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Jubilee Plus publishes below a damning interview between Joseph Stiglitz ex-chief economist at the World Bank with the Observer, held over the weekend of the IMF Spring meetings. In the interview he attacks the role of the US in stripping debt-ridden nations of assets. He praised Botswana for defying the Bank and the Fund, and for a Structural Adjustment Programme.

IMF's Four steps to Damnation

 (UK) 29th April, 2001 by Gregory Palast

It was like a scene out of Le Carré: the brilliant agent comes in from the cold and hours of debriefing, empties his memory of horrors committed in the name of a gone rotten. But this was a far bigger catch than some used-up Cold War spy.

The former apparatchik was Joseph Stiglitz, ex-chief economist of the World Bank. His new world economic order was his theory come to life. He was in Washington for a confab of the World Bank and International Monetary Fund. But instead of chairing meetings of ministers and central bankers, he was outside the police cordons. The Bank fired Stiglitz two years ago. He was not allowed a quiet retirement: he was excommunicated purely for expressing mild dissent from globalisation World Bank

Here in Washington we conducted exclusive interviews with Stiglitz, for The Observer and Newsnight, about the inside workings of the IMF, the World Bank, and the Bank's 51% owner, the US Treasury. And here, from sources unnamable (not Stiglitz), we obtained a cache of documents marked, 'confidential' and 'restricted'. Stiglitz helped translate one, a 'country assistance strategy'. There's an assistance strategy for a poorer nation, designed, says the World Bank, after careful in-country investigation. According to insider Stiglitz, the Bank's 'investigation' involves little more than close inspection of five-star hotels. It concludes with a meeting with a begging finance minister who is handed a 'restructuring agreement' pre-drafted for 'voluntary' signature.

Each nation's economy is analysed, says Stiglitz, then the Bank hands every minister the same four-step programme.

Step One is privatisation. Stiglitz said that rather than objecting to the sell-offs of industries, some politicians - using the World Bank's demands to silence local critics - happily flogged their electricity and water companies. 'You could see their eyes when they saw the possibility of commissions for shaving a few billion off the sale price. And the government knew it, charges Stiglitz, at least in the case of the biggest privatisation, the 1995 Russian sell-off. 'The US Treasury view was: "This was great, as we were about to re-elect Yeltsin. We DON'T CARE if it's a corrupt election." ' Stiglitz cannot simply be dismissed as a conspiracy nutter. The man was inside the game - a member of Bill Clinton's cabinet, chairman of the President's council of economic advisers. Most troubling for Stiglitz is that the US-backed oligarchs stripped Russia's industrial assets with the effect that national output was cut nearly in half.

After privatisation, Step Two is capital market liberalisation. In theory this allows investment capital to flow in and out. Unfortunately, as in Indonesia and Brazil, it often simply flows out. Stiglitz calls this the 'hot money' cycle. Cash comes in for speculation in real estate and currency, then flees at the first whiff of trouble. A nation's reserves can drain in days. And when that happens, to seduce speculators into returning to a nation's own capital funds, the IMF demands these nations raise interest rates

50% and 80%. 'The result was predictable,' said Stiglitz. Higher interest rates der property values, savage industrial production and drain national treasuries.

At this point, according to Stiglitz, the IMF drags the gasping nation to Step Three market-based pricing - a fancy term for raising prices on food, water and cooking. This leads, predictably, to Step-Three-and-a-Half: what Stiglitz calls 'the IMF riot'. IMF riot is painfully predictable. When a nation is, 'down and out, [the IMF] squee last drop of blood out of them. They turn up the heat until, finally, the whole cauld blows up,' - as when the IMF eliminated food and fuel subsidies for the poor in In in 1998. Indonesia exploded into riots. There are other examples - the Bolivian ri water prices last year and, this February, the riots in Ecuador over the rise in coc prices imposed by the World Bank. You'd almost believe the riot was expected. *A* What Stiglitz did not know is that Newsnight obtained several documents from ins World Bank. In one, last year's Interim Country Assistance Strategy for Ecuador, Bank several times suggests - with cold accuracy - that the plans could be expec spark 'social unrest'. That's not surprising. The secret report notes that the plan to the US dollar Ecuador's currency has pushed 51% of the population below the pr line. The IMF riots (and by riots I mean peaceful demonstrations dispersed by bu tanks and tear gas) cause new flights of capital and government bankruptcies. Th economic arson has its bright side - for foreigners, who can then pick off remaini assets at fire sale prices. A pattern emerges. There are lots of losers but the clea winners seem to be the western banks and US Treasury.

Now we arrive at Step Four: free trade. This is free trade by the rules of the World Organisation and the World Bank, which Stiglitz likens to the Opium Wars. 'That i about "opening markets",' he said. As in the nineteenth century, Europeans and Americans today are kicking down barriers to sales in Asia, Latin American and *A* while barricading our own markets against the Third World 's agriculture. In the C Wars, the West used military blockades.

Today, the World Bank can order a financial blockade, which is just as effective a sometimes just as deadly. Stiglitz has two concerns about the IMF/World Bank pl First, he says, because the plans are devised in secrecy and driven by an absolu ideology, never open for discourse or dissent, they 'undermine democracy'. Secc don't work. Under the guiding hand of IMF structural 'assistance' Africa's income by 23%. Did any nation avoid this fate? Yes, said Stiglitz, Botswana. Their trick? told the IMF to go packing.' Stiglitz proposes radical land reform: an attack on the crop rents charged by the propertied oligarchies worldwide. Why didn't the World and IMF follow his advice? 'If you challenge [land ownership], that would be a ch the power of the elites. That's not high on their agenda.

' Ultimately, what drove him to put his job on the line was the failure of the banks Treasury to change course when confronted with the crises, failures, and sufferir perpetrated by their four-step monetarist mambo. 'It's a little like the Middle Ages the economist, 'When the patient died they would say well, we stopped the blood too soon, he still had a little blood in him.' Maybe it's time to remove the bloodsuc

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