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Harper's Annotation: *Resolved To Ruin* by Greg Palast, March 2003

[Harper's Magazine](#)

Friday, February 14, 2003

Green-haired protesters in the streets of Seattle were ridiculed for their belief that the World Bank, the International Monetary Fund, and the world's finance ministers enter into secret agreements to impoverish developing nations. Here, in fact, is one such agreement: Argentina's "Country Assistance Strategy Progress Report" from June 2001. This document, nominally produced by the World Bank, represents the interlocking directives of both the Bank and the IMF, as well as, indirectly, the wishes of both institutions' largest patron, the United States Treasury Department. Marked "Confidential" or "Official Use Only," these reports are seldom publicized to the citizenry bound up in their stipulations. And yet for the 100-plus that rely on IMF and World Bank loans-countries such as Argentina, Tanzania, Ecuador, Sierra Leone-such agreements serve as de facto legislation, meticulous in detail and ideological in thrust. Although couched as loan conditions or as helpful development advice, these reports more closely resemble the minutes of a financial coup d'etat....

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To reduce its deficit per IMF decree, Argentina had cut \$3 billion from government spending-a cut that was necessary, the authors note here, to "accomodat[e] the increase in interest obligations." These obligations, the report did not need to add, were largely to foreign creditors, including the IMF and World Bank themselves. Since 1994, in fact, Argentina's budget deficits had been entirely attributable to interest payments on foreign loans. Excluding such payments, spending had remained constant at 19 percent of GDP. Despite the visible harm caused by cuts, the new plan ordered more. This, the report promised, would "greatly improve the outlook for the remainder of 2001 and 2002, with growth expected to recover in the later half of 2001." The Bank was slightly off the mark. By December 2001, Buenos Aires' middle class, unaccustomed to hunting the streets for garbage to eat, joined the poor in mass demonstrations.

How had Argentina arrived at such an impasse? In the 1990s the nation was the poster child for globalization, having followed without question the IMF and World Bank program. The "reform" plan for Argentina, as for every

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nation, has four steps. The first of these, capital market liberalization, was achieved by 1991's "Convertibility Plan," which pegged the Argentine peso in a one-to-one relationship with the U.S. dollar. This peg was designed both to keep inflation low and to make deficit spending difficult, in hopes of attracting and comforting foreign investors. Liberalized markets free capital to flow in and out across borders. But once Argentina's economy began to wobble, money simply flowed out....

The second step in the IMF/World Bank regimen is privatization. Both at the urging of lenders and out of financial necessity, Argentina throughout the nineties sold off what Argentines now ruefully call "las joyas de mi abuela," grandmother's jewels: the state's oil, gas, water, and electric companies and the state banks. It was quite a fire sale. Vivendi of France won rural water systems; Enron of Texas the pipes of Buenos Aires; Fleet of Boston took the provincial banks....

In 1994, at the World Bank's urging, Argentina partially privatized even its social security system, diverting much of it into private accounts. The U.S.-based Center for Economic and Policy Research calculated the revenue loss from this decision alone to be almost equal to the nation's budget deficit during the period.

The third prong of the laissez-faire putsch is market-based pricing. In Argentina, the main target of this initiative has been labor, that most inflexible of commodities. "A major advance was made to eliminate outdated labor contracts," states this report, noting approvingly that "labor costs" (i.e., wages) had fallen due to "labor market flexibility induced by the de facto liberalization of the market via increased informality." Translation: workers who lost unionized jobs were forced into ad hoc arrangements, with far less protection. Here, the report asks the government to decentralize collective bargaining, a move that would reduce union power....

Far from achieving this goal of "unemployment in single digits," the World Bank and IMF saw the jobless figure in the Buenos Aires area rise from 17 percent to a staggering 22 percent in the year after the report's issuance. The violence and looting that rocked that city in December 2001 thus represents a stage in the "austerity" process that Stiglitz terms the "IMF riot." When a nation, he said, "is down and out, [the IMF] takes advantage and squeezes the last pound of blood out of them. They turn up the heat until, finally, the whole cauldron blows up."....

Step four of the IMF/World Bank program is free trade. The loan terms of the two institutions had required Argentina to accept "an open trade policy." As recession set in, Argentina's exporters-whose products were effectively priced, via the peg, in U.S. dollars-were forced into a spectacularly unequal competition against Brazilian goods priced in that nation's devalued currency. Argentina grows a special kind of long-grain rice favored by Brazilians, and yet even as Brazil faced a hunger crisis tons of rice went unsold....

Before 1980, when the World Bank and IMF set out to rearrange the economies of developing nations, nearly all of them adhered to Keynesianism or socialism. Following the "import-substitution model," they build locally owned industry through government investment, behind a protective wall of

tariffs and capital controls. In those supposed economic dark ages, spanning roughly from 1960 to 1980, per-capita income grew by 73 percent in Latin America and by 34 percent in Africa. By comparison, since 1980, Latin American income growth has slowed to a virtual halt-to less than 6 percent over twenty years-while African incomes have declined by 23 percent. The IMF itself, in a statement accompanying its April 2000 "World Economic Outlook" report, noted that "in recent decades, too many countries, and nearly one-fifth of the world population, have regressed... This is arguably one of the greatest economic failures of the 20th Century." On this, at least, the IMF had it right.

To view two of these documents, click [here](#) and [here](#).

Read the full annotation in the March issue of [Harper's Magazine](#).

On February 25, Plume/Penguin USA will release the new, expanded American edition of Greg Palast's New York Times bestseller *The Best Democracy Money Can Buy: An Investigative Reporter Exposes the Truth About Globalization, Corporate Cons and High-Finance Fraudsters*. You can view Palast's reports for BBC Television's Newsnight and his columns for the Guardian papers of London at www.gregpalast.com.

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