

Independent People's Tribunal on the World Bank Group in India

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World Bank Independent People's Tribunal

- Greetings from Mexico, land of neoliberal reforms since 1984
- Also, land of the first financial crisis of the XXIst century in 1994 (according to Michel Camdessus of the IMF)
- Lessons for/from Mexico

World Bank Independent People's Tribunal

Why an independent people's tribunal?

Accountability, liability and damage redress mechanisms

MORE IMPORTANT: a people's court of justice brings **ETHICS** to the forefront: people deliberating about justice and truth

Nothing can be more subversive than to transcend the anonymity of forces in the economic system and to talk about **rights** in economic transactions

World Bank Independent People's Tribunal

- To judge *in absentia* is not right...
- but WB has been making judgments without listening to people...
- ...judging them *in absentia* for decades
- Not only that, it has been passing sentences (of life and death)
- Without recourse to the law, no appeals

How to pass judgment on the WB? (I)

One approach: performance of the policy package introduced in 1991 (comparison with actual results in:

growth

employment

poverty

stability of internal macroeconomic aggregates

external accounts (balance of payments)

How to pass judgment on the WB? (II)

- ...and since the WB has an opinion about everything else, let's also look at the performance in:
 - Health
 - Soil erosion
 - Water
 - Genetic resources
 - Education
 - Etc.

**This mode of analysis is
straightforward**

**Everyone is entitled to his own opinions,
but not everyone is entitled to his own
facts.**

Oliver Wendell Holmes
U.S. Supreme Court Chief Justice

Mexico's economy in a nutshell

- Growth: semi-stagnant for 20 years
- Crisis 1994-1995 “peso meltdown” worst in sixty years
- Very High open and disguised unemployment
- Poverty and marginalization
- Internal macroeconomic aggregates:
 - Inflation
 - Fiscal policy held hostage by FRPS
- External accounts in chronic deficit

**THIS WOULD APPEAR ENOUGH EVIDENCE TO PASS
JUDGMENT...**

But Wait! There is a last line of defense

- The reforms have not been in place long enough
- Or: you have not done enough (you need second generation of reforms)
- There are mistakes in implementation

How does one respond to this line of defense?

Open Economy Model Is Inconsistent

- Suppose we found out that the economic model proposed by the WB will NEVER work?
- Recurrence of financial crises is one indicator that the Open Economy Model is inconsistent
- OEM is Plagued by Internal Contradictions
- Several dimensions: exchange rates, interest rates, fiscal policies
- Check this example:
 - **Exchange rates in open economy model**

Contradictions of Open Economy Model (OEM)

- Exchange rate in OEM: supposed to modify system of relative prices of an economy to redress imbalances in trade balance
- This role is distorted when capital account liberalized
 - Capital inflows appreciate currencies
 - Exchange rate now is required to remain stable (portfolio investments' in assets denominated in local currency)
 - Adjustment mechanism destroyed
 - In addition: role as anti-inflation tool

OEM: other examples of internal contradictions

- Interest rate becomes tool to attract capital flows independent of “economic fundamentals”
- Fiscal austerity imposed precisely when investment is required for adjustment to trade liberalization
- Monetary policy priorities distort investment patterns

Where does this lead to?

- Accumulation and growth of imbalances
- Lock-in trajectories of higher volatility, turbulence and crisis
- Look at Mexico: December 21, 1994
- Is this something that could come to happen in India one day, perhaps not far from today?

One final thought on the WB as knowledge provider

Independent People's Tribunal on WB in India

**In the tradition of the Bertrand Russell-J.-P.
Sartre, the War Crimes in Indochina Tribunal
1967**

And this is befitting, as we are in times of war

**In times of war,
truth is so important
that it needs to be guarded
by a lifeguard of lies.**

Winston Churchill