissez-faire—what became known as the Washington Consensus.

Unfortunately, they have had even less success with the new philosophy. Financial panics and crises continue to roil the I.M.F.'s clients, from East Asia to Argentina. The idea that open markets and increased trade lead invariably to economic growth may be sound in

* *The Fund is generally seen as more ideological than the Bank. Certainly that is the view of Joseph Stiglitz, Nobel Prize winner and former chief economist of the World Bank, whose* Globalization and Its Discontents *comprehensively trashes the Fund for its rigidity. "Decisions were made," Stiglitz writes, "on the basis of what seemed a curious blend of ideology and bad economics, dogma that sometimes seemed to be thinly veiling special interests."*

Photograph © Fernando Moleres/Panos Pictures theory, but it has repeatedly failed the reality test. A recent study found that I.M.F. programs have had, overall, a *negative* effect on economic growth in participating countries. And the World Bank's declared mission of reducing poverty has been a bust so far. More than a billion people are now living on less than one dollar a day—the figure in 1972 was 800 million—while nearly half the world's population is living on less than two dollars a day. When Catherine Caufield began the reporting for her book on the World Bank, *Masters of Illusion*, she asked the Bank to direct her toward some of its most successful projects. The Bank's press officers made repeated promises but produced no list. Finally, as Caufield was leaving for India, which happened to be the Bank's largest client, they came up with the name of one project, the South Bassein Offshore Gas Development Project. Caufield could find no one in India who had heard of it. Later, she discovered that the project was a gas field in the Arabian Sea and was known in India by a different name. The Bank had loaned \$772 million to the project and, because no villagers had needed to be resettled from the open sea, had managed to avoid controversy—this was apparently the successful part. The project had taken twice as long as expected to complete, and, according to Bank records, more than a third of the loan had ultimately been written off "due to misprocurement."

Every generation of Bank officials has vowed to improve this record, to start funding projects that benefit not only big business and local elites but also the poor. And the Bank's efforts to promote access to health care and education—projects undertaken with non-governmental organizations (NGOs) and other "civil society" groups—have increased. But many Bank contracts are worth millions, and multinational corporations remain their major beneficiaries. Testifying before Congress in 1995, Lawrence Summers, then of the Treasury Department (now president of Harvard), disclosed that American corporations received \$1.35 in procurement contracts for each dollar the American government contributed to the World Bank and other multilateral development banks. This was an unusually candid admission by a leading Bank supporter that one of its main activities is, in fact, corporate welfare. Those donated American dollars come, after all, from ordinary American taxpayers—few of whom know anything about what the World Bank does.

The Bank does many things, of course, and employs many people who are undoubtedly devoted to the idea of reducing poverty. (So does the I.M.F.) It provides technical assistance to poor countries, some of it clearly useful, and even tolerates a degree of internal debate.* But both the Bank and the I.M.F. are locked in unhealthy relationships with their client governments. Governments recognize, obviously, that their poverty is a precondition for the flow of aid, and, for the less scrupulous among them, this can turn the poor themselves into a valuable commodity, their pitifulness a resource not to be squandered through amelioration. On the donors' side, lending is essential to the continued health of aid bureaucracies and the advancement of careers—not the best environment in which to make wise decisions. Then there is the merry-go-round of fiscal crises and bailouts, aboard which the Bank and the I.M.F. and rich-country bilateral lenders regularly make new loans to deeply indebted countries in order to avoid the embarrassment of nonperforming loans. Because it helps condemn the world's poor to a fate of permanent debt, the Bank's self-description as a "pro-poor" development agency is at best self-deluding. (Bolivia, like many other countries, spends more on debt servicing than it spends on health care.) The Bank's core constituencies remain the corporations and the poor-country bureaucrats and politicians whom it enriches.

THE WORLD BANK'S SELF-DESCRIPTION AS A "PRO-POOR" DEVELOPMENT AGENCY IS AT BEST SELF-DELUDING

After seventeen years of structural adjustment, Bolivia remains the poorest country in South America. The predicted foreign investment has arrived, largely in the form of multinational corporations taking control of privatized entities. But prosperity has not followed. Inflation is under control, and there has been modest economic growth, but its benefits have been concentrated among the wealthy, exacerbating a centuries-old problem of extreme inequality.

With the labor unions smashed, hundreds of thousands of workers have been thrown into what economists call "the informal sector," which in Bolivia means sweatshops producing knockoffs of brand-name clothing, street peddling in the towns and cities, and coca farming. Peasant farmers, too, have found it increasingly difficult to make

* *William Easterly, a senior Bank economist, tested the limits of that tolerance in 2001 when he published* The Elusive Quest for Growth, *a book that chronicled the failed development panaceas the Bank has promoted over the years. In a prologue, Easterly applauded the fact that his employer "encourages gadflies like me to exercise intellectual freedom." In the preface to a paperback edition, published in 2002, however, Easterly was obliged to revise this assessment. In truth, the Bank, he had learned, "encourages gadflies like me to find another job."*

ends meet, as prices for their cash crops have fallen under the pressure of foreign competition. The outlook is bleak, as even Jeffrey Sachs, who continues to advise the Bolivian government, concedes. "Belt-tightening is not a development strategy," he recently told the *New York Times*, criticizing I.M.F. policy. Sachs is no fundamentalist. He is not, that is, a fantasist. Regarding Bolivia: "I always told the Bolivians, from the very beginning, that what you have here is a miserable, poor economy with hyperinflation; if you are brave, if you are gutsy, if you do everything right, you will end up with a miserable, poor economy with stable prices."

It is also possible to march backward, though. Some privatizations succeed in improving service. But those that go badly can be catastrophic. Bolivia's national railways were awarded, in a forty-year concession, to a consortium led by a Chilean multinational called Cruz Blanca. The terms of purchase allowed Cruz Blanca to discontinue service on lines it found unprofitable. Accordingly, it soon closed a number of freight and passenger lines, including the line connecting Cochabamba, Bolivia's third-largest city, to La Paz, the capital. (It was the only rail line connecting Cochabamba to anywhere.) Given Bolivia's rugged terrain, and its awful roads, this was a serious blow to the national infrastructure. The closure, moreover, seemed to be indefinite. The Cochabamba train station was turned, willy-nilly, into a vast marketplace, shanties were built over the track bed, and photos began to appear in local papers showing collapsed stretches of track in the mountains. Bolivia's railroads were built a century ago, when superexploited labor made such monumental construction possible. Such railroads will not be built again. Cruz Blanca may abandon as many lines as it chooses, and nonmaintenance for even a few Andean winters will render them irrecoverable. The latest Sánchez de Lozada government, elected in mid-2002, seemed to realize that a historic fiasco was in progress. Within weeks of taking power, the government announced that it planned to reopen the main line from La Paz to Cochabamba. The announcement contained no details, however, and it did not mention Cruz Blanca, and no one seemed to believe a word of it.

SOME PRIVATIZATIONS SUCCEED IN IMPROVING SERVICE. BUT THOSE THAT GO BADLY CAN BE CATASTROPHIC

The handful of countries that have managed to escape mass poverty since the 1950s are concentrated in East Asia—South Korea, Taiwan, Singapore, and, to a lesser extent, Thailand and Malaysia. South Korea and Taiwan followed strongly *dirigiste* industrial policies. High protective tariffs were raised, for instance, around certain fledgling industries. (This is sometimes known as the "infant industry" strategy.) Some of these industries were selected for their export potential, and when they were ready to compete internationally they quickly found markets. The local standard of living began to rise. This development strategy is similar to what all the Western powers once did to encourage their own industries, but it is anathema under the free-trade dogma of the Washington Consensus, and it could not be implemented by any underdeveloped, indebted country today. It relies heavily on tariffs and state planning, and is thus noxious not only to the I.M.F. and the World Bank but, equally as important, to the World Trade Organization, which is the third Bretton Woods institution. The W.T.O. is dedicated, even more unequivocally than the others, to eliminating "barriers to trade."

South Korea, Taiwan, and Singapore also managed, each in its own way, to turn some of the early waves of the current flood of corporate globalization to their advantage. When manufacturing started fleeing the high-wage nations of the West, opening assembly plants in Latin America and Asia, the countries that came to be known as the Asian Tigers successfully imposed local-content laws (requiring that investors buy locally produced components when possible) and consistently cut better deals for the transfer of technical skills to their own workers than, say, Mexico did. Thus, when the multinationals moved on to Indonesia and Vietnam in search of cheaper labor, Taiwan and South Korea were ready to let the sweatshops go and to assume a higher position in the global production chain.

None of this wise planning meant that the Tigers were immune to pressures from the multilateral financial institutions. The I.M.F., in particular, was determined that the newly prosperous East Asian countries liberalize their capital markets, and its success in prying open those markets contributed to the devastating regional economic crisis of 1997–98. In the crisis, only Malaysia seriously defied the stern—and, in retrospect, disastrous—advice of the U.S. Treasury Department not to impose capital controls. (These are laws that impede international investors and speculators—what Thomas L. Friedman, the great sloganeer of globalization, calls "the Electronic Herd"—as they move money in or out of a country.) By no coincidence, Malaysia emerged from the wreckage more quickly and less scathed than any of its neighbors. (Chile, which has made more progress against poverty under neoliberalism than any other Latin American country, also uses capital controls.)

China and India, although poor, have the populational heft to ignore many applications of Western pressure, which has helped each of them ride the globalization wave at least in the right general direction. China offers foreign corporations some of the world's cheapest labor, particularly in what are called export-processing zones, or free-trade zones. EPZs are tax-free manufacturing zones, where local labor and environmental laws (if any) are often relaxed or suspended in order to attract foreign capital. Today, tens of millions of people in more than seventy countries work in EPZs. They are where the American (and Canadian, and Western European) manufacturing jobs go when they go south. Or, rather, parts of the jobs go there, temporarily, because multinational firms have found that it is often most profitable to distribute the different aspects of production and assembly to different contractors and subcontractors, often in different countries, with the lowest-skilled, most tedious, unhealthy, labor-intensive work typically going to the least developed country. Mobility is essential to this arrangement—the ability to quickly transfer operations from country to country in search of the cheapest production costs and least hassle from local authorities. Thus the facilities in EPZs, the vast prefab sheds and plants, are rarely owned by the contractors who use them, let alone by the multinationals who place the orders. They are leased.

EPZs are not a viable development model. Wages are low, and workers are typically drawn not from local communities but from distant villages and rural areas. With the constant threat that companies will pick up and leave if they are taxed or regulated, local governments rarely profit in any significant way. Local-content laws and knowledge transfer are seldom, if ever, part of the package. A few corrupt officials, along with managers drawn from local elites, profit, certainly, but the great influx of foreign technology and capital that EPZs are supposed to bring rarely materializes.

And this seemingly minor, disappointing fact undermines a crucial assumption, widespread in the West, about the new global division of labor. The assumption is that the developed world is turning into one big postindustrial service economy while the rest of the world industrializes, and that, yes, sweatshops, child labor, egregious pollution, health and safety nightmares, and subsistence-level wages come with industrialization, but that any country that wants to develop must go through all that. *We went through it. So did Western Europe.* This assumption, although not usually stated so crudely, underpins every serious argument for corporate-led globalization. The problem is that the industrialization that Indonesia, Honduras, the Philippines, and dozens of other countries are now experiencing is not the same industrialization that we in the West experienced. It's true that people are moving from farms to factories, and that urbanization is occurring at a rapid pace. But exploitation and immiseration are not development. And unregulated, untaxed foreign ownership, with profits being remitted to faraway investors, will never build good infrastructure. It is simply not clear how, under the current model, the poor majority in most poor countries will ever benefit from globalization.

WORLD BANK–BACKED DAMS HAVE DISPLACED MILLIONS. ACTIVISTS IN INDIA PROTEST THE PROPOSED CONSTRUCTION OF YET ANOTHER BY PREPARING TO DROWN THEMSELVES IN THE RISING WATERS OF THE NARMADA RIVER

China has achieved and maintained impressive growth, even in the present world recession. And yet China, although increasingly integrated into the world economy, and recently admitted to the W.T.O., is following a development path very much its own. It has strict capital controls. It forbids foreigners from owning many forms of stock. It has gone slowly with privatization. (Russia already demonstrated how to do it fast and badly.) The state retains control of the banking system. Still, everybody wants to do business with China, if only because of the size and docility of its labor force and the size of its consumer market, which is expanding swiftly, along with its urban middle class. Politically, China remains, of course, a one-party state—a police state, in fact—nominally Communist, with little interest in human rights, the rule of law, or other democratic niceties that theoretically come with a market economy.

India, the world's largest democracy, has achieved less growth, and it has been racked by battles over some of the main insults of corporate globalization, such as seed patenting and the construction of giant, World Bank–backed dams that have displaced millions of villagers. But the Indian middle class (also growing) has enjoyed the fruits of a technology-led boom, thanks to a thick slice of the world's software programming and back-office work being outsourced to a few Indian firms. The government, meanwhile, has continued to protect many domestic industries—and to use capital controls—basically thumbing its

Photograph © Karen Robinson/Panos Pictures nose at the imprecations of the Bretton Woods institutions to stop.

Most national governments today, though, must struggle in a world economy in which they are dwarfed by global corporations. And those corporations, while gaining power steadily in relation to states (which must compete to lure investment), have also been quietly undergoing a profound self-transformation. This transformation can be seen most easily in two figures: first, the total assets of the 100 largest multinational corporations increased, between 1980 and 1995, by 697 percent; second, the total direct employment of those same corporations during that same period *decreased* by 8 percent. This was more than mere downsizing. These figures demonstrate, again, that a great many of the jobs that left the rich world over the past twenty-five years did not, in fact, rematerialize intact elsewhere, in the Global South, where labor is cheaper. Because the question turned out to be, in many cases, again, not where to produce goods but how to produce them, and the answer turned out to be not by owning factories and having employees but by ordering products from contractors and subcontractors and sub-subcontractors in poor countries. EPZs have been instrumental to the success of this strategy.

HAITI, THE POOREST COUNTRY IN THE WESTERN HEMISPHERE, DOES WELL ON THE I.M.F.'S TRADE-OPENNESS RANKINGS. AT AN AMERICAN-OWNED FACTORY, WORKERS MAKE TWO DOLLARS A DAY

Bolivia, by the way, has EPZs. Nobody wants to use them, though. Transportation costs alone—in a landlocked country with bad roads and disappearing railroads, far from major markets—deter potential investors. Then there is the country's tradition of labor militancy, which frightens foreign investment and is not a problem in, say, Thailand (and certainly not in China, where independent labor unions are illegal). Bolivian trade ministers end up in the same position as many trade ministers from sub-Saharan Africa. They would be delighted to have foreign corporations come and exploit their people. But the corporations see better opportunities elsewhere.

The market fundamentalist's version of history and economics is both more scriptural and more expedient than it is factual. The idea, for instance, that greater trade leads to greater general prosperity, which is an unshakable conviction not only among true believers but also among liberal globalizers, including most of the American journalistic establishment and the Democratic Party, is in many cases simply untrue. In Latin America, during the 1960s and 1970s—the decades preceding the great trade boom of globalization—per capita income rose 73 percent. During the last two decades, with trade expanding rapidly under neoliberalism, per capita income rose less than 6 percent. The same dismal pattern appears in the United States. Between 1947 and 1973, economic growth averaged 4 percent and non-managerial wages—that's the pay of more than 80 percent of American workers—rose 63 percent, in real dollars. Since 1973, with international trade soaring, real wages have fallen 4 percent, while economic growth has averaged 3 percent. Nobody knows precisely what effect trade has had on American wages and growth, but even conservative economists ascribe a significant amount of the long-term American wage stagnation to the effects of globalization. These effects, when they are acknowledged at all by free traders, are, we are assured, only temporary. But they have lasted more than a generation now and, as the Springsteen song says about good jobs, "They ain't comin' back."

Another core belief, that lower taxes promote economic growth by encouraging people to work harder and invest more, is equally unfounded in reality. Neither U.S. history, which shows no correlation between tax rates and growth, nor studies of other countries, which show randomly mixed results, bear out this article of free-market faith. If a government collects high taxes and then spends the revenue unwisely, economic growth will be impeded, obviously. If it spends the money wisely, growth may be enhanced. Of course, different groups in society will be affected differently by the progressivity and specifics of any tax regime—this is why wealthy corporations and individuals tend to be especially enthusiastic about lower marginal tax rates, which reduce their own tax bills.

But even economic growth, which is regarded nearly universally as an overall social good, is not necessarily so. There is growth so unequal that it heightens social conflict and increases repression. There is growth so environmentally destructive that it detracts, in sum, from a community's quality of life. (Trade itself carries vast, and rarely calculated, environmental consequences, with pollution-spreading ships, trucks, and planes rushing goods around the globe.) Then there is the destruction of communities themselves, as nations frantically reshape their economies around exports and specialization—the mass production of those goods that may afford them comparative advantage in the global marketplace. Finally, there is the peculiar way that growth, or gross domestic product, is calculated, which is as a value-free measure of total economic output, one that does not distinguish between costs and benefits. Thus resource extraction is a plus, while resource depletion does not register. Strip-mining, clear-cutting, overfishing, pumping an aquifer (or an oil reserve) dry—these ravages and permanent losses do not figure in the growth equation. Neither is income distribution a factor, meaning that most people may be getting poorer in a context of economic "growth." Medical bills and legal bills all count as growth, leading to an absurdist universe in which, as policy analysts Ted Halstead and Clifford Cobb put it, "the nation's economic hero is a terminal cancer patient who has just gone through a bitterly contested divorce."

This is not to say that the world's poor are not in need of economic growth, in the sense of greater economic opportunity. They are. But the question remains: What policies and incentives will actually provide that opportunity? Increased international trade *can* be beneficial to the poor. *But it is not automatically so*. Markets *can* do great things, and yet they remain flawed, fickle mechanisms that favor those with money, and they must be carefully regulated.

One hears a great deal of piety from the Bush Administration about raising global standards of living—and the president has in fact pledged to increase his foreign-aid budget by half—but the U.S. government's primary job is to advance and protect American interests. Our leaders' passion for "free trade" is driven not by altruism but by a desire to open new markets for U.S. firms and products.

How will we respond, though, when our overtures are rejected? There is a popular backlash building against the Washington Consensus throughout Latin America (and elsewhere). The top priority of U.S. policy toward Latin America, meanwhile, is the creation of a hemisphere-wide free-trade zone known as the Free Trade Area of the Americas. If and when it goes into effect, the F.T.A.A., which was first seriously pursued during the Clinton Administration, will be a sort of super-NAFTA, including in its embrace thirty-four of the Western Hemisphere's thirty-five countries—all but Cuba. Like NAFTA, the F.T.A.A. is a brainchild of big business, whose interests it would serve from start to finish. It would virtually eliminate barriers to foreign investment, strengthen investor rights (and gut consumer rights), eliminate tariffs, ban capital controls, and establish secret trade courts in which multinational corporations would be able to sue governments over health, labor, or environmental laws that could be shown to impede profits. The F.T.A.A. would actually go beyond NAFTA, with mandatory requirements that national markets be opened to foreign corporations not only for basic services such as banking and insurance but also for public services such as health, education, and water. Within Latin America, there is broad popular and political opposition to the F.T.A.A., which is widely seen as an economic onslaught on national sovereignty. North American firms, it is believed, simply want more access to Latin American markets, on grossly unfair terms. U.S. embassies in the region spend a great deal of time parrying such arguments—presenting the F.T.A.A. as a win-win deal, trying to woo local businessmen, politicians, and opinion makers onto the bandwagon.*

THE U.S. SHOVES FREE-TRADE DOCTRINE DOWN THE THROAT OF EVERY COUNTRY IT MEETS BUT PRACTICES PROTECTIONISM ITSELF

Their job would be easier if the United States did not flout the principles it espouses. Last spring, for instance, President Bush, responding to domestic political pressure, imposed steep new tariffs on steel imports. Loud protests came from Europe, East Asia, and Brazil, and complaints were soon being filed with the W.T.O. The hypocrisy was stark: the U.S. shoves free-trade doctrine down the throat of every country it meets while practicing, when it pleases, protectionism. Even more hypocritical, and economically painful, to dozens of countries in Africa and Latin America has been the latest round of U.S. farm subsidies, which may total as much as $180 billion over the next decade. Most of that windfall goes directly to big agricultural corporations (all of them big political contributors). These subsidies effectively close American markets to many poor-country food producers (we also have tariff barriers in place, just in case), while allowing U.S. exporters to

* *The F.T.A.A. even made it onto the Bush National Security Strategy's wish list. Regional and bilateral trade pacts have recently bumped multilateral venues, notably the W.T.O., from the top of the administration's trade priorities. Bilateral agreements with Jordan, Chile, and Singapore have already been reached. Morocco and Australia are among those next in line. W.T.O. trade rules are, by their global nature, more difficult to control than bilateral agreements with much smaller economies. Indeed, the U.S. has recently violated W.T.O. trade rules so consistently that the organization's top officials have likened American trade unilateralism to Bush's policy toward Iraq.*

flood foreign markets with cheap food, often putting poor-country farmers out of business. Global trade rules, as codified in the W.T.O.'s Agriculture Agreement, do allow countries to make direct payments to their farmers. But only rich countries, for obvious reasons, have that option. This is one of the many ways that the "level playing field" extolled by free traders does not look level from the Global South.

Our NAFTA partners—Canada and Mexico—are exempt from the new steel tariffs, a fact sometimes pointed out by U.S. diplomats campaigning for the F.T.A.A. The implication is that members of a free-trade pact may actually practice free trade with one another. But since the advent of NAFTA in 1994, the fate of Mexican workers and farmers—especially small corn farmers, the country's rural backbone—has not been confidence-inspiring. Wages have fallen, and a half million families have been driven off their land by a collapse of prices as local markets have been swamped with subsidized corn produced by U.S. agribusiness.

The election, in October, of Luiz Inácio Lula da Silva, a socialist ex-metalworker, as president of Brazil, will likely try the Bush Administration's commitment to respecting democratic outcomes. Lula, as he is known, has been a strong critic of neoliberalism and the F.T.A.A., and without Brazil, which has the largest economy in South America, there will be no F.T.A.A. (*Pace* Trade Representative Zoellick, who, in remarks that infuriated Brazilians across the political spectrum, suggested that if the new government did not sign the agreement it would be welcome to trade with Antarctica.) While Lula has vowed not to renege on Brazil's international debt, he has ambitious plans to ease his country's terrible inequality, poverty, and hunger, and international bankers and investors have been loudly nervous about the prospect of his presidency. They caused a plunge in the value of Brazil's currency before Lula was even elected, and it is not too much to say that they retain the power to annul the results of the country's election by pulling out investments and calling in loans. The I.M.F., especially, with its power to extend or withhold loans, and its even greater power, through its influence, to cut off lines of credit, holds the keys to Brazil's financial stability—which is another way of saying that the U.S. holds those keys. In the Bush Administration's quasi-theological version of political economy, democracy and free markets are two halves of a mystical whole. In reality, they can be deadly opponents, when voters decide to go against the markets.

FREE TRADE IS A CREDO, A CHIMERA—A NICE IDEA—AS WELL AS A FINE CLUB WITH WHICH TO BELABOR COMPETITORS

The truth is, no government practices free trade. It is a credo, a chimera, a utopian conceit—a nice idea—as well as a fine club with which to belabor one's political opponents and economic competitors. The E.U. subsidizes its farmers as lavishly as the U.S., and Japan does almost as well by its farmers. The W.T.O. is a tariff-trading bourse, where countries dicker and bicker and hash out compromises under arbitration. Its founding document is more than 27,000 pages long. This is not the yellow brick road to a purified, simplified ("free") global trading system.

But the main problem, from the perspective of poor countries, with the existing system of world finance and trade is simply that the rules drawn up, and the decisions handed down, at the W.T.O., the I.M.F., and other international tribunals, are drawn up and handed down almost entirely by the rich countries. They have the negotiators, the expertise, the financial leverage, and in some cases (such as the I.M.F. and the World Bank) the weighted vote to win virtually every dispute. Even when rich countries clearly violate an agreement, their poor-country counterparts may lack the resources (meaning, often, simply the lawyers) to lodge a successful protest.

Lopsided legal contests in trade courts are not tragedies, of course. Those occur, rather, in what international bureaucrats like to call "the field"—when the European Union decides to dump heavily subsidized powdered milk in Jamaica, say, and Jamaican dairy farmers are forced to throw away hundreds of thousands of gallons of fresh milk; or when the United States decides to off-load vast quantities of subsidized rice in Haiti, putting thousands of small rice farmers out of business and causing a regional rise in child malnutrition. Haiti, although the poorest country in the Western Hemisphere, does well, incidentally, on the I.M.F.'s trade-openness rankings.

Beyond the egregious incidents, though, there are the structural obstructions. Rich-country tariffs, for instance. They are, in the aggregate, four times higher against the products of poor countries than against the products of other rich countries. Why? Well, what you got to negotiate *with*, mon? Or consider the twist known as "tariff peaks." These charges, levied at rich-country ports, get higher with the amount of processing that an imported product has undergone. Peanuts? We charge you, assuming that this is an American port, *x*. Peanut butter? We charge you *x* plus *132 percent*. Our peanut-butter companies do not appreciate competition, you see. Canada, Japan, and the E.U. all use tariff peaks to keep out processed foods and other manufactured products. The result is to prevent poor countries from adding any value to their raw commodities—to prevent them, that is, from achieving even the primary stages of industrial development.

It's the perennial mismatch of the powerful center and the weak periphery. In economic policy today, though, it plays out in a particularly perverse way. When a poor country is in recession, for instance, it is usually ordered by its paymasters at the I.M.F. to balance its books. This approach to fiscal management went out in the West with Herbert Hoover. In the rich countries, we run deficits during a recession and apply good countercyclical remedies like lowered interest rates. We don't listen to the I.M.F.'s ultra-orthodox prescriptions because we don't owe the I.M.F. money. Austerity, like free trade, is for us to prescribe and for poor countries to practice. Private enterprises in poor countries are expected to compete with rich multinationals when the interest rates that they must pay to raise capital—pushed dizzyingly high under austerity plans—make fair competition impossible. And all this bitter medicine comes in a bottle labeled Economic Freedom.

I was surprised to learn that the *cocaleros*, Bolivia's coca farmers, have a parliamentary brigade. I went to see its leader, Evo Morales, at his office in La Paz. His office turned out to be a dimly lit room in a high-rise government warren. People clumped in the shadows, and it felt a bit like a NORML meeting, particularly after I told Morales and his aides that I had recently chewed coca to combat altitude sickness on a drive through the high mountains, and they all cackled happily.

Morales is short, dark, handsome, round-faced, with a long pageboy haircut. His father was a peasant potato farmer, he said, and he himself still farmed a coca plot in the Chapare, a jungle district east of Cochabamba. Most of the coca farmers are ex-miners, he said, "on the run from neoliberalism." They had been fighting for years with the Bolivian army, which was being heavily supported by the U.S. in a coca-eradication effort known as "zero coca." Although the Bolivian government and the U.S. Drug Enforcement Agency were claiming victory, most independent analysts believe the effort is futile, since poor farmers in other parts of South America have always proved willing to raise coca when there is a market for it.

Morales didn't want to discuss the drug business, except to say that in Bolivia it was certainly not a military problem. He preferred to frame the U.S.-Bolivian war on drugs as a war on his people, the Quechua and Aymara, who have been growing coca for thousands of years, and have been suffering attacks from white colonizers for centuries. "Zero coca means zero Quechua and Aymara," he said. "They see us as animals. They enslaved us. When we learned to read, they cut out our eyes."

Evo Morales is a prominent Bolivian politician, but the U.S. Embassy in La Paz assured me that

ARGENTINA FOLLOWED THE I.M.F. TO THE BRINK OF COLLAPSE. IN BUENOS AIRES A GROCERY-STORE EMPLOYEE STAYS ONE STEP AHEAD OF LOOTERS

his career had peaked years earlier, and that he would soon be found in the dustbin of local history.

The embassy was wrong. That was in early 2001. In 2002, Morales ran for president, on a socialist ticket. He vowed, if elected, to end Bolivia's participation in the U.S. war on drugs, and to end, moreover, Bolivia's participation in the failed neoliberal experiment. All the industries and utilities that had been privatized? They would be renationalized. To the horror of the local authorities, not to mention the Americans, Morales began to rise in the polls. His radical ideas clearly appealed to a fair number of people. As election day neared, the embassy seemed to panic. Ambassador Manuel Rocha announced that if Morales won the election, the U.S. would have to consider cutting off aid to Bolivia. This threat was taken ill, apparently, by Bolivian voters. Support for Morales surged, and on election day he finished second, behind Gonzalo Sánchez de Lozada. Since no candidate had received a majority of votes, there was a runoff between the top two finishers. Fortunately for Goni, as Sánchez de Lozada is known, the voters in the runoff were not the Indian majority of Bolivians, in which case Morales would probably have won. They were, instead, the Bolivian parliament, whose members overwhelmingly favored the wealthy, well-educated, white man, Goni.

The American presence in Bolivia is less brainlessly imperial than Ambassador Rocha made it seem. The embassy understands, for

Photograph © AFP/CORBIS

instance, that the relative success of the coca-eradication program has been a major blow to Bolivia's economy. Jorge Quiroga, Goni's predecessor as president, told me that the income from coca had accounted for more than 8 percent of Bolivia's gross domestic product and 18 percent of exports. "Imagine wiping that out," he said. "All the unemployment and suffering, all the multiplier effects. In the U.S., it would be like wiping out the mining and agricultural sectors combined." The embassy did not dispute these numbers or the analogy (and Quiroga is a *supporter* of eradication). Partly because the war on drugs causes hardship, the U.S. remains by far the largest source of bilateral aid to Bolivia, as well as the prime mover behind the World Bank's local largesse.

The Bank also recognizes the impossible burden that international debt places on nearly all poor countries, and it has lobbied for partial debt relief for poor countries it considers fiscally responsible, including Bolivia. Despite its annexation to the Washington Consensus, the Bank is not a solid bastion of market fundamentalism, and its analysts have seen enough social and financial fallout from hasty privatizations to realize, belatedly, that in many sectors, such as utilities, a strong regulatory framework to protect the public interest is essential to successful privatization. In most poor countries, the modern regulatory body is a novel concept. The Bank has therefore started sponsoring courses to train would-be regulators from countries undergoing structural adjustment. The courses are said to be first-rate, although problems can arise with the students sent to them by client governments. "They always send the minister's nephew," a regulation advocate in Bolivia told me. "Somebody who thinks of regulation the same way he thinks of a job in government, as a way to make money from bribes."

BOLIVIA'S INDIAN MAJORITY HAS TURNED SHARPLY AGAINST THE WASHINGTON CONSENSUS, AND NEARLY ELECTED A SOCIALIST COCA-FARMER PRESIDENT

"Structural adjustment," incidentally, has precipitated so many riots in so many countries, caused so much suffering and received so much bad publicity, that it is currently being rebranded, by both the Bank and the I.M.F., as "development policy support lending," which has a much less procrustean sound.

The U.S. Embassy is not, of course, a charitable organization. It exists to represent U.S. interests, which in Latin America has traditionally meant the interests of U.S. business. This is as true today as ever. Even at the World Bank, and at each of its regional development banks, the United States has, under order of Congress, an officer of the U.S. Commercial Service assigned to look out for U.S. business interests. And the economic big stick is at times still crudely wielded. In late 2002, for instance, the Colombian defense ministry expressed interest in buying forty light attack planes from the leading Brazilian aircraft manufacturer. Colombia, which is racked by civil war, is a major recipient of U.S. military aid. General James T. Hill, head of the U.S. Southern Command, learning of the Colombians' interest in purchasing Brazilian planes, fired off a letter to the Colombian government warning that future U.S. military aid could be jeopardized by the purchase. The Colombian air force should be buying American-made C-130s, the general wrote, mincing no words. When this letter unexpectedly became public, a Southern Command spokesman claimed it was merely a technical evaluation of Colombia's military needs.

It's easy to be cynical about the double binds—the rigged world trade system, to be blunt—faced by poor countries. And the bald contradictions of U.S. policy and preachments suggest, certainly, a degree of official cynicism. But nobody really wants to see economies stultify or implode (nobody except, perhaps, a few financial specialists known as vulture capitalists), and the I.M.F.'s great efforts to prevent emerging-economy disasters with emergency bailouts, although frequently unsuccessful, seem basically sincere. The problem lies, rather, with the model.

Even market fundamentalists concede that corporate-led globalization produces both winners and losers. Why should the U.S. government look beyond a strict pro-business definition of the national interest? Because it is *in* our national interest, especially in the longer term, to expand globalization's circle of winners and to throw lifelines to the billions of people struggling to stay afloat in the world economic maelstrom. The U.S. currently enjoys a truly rare global preeminence—military, economic, pop-cultural. But power is not, obviously, the same as legitimacy. And every overweening, remorseless projection of American power, every unfair trade rule and economic double standard jammed into the global financial architecture, helps erode the legitimacy of American ascendancy in the eyes of the world's poor. This erosion is occurring throughout Latin America, Africa, Asia. At the W.T.O., in response to worldwide protests against the high prices of AIDS drugs, the United States finally acceded, in November 2001, to a historic decision that public health should, after all, be a consideration in some areas of patent protection. Then, in late 2002, under pressure from the big pharmaceuticals, the Bush Administration quietly changed its position and sent Trade Representative Zoellick to kill an agreement allowing poor countries access to generic medicines. Few Americans noticed. But in Africa, and Asia, and all the countries directly injured by this decision, millions noticed.

President Bush had it all wrong about Al Qaeda and world trade, of course. Still, there was the long, horrifying groundswell of popular support for Osama bin Laden and the attacks on New York and Washington that surfaced, mainly in the Muslim world. The depths of hatred that the United States has inspired in some of the world's more oppressed corners may be ultimately unfathomable. But the importance of trying to change that, of trying to inspire something less malignant with policies less rapacious, seems undeniable. As the Bush Administration has been discovering in its campaign against Iraq, even empires need allies.

Americans always overestimate the amount of foreign aid we give. In recent national polls, people have guessed, on average, that between 15 and 24 percent of the federal budget goes for foreign aid. In reality, it is less than 1 percent. The U.N. has set a foreign-aid goal for the rich countries of .7 percent of gross national product. A few countries have attained that modest goal, all of them Scandinavian. The U.S. has never come close. Indeed, it comes in dead last, consistently, in the yearly totals of rich-country foreign aid as a percentage of GNP. In 2000, we gave .1 percent. President Bush's dramatic proposal, post–September 11, to increase foreign aid to $15 billion looks rather puny next to the $48 billion increase in this year's $379 billion military budget.

Along with our delusions about foreign aid, there persists a more general belief about the rich world trying to help the poor, at least financially. In fact, the net transfer of moneys each year runs the other way—from the poor countries to the rich, mainly in the form of corporate profits and government debt servicing.

But it is simplistic, even misleading, to talk about whole nations as winners or losers under the current globalization regime, since there are, in every country, significant groups of both winners and losers. In China, with its remarkable growth rate and burgeoning middle class, tens of millions of people have been left unemployed and destitute in the upheavals caused by the arrival of capitalism, while millions more find themselves working seven days a week in dangerous, abysmally paid factory jobs. In dozens of countries, a dominant ethnic minority is reaping most, if not all, of the gains of economic integration while working-class and peasant majorities absorb the shocks and bitter downsides of trade liberalization. Even in the U.S., the foremost proponent of free trade and presumably its great beneficiary, there are those millions of good jobs that disappeared with globalization, leaving their former holders working nonunion at Wal-Mart. There is a strong argument that the U.S. may be trading itself into oblivion, for it seems that we began, in 1976, running a trade deficit, leading to an international debt that has since ballooned to $2.4 trillion, or roughly 24 percent of GDP. Our major trading partners have yet to call in these debts, but the national balance sheet looks worse every year. With the economy threatening to slip into Japan-style deflation, life as a debtor nation could become quite unpleasant. In that event, globalization, certainly in this corporate-driven form, may start looking like a bad idea to more and more Americans.

THE WORK OF INCREASING AMERICAN COMMERCIAL SUPREMACY IS BEING DONE IN THE NAME OF FREEDOM

Empire is expensive. The finances are tricky. Countries need to be bribed as well as bullied. A government that's solidly in the fold can be sent on many errands: during the first Gulf War, Argentina, neoliberalism's poster child, was the only country in Latin America to contribute troops. That was then. President Bush relies greatly, by his own testimony, on faith—and he does seem to possess the fundamentalist's personal serenity on both the knotty, ambiguous questions of economics and on the far weightier matter of war. But the daily work of increasing American commercial supremacy, while binding the global economy into stronger, more tightly woven webs of integration, is not for the otherworldly. It's being done quietly, in our name, by trade bureaucrats and proconsuls and "area specialists" even while our leaders speak soothingly of a rising tide of freedom.* Restive countries,

* *It's also being done by war planners. The* Wall Street Journal *has reported that the Bush Administration's plan to rebuild and administer a conquered Iraq relies not on the U.N. or other international-development agencies but on American private companies with deep Pentagon connections, such as Bechtel and Kellogg Brown & Root, which have been secretly bidding on contracts since February.*

awakening to some notion of self-interest, may wander off the reservation, of course. More poignantly, transnational capital always has its own logic and pursues its own ends. While we make the world safe for multinational corporations, it is by no means clear that they intend to return the favor.

Outside the cities in Bolivia, the visitor still enters an unfamiliar world. What are those white flags hanging outside the houses? What does that graffito mean, NO A LA FLEXIBILIZACIÓN? You need a local guide. Drive into the high country and you need a Quechua-speaking guide. In a small town at the base of the mountains, I ask around and find a kid who speaks Quechua and hire him. He's a chubby teenager who makes himself comfortable, then tells me that his ambition is to study radio so that he can make educational programs for *campesinos* who don't speak Spanish and don't see newspapers or TV but listen faithfully to their radios. What are those white flags? Those are *chicherías*, unlicensed taverns selling *chicha*, a homemade corn beer. The flags mean they're open for business. *Chicha* is the people's brew—cheaper than canned beer, which comes from the German brewery. What is *flexibilización*? That was the law that took away labor rights, such as the forty-hour workweek. It was part of structural adjustment and was bitterly opposed by the unions, to no effect.

Everything feels contested. I ease my rented car through a herd of llamas and try to remember the story. The sale of llama meat, prohibited for centuries, was legalized only in 1994. What was it, besides the power of the big cattle ranchers, that kept llama meat, which is highly nutritious, off the market? "*Discriminación*," I am told, against the Indian herders. We pass a group of peasant women in beautiful, beribboned, handmade straw hats. Those hats, which are expensive, take months to make, and now they are disappearing, under an avalanche of cheap baseball caps from El Norte. The Indian women in the mountains farther to the west adopted the British bowler hat in the nineteenth century and made it jauntily their own. Somehow nothing similar seems likely to happen today. We come to a village with a brilliant, multicolored, woven flag hanging from a lamppost in the plaza. "That is the *wiphala* of these people." The *wiphala* represents local pride, the organization of local peasants, vehemently distinct from the Bolivian state. It has also become a symbol of resistance to globalization. *Everything feels contested.*

We run low on gas and find ourselves negotiating with a *campesino* in his half-tilled potato field. It's all in Quechua, but I gather he has a can of gas somewhere. He's reluctant to part with it but finally agrees to sell it to us if we'll give him a ride to town. I watch him put away his hoe. His wife comes to the door of their hut and studies me. I've always despised the social-service penchant for classifying hardy peasant self-sufficiency as "poverty." It's such an easy, condescending, incurious, vaguely missionary appropriation of great, unknown worlds of experience and knowledge. This is not a romanticization of peasant life. It's respect. For purposes of analysis and advocacy, of course, the "poverty" classification is useful. I've often been guilty of it myself. The young Quechua woman watches me, unsmiling, as I drive off with her husband down the mountain.

I later find myself at a big, commercial *chichería* near a market town, sitting in the garden with a convivial group of local officials. It's a sunny afternoon, and a raucous *ranchera* band plays inside a tile-floored dance hall. Pitchers of cool, earth-tasting *chicha* keep arriving at our table, accompanied by platters of *mote*—huge moist kernels of corn. Drinking *chicha* has its rituals. Four of us share a single drinking bowl, which we pass around, each carefully filling it for the next man. Before each drink, you pour a splash of *chicha* on the ground and then offer a toast to an Andean earth deity called Pachamama. The *chicha* buzz is mild, even after half a dozen pitchers.

A couple of my companions are older men. It turns out that they both fled Bolivia during the days of military dictatorship. One made the mistake of going to Chile, shortly before the military coup that overthrew Salvador Allende. Out of the frying pan, he said, shrugging. He ended up being held for weeks inside the National Stadium in Santiago. Not a nice place to be. We drink a round to civilian rule.

Kissinger, we agree, is a war criminal.

We drink a round to democracy.

Talk turns to the I.M.F., whose local representative, a U.S.-trained Israeli economist, is in all the papers. It seems he is giving valedictory interviews because his term is up. His parting message to Bolivia? First and foremost, it must solve the corruption problem. That must be done first. Thank you, Señor Kreis.

Seriously, someone asks me, do I think there is any hope for bringing democracy to the World Bank or the I.M.F.? Or, for that matter, to the U.N. and the W.T.O.? Shouldn't the citizens of the world be electing representatives to these powerful institutions, so that they might be accountable to someone other than wealthy corporations and their allies in the rich countries? I can't think of any reason why not. We drink a round to this brilliant idea. It is only later, back at my hotel—or maybe it's back in New York—that I remember it is only people in countries like Bolivia who know or care what the World Bank or the I.M.F. do. In the West, most of us have other things to worry about. ■