



MONEY AND POWER

GREAT PREDATORS IN
THE POLITICAL ECONOMY
OF DEVELOPMENT

SARAH BRACKING

MONEY AND POWER

Third World in Global Politics

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Economy of Development

Sarah Bracking

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Abbreviations

ADB	Asian Development Bank
ACP	African, Caribbean and Pacific (countries)
AEF	African Enterprise Fund
AFD	Agence Française de Développement (formerly CCCE)
AfDB	African Development Bank
AMSCO	Africa Management Services Company
APDF	Africa Project Development Facility
ARDA	Agriculture and Rural Development Authority (Zimbabwe)
ARV	antiretroviral (drugs)
BERR	Department for Business, Enterprise and Regulatory Reform
BIS	Bank of International Settlements
BWI	Bretton Woods Institutions
CAFSL	Crown Agents Financial Services Ltd
CCCE	Caisse Centrale de Coopération Economique
CDC	Commonwealth Development Corporation
CDG	Commonwealth Development Group
CEO	chief executive officer
CPRC	Chronic Poverty Research Centre (Manchester, UK)
CSO	Central Statistical Office (UK)
DAC	Development Assistance Committee (OECD)
DEG	German Finance Company for Investments in Developing Countries
DfID	Department for International Development (UK)
DFI(s)	Development Finance Institution(s)
DGVIII	Directorate General for Development, European Commission
DTI	Department of Trade and Industry (UK) (forerunner of BERR)
EAP	Engineers Against Poverty (UK)
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECA(s)	export credit agency/ies
ECGD	Export Credit Guarantee Department (UK)
EDF	European Development Fund
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
EPSA	Enhanced Private Sector Assistance (programme)

ERP	Economic Recovery Programme (Ghana)
ESAF	Enhanced Structural Adjustment Facility (IMF)
ESAP	Economic Structural Adjustment Programme
EU	European Union
FATF	Financial Action Task Force
FCIA	Foreign Credit Insurance Association (US)
FCO	Foreign and Commonwealth Office (UK)
FDI	foreign direct investment
FMO	Netherlands Development Finance Company
FSA	Financial Services Authority (UK)
FSF	Financial Stability Forum
GDA	Global Development Alliance (US)
GDP	gross domestic product
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	gross national income
GNP	gross national product
GRD	global resources dividend (Pogge's concept)
HC	House of Commons (UK)
HDI	Human Development Index (UN)
HIPC	Highly Indebted Poor Country Initiative
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HMSO	Her Majesty's Stationery Office (UK)
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICE	Institution of Civil Engineers (UK)
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICMA	International Capital Market Association
ICSID	International Centre for the Settlement of Investment Disputes (World Bank Group)
IDA	International Development Association
IDC	International Development Committee (UK)
IFC	International Finance Corporation (World Bank Group)
IFI(s)	international financial institution(s)
IFU	Industrialiseringsfonden for Udviklingslandene (Danish Industrialisation Fund)
IMF	International Monetary Fund (World Bank Group)
ISI	Import Substitution Industrialisation
KfW	Kreditanstalt für Wiederaufbau
MDB	Multinational Development Banks
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Authority

MMC	Monopolies and Mergers Commission (UK)
MNCs	multinational corporations
MOU	Memorandum of Understanding
MSCI	Morgan Stanley Capital International (stock market index)
NAO	National Audit Office (UK)
NCM	Nederlandsche Credietverzekering Maatschappij
NEPAD	New Partnership for African Development
NGO	non-governmental organisation
NIB	Nordic Investment Bank
NIEO	New International Economic Order
NIFA	New International Financial Architecture
NPM	New Public Management
NRI	Natural Resources Institute (UK)
ODA	Official Development Assistance
ODA	Overseas Development Administration (UK forerunner of DfID)
ODF	Official Development Finance
ODI	Overseas Development Institute (UK)
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics (UK)
OOF	other official flows
OPIC	Overseas Private Investment Corporation (US)
PEFCO	Private Export Funding Corporation (US)
PPP(s)	public-private partnership(s)
PRS	poverty reduction strategy
PRSP	Poverty Reduction Strategy Paper
PSD	private sector development
PVOs	private voluntary organisations
RDBs	regional development banks
ROSCs	Reports on the Observance of Standards and Codes
SADC	Southern Africa Development Community
SAP(s)	structural adjustment programme(s)
SBI	Société Belge d'Investissement International
SDCEA	South Durban Community Environmental Alliance
SDRs	special drawing rights (BWI unit of currency)
SIFIDA	Société Internationale Financière pour les Investissements et le Développement en Afrique
SILICs	severely indebted low income countries
SMEs	small- and medium-size enterprises
TINA	'there is no alternative'
TSO	The Stationery Office (the privatised HMSO)
UA	unit of account (currency unit in AfDB)
UK	United Kingdom

UN	United Nations
UNAIDS	Joint United National Programme on HIV/AIDS
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Commission for Trade and Development
UNCTC	United Nations Centre for Transnational Corporations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFAO	United Nations Food and Agriculture Organisation
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
US	United States of America
USAID	United States Agency for International Development
USD	United States' dollars
WAS	World Aid Section (UK)
WB	World Bank
WFDFI	World Federation of Development Finance Institutions
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Preface

This book has taken a long time to write. It was begun in the mid-1990s and then picked up again intermittently until January 2008, when I applied myself to it more properly. This should not detract from its central thesis: it is, instead, a book that has been ‘well cooked’. The book is timely because the unwieldy global development machine is moving again to focus on growth and the private sector, just as it did in the early 1980s, as opposed to poverty reduction and national programming with government ‘partnership’. A shift in the *modus operandi* of intervention, or ‘*modus interventionus*’, is forming around direct aid transfers to private sector development, and this book reviews these in a critical light, over the medium to long term. These medium-term trends in the development industry are normally sufficiently long for a collective myopia to set in around the failures of performance last time around, but because this book evaluates across two of these phases – roughly from the mid-1980s to 2007 – the characteristics of aid to the private sector can be recounted timeously, just as a new phase of similar activity comes to operational capacity. This may allow readers to put the development industry into the context of the global political economy of development, or at least that is the book’s aim. In other words, despite all the recent talk of poverty reduction, behind the scenes the whole industry of profitable development in *the private sector*, promoting profitable capitalism, has been going on regardless, and is now getting a whole set of new investments. This book is about this industry.

The argument here is that political economy processes that have made poverty in the present have not done so in the absence of efforts in the area of development ‘aid’ but in spite of it and alongside it, and systemically with the support of development finance institutions (DFIs). Bearing this in mind, the book examines the proposition that the political economy of development and development finance builds a process in which poverty is, in a counterintuitive sense, not reduced, but embedded and (re)produced. In sum, the book takes what we are used to seeing – aid as a benevolent act of charity – and (re)represents it as a profitable industry fixed in its own political economy. The ‘Great Predators’ in all of this are the DFIs, whose activities must be brought under democratic popular control in order to eliminate hunger and deprivation. Left unaccountable, as they are now, and they will help to produce more poverty in the foreseeable future.

At first glance, the book might appear packed with noisy numbers and statistics, but I hope, as a reader, that you will see the benefit of this – I have picked those numbers which serve a purpose of illustration, and the

text still serves as narrative. I am also trying to arrest the problem found in some similar works of there being few if any empirics, to use a technical term, so allowing stories to be told about development which serve the interests of the story teller but have little correspondence to the experience of the world's poor. Development for many is a chance to create a world in their own image, to use a superego to make for others the (sometimes hellish) world they have made for themselves: development, in short, can say as much about the rich's view of themselves as it does about the poor's quality of life. Numbers are therefore urgently required to sweep away the piles of nonsense that have built up around the unreal benevolence that is the Cinderella tale of global development intervention, and replace it with the materiality of a work in progress of global capitalist expansion and consolidation. This is not to say that there is no room for solidarity, charity and concern, far from it, rather that such activity must be redirected and focused to cooperative, democratic and popular ends.

Many people have helped in the making of the book, although its errors, foibles and eclecticism remain mine. I interviewed a number of people who deserve thanks for their time and patience between 1991 and 1995 in the offices of development agencies in Harare and London as part of my Doctoral research, and some of that formative data is referred to here, although the names of the individuals have not been recorded as originally agreed. Ray Bush then provided reminders and encouragement, so that this data and its transcripts, and the early work on this book, didn't remain locked in my bottom drawer, perhaps forever. I would also like to particularly thank Morris Szeftel who had the onerous job of supervising the original work I did in this area – perhaps now I can tell him that it is finally finished! – and Patrick Bond, Paul Cammack, Lloyd Sachikonye and David Beetham. Thanks to Barry Winter for supporting me, and all of my family and friends, particularly my parents Christine and Colin for their unerring patience. Colleagues and students also need a mention, since intellectual influence is never entirely confined to written sources but is part of the daily inspiration of teaching and learning. Sojin Lim, Mark Langan and Sithembiso Myeni were directly involved in helping me with particular data, while Philip Woodhouse and Tim Jacoby spurred me on to the writing. Other people who helped me access particular statistics are named in notes.

Overall, I would like to dedicate the book to parents and carers everywhere who must bear that most terrible of tragedy: not having food to give to a hungry infant. We can do better – *when the elephants fight, the grass gets trampled* – so we must take the power to control what the elephants are doing!

Sarah Bracking
Manchester
September 2008

I The political economy of development

Every day tens of thousands of workers and 'beneficiaries' toil to make development happen: to feed hungry children, to vaccinate against disease, to build schools, roads and airports, to promote good governance and civic education, and to do a host of other activities on an ever-increasing list. Development competes with the great religions of our time, motivating and disciplining, providing moral leadership and proving a clarion call against the neglect of the poor, diseased and incapable. As a social project it carries all the great meanings of the modern age, from the Enlightenment to now, of human progress and the civilising mission of human intervention. After the eclipsing of the socialist project in the early 1990s, it has also become a harbour and home for radicals of all persuasions, and has provided activities for well-meaning people more generally, who care about the welfare of others, to work, volunteer or donate their money for the greater human good. In short, the common view of development is of a 'great collective effort to fight poverty, raise standards of living and promote one or other version of progress' (Ferguson 1990: 9). In this view progress and 'modernisation' will be the result of all this human effort, because "win-win" solutions are available to development problems and an inclusive and globalising market economy contains no intrinsic obstacles to a better life for all' (Mosedale 2008: 21).

But an alternative view also exists, where the collective efforts of the mass of development workers can be blighted by relations of power in society. The privileged and wealthy, in short, may not want to give up their position, or share global resources more equitably. This is particularly the case when it comes to those development interventions which affect the economy directly. That is to say, even the wealthy may support greater childhood vaccinations and pay a charitable contribution to see that happen, but will resist a large-scale rise in their taxes. This confirms the gift as a palliative at most, within a global social and economic system which constantly reproduces marginality and destitution: just as one child is helped, another, or two or more, becomes vulnerable. In this view continued poverty is produced by an imperialistic relation between the centre of the global economy and the edges, or periphery (Ferguson 1990: 13), and this imperialist relation is part and parcel of capitalist development (Bernstein 2005: 118; reviewed in Mosedale 2008: 21). This book is in the second tradition. It goes further than is normal practice, however, in explaining the intimacy between

the development industry and the promotion of capitalism, through detailing the interventions made in the private sector.

In other words, it is not just that a virtuous development industry exists which is blighted and confounded by immanent processes of capitalism, thwarted by social forces beyond its control. This in itself is a fairly radical position. It is also that interventions in the private sector in particular have come to reproduce and mirror those of the capitalist global economy. A development bank, in short, does very little that is different in meaning than a generic private bank. And it has the bonus of the charitable label. A development project, like the Chad–Cameroon oil pipeline, looks similar to a private sector initiative, and indeed in this case, takes venture capitalism to new boundaries of the possible in negotiating with authoritarian governance structures in order to ‘get things done’. In other words, development is intimately connected and implicated in capitalist process and imperialist logic.

This book explains how the development industry and its institutions such as development banks contribute to the governance and regulation of global capitalism. This in turn affects prospects for political and economic development in the South. It contends that mass poverty is a consequence of the system of regulation that development contributes to. After nearly 70 years of effort to ‘do development’ at an intergovernmental level, Northern states still help capitalism prosper, while simultaneously claiming to help the victims of the inequalities it produces. And development has failed: there are ever more instances of victimhood and blight. Now there is a subtle point to be made here, to distinguish this book from the many other neoliberal economists and neoconservatives who claim that development is a waste of time because it never works. My purpose is to show why the efforts of so many right-minded people are being wasted in a system that channels them wrongly. At present, they can’t work hard enough to keep cleaning up after capitalism, and one way of making their job easier is to stop powerful states making more social and economic inequality in the first instance. The cruel irony being, that development institutions often have a particular place in activities in the private sector which take away people’s assets and livelihoods, impoverish them, and then stymie the people’s efforts, alongside development workers, to help themselves recover. If this remark strikes you as particularly ‘off-message’, or suggestive of an indefensible tendency to conspiracy theory, you need only take a look at the evidence that has been recorded, against the odds, from people displaced and abused by development, such as the anguish of the people of the Lesotho Highlands who were made destitute by a dam and hydroelectric complex (at ‘Mountain Voices’ on the internet).¹

Thus, contrary to most books on development you may read, 'failure' in development will not be assessed here by looking at the so-called deficiencies and absences of various attributes – skills, money, political will, capacity and so on – within the South. This is the bread and butter, and misguided product, of development studies, and has been critiqued before by authors in the post-development and radical development traditions.² Instead, the book will examine bilateral and multilateral political economy relations between states, in order to illustrate the nonsense that is the claim of benevolence in the post-colonial practice of international aid. To clarify, individual acts of charity in terms of food or vaccinations may sometimes be worthy of the term benevolent, but the overall system is not. Not least because the larger picture is dominated by transfers of public funds to private companies, not by bowls of food to children. Who has the 'development dollar', and what they choose to do with it, profoundly matters to people's lives. Therefore, the focus of this book is on this larger, mean sibling of the welfarist public face of aid. It is about the 'Great Predators' in particular, a term used here to refer to the development finance institutions (DFIs) of Europe, North America and elsewhere, who, under the guise of assistance, act as a Trojan horse, transporting the world's biggest companies and local 'Big Men' into a dominant position in the economies of poor countries. But why 'Great Predators'?

The metaphor relates to a classic construction of capitalism proposed by Braudel, which is contrary to the conventional view of capitalism that sees it as synonymous to the market with the state positioned antithetically to both (Arrighi 1994: 10). Braudel, instead, and in a way which turns the classical formulation on its head, saw capitalism as absolutely dependent on state power and as antithetical to the market. For Braudel capitalism is a three-tiered construction, the bottom layer of which is material life, the 'stratum of the non-economy, the soil into which capitalism thrusts its roots' (Braudel 1982: 229). The second tier is the market economy, where a degree of automatic coordination occurs which links supply, demand and price. Most economics roots itself in explaining this level, but there is another, higher level, 'the zone of the anti-market, where the great predators roam and the law of the jungle operates. This ... is the real home of capitalism' (Braudel 1982: 229–30).

This zone is 'on the top floor of the house of trade' (Arrighi 1994: 25), a 'shadowy zone' where financiers operate, using a 'sophisticated art open to only a few initiates at most' to decide where foreign exchange should go (Braudel 1981: 24). Given that capitalism, for Braudel, was absolutely dependent on state power, it is not an abuse of his construction to examine the role of pseudo-public sector financiers in particular, the DFIs, as a sub-group of his class of 'great predators'.

This book has done just that, cognizant that the DFIs work with, and alongside, finance companies operating more fully in the 'private sector'.

The argument of this book is that regulation of markets through the use of public liquidity is central to managing the aspirations of Southern populations in a permanent austerity cycle, and that the people that do this job largely work in DFIs. Others have argued that poverty in the South, and in Africa in particular, is constructed by people from the North, using institutional systems that have been built historically to benefit the rich (Bush 2007; Bond 2006). For example, Bush (2007) wrote a trenchant critique of existing processes of global capital accumulation, and showed how poverty is constantly created and remade daily by processes inherent to the system: privatisation, trade liberalisation and market 'reform'. Bond (2006), following in the footsteps of Walter Rodney's seminal treatise, *How Europe Underdeveloped Africa* (1972), systematically assessed the routes and systems through which Africa is looted of her resources and wealth. He provides empirical data and examples to illustrate the inequities of the trading system, the persistence of unequal exchange, the myths surrounding the benevolence of aid, phantom aid and the degree of capital flight and brain drain afflicting Africa. This book focuses on the institutions that actually move the money around and create the iniquitous flows that Bond (2006) outlines and the poverty that Bush (2007) examines.

The book examines the political economy of global capitalism as it particularly affects the poorest, by examining the mystified institutions of the global concessional financing system (see also Gélinas 2003) and the narratives in political economy which explain what they do. It examines obscure and peripheral parts of the Northern states where large and significant amounts of 'aid' money are vested to be used and circulated in Southern countries for the benefit of the North, although this is rarely said in these terms. We also see how development institutions contribute to regulating the global economy and managing social order and aspiration. The book ends by comparing the political economy of development, as described here, with two predominant narratives concerning development in sub-Saharan Africa. These are, first, the '*crisis but salvation*' narrative found in neoclassical economics and used by the Bretton Woods institutions (BWI) and mainstream development economists, which argues that 'underdeveloped' countries are in a crisis of poverty that needs external intervention in order to transport the poor to their salvation. Second, the '*resistance but subordination*' narrative of radical or heterodox alternatives used in the dependency theory tradition and by social movements, in which workers and peasants in the South nobly resist the encroachments of

global capitalism but are nonetheless relatively powerless because they are dependent on it.

In brief, we will see how the *'crisis but salvation'* narrative, the first of these, couples and conflates 'development' with capitalist growth and then misrepresents political economy in sub-Saharan Africa while serving the interests of powerful people well. Meanwhile, the second narrative, *'resistance but subordination'*, reflects the radicalism of the independence and nationalist period but in contemporary terms fails to appreciate the critical role of African elites in negotiating with, and participating in, the processes of power and 'subjectification' ensnaring modern African populations. In other words, Anglophone Africa inherited adverse political economy structures which are maintained by contemporary development practice, with the participation of African elites (see chapter 11). This book examines the empirical bases for these narratives of the political economy of development with reference to Africa primarily and focuses on the economies in which the poorest, or the 'Bottom Billion' as Collier (2007) has recently called them, live.³

Institutions of the global economy

So, why has social development failed in large swathes of the South (see Chronic Poverty Research Centre (CPRC) 2004; and chapter 6) and how has the profitability of global market capitalism, represented in ostentatious and incredible wealth accumulated by core institutions, states and privileged individuals within them, been perpetuated in the North? The first contention is that the two phenomena are critically related (see Hickey and Bracking 2005; Green and Hulme 2005; Pogge 2001; Milanovic 2003), and not just by illustration or intuition but by purposive action by institutions in support of particular structures of markets, investment and trade. Power is made everyday by the small and large actions and reactions of individuals, groups, communities and institutions, going about their business within the inherited structures of class struggle. So what are the critical institutions representing the power and interests of the rich?

First, it is important to indicate that the global economy is not an even space of regular economic interactions but has lumpy nodes of multiple exchanges and thin areas where less exchange takes place. The powerful nation states are these lumpy nodes and from them economic transactions spring out and reach for, generally, other critical nodes. Thus, the even coverage of colour of a densely sown flowerbed might look like an even canvass but below the canopy there remain only discrete stalks descending into the soil below. Metaphorically, these stalks are the nation states, emerging from the

everyday life of their citizens in a discrete locality of global capitalism, while the canopy is the apparently ephemeral space of the globalisation age, promising as it does comprehensive connectivity and inclusion for all. This book has no substantive business with the finer points of the globalisation debate (which can be reviewed in Bisley (2007)) or in studying the dizzying technologies and possibilities of the canopy, since the subject here is the soil below. The methodology of this book is empirical enquiry.⁴ It has a similar view to Ferguson's seminal essay 'Seeing Like an Oil Company' (2005), where he talks of capital 'hopping over' large swathes of space to alight only on lucrative hotspots of mineral extraction. Development finance does that too.

The reader must now meet, face to face and unmasked, the externally-oriented institutions of the most powerful states, as these are thrown up and out from the core centres of domestic and territorially based power and authority. The obvious ones that come to mind are the generic ministries of foreign affairs, the Foreign and Commonwealth Office (FCO) in the British case; the departments for trade and investment and/or export such as the Department for Business, Enterprise and Regulatory Reform (BERR) in the British Blair vernacular; or the ministries of foreign aid like the UK's Department for International Development (DfID). These are not, however, the ones which are principally referred to here. These are ministries normally found in a national state, the 'Whitehall' state in the British case, and perform the governance spectacle for the domestic public gaze. Instead, the 'Great Predators', the DFIs, are found on the periphery of the old imperialist regulatory order. We can metaphorically refer to these as being part of the 'frontier state',⁵ a regulatory space on the edge of domestic political, social and discursive practice. They are resident in a grey zone where extra territorial, intergovernmental and multilateral institutions of the global order overlap and multilayer their governance activities; a space dedicated to global regulation and social ordering. The institutions which exercise global power and distribute 'development' entitlements belong in this zone.

In the British case, the institutions we need to unmask would be the Commonwealth Development Group plc (CDG),⁶ the Export Credit Guarantee Department (ECGD) and the Crown Agents: the bilateral institutions of the 'frontier' state. These financing institutions are direct successors to those of the colonial age, which in turn, for the two latter, had forerunners in service institutions for merchant capital companies in the pre-colonial era. Their role now remains the export of capital, some of which is raised on international markets. Development finance within the capital export regime more generally, is managed on the British 'national' behalf by these bilateral

institutions, which we explore more fully in chapter 5, but here we will pursue the general case and describe a generic 'Great Predator'.

Frontier institutions

Each major creditor state in the global order has a bilateral development finance institution or DFI, which are collectively referred in this book as the 'Great Predators'. The European DFIs are examined in chapter 8, while emerging economies and Asian tigers now also have bodies which lend intra-governmentally. However, our exploration does not end with the sum of the bilateral relationships. Throughout the history of capitalism different critical masses of capital owners, and the state structures of power into which they are embedded, have fought for power and territory against each other. Sometimes this conflict has resulted in one contender being denuded while the other is made victorious. But, more often, the outcome has been a new power formation, a merger or agreement to form a collective 'power-sharing' agreement or, in Marxian vernacular, a committee to manage the common affairs of an (enlarged) bourgeoisie. The history of imperialism, and development, its successor, is no exception, but an important example of this process. The agreements to share power and influence, and opportunities for capital export, are critically and centrally underpinned in the modern age by the World Bank, the International Monetary Fund and by the rules and regulations agreed at the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). This latter, in particular, regulates the rules of the spoils game, so that investors do not encroach upon each other's spheres of influence except in anticipated ways: through formal performances of competition. This formalised association and regulated 'competitive' framework critically enables permutations of members to constantly benefit from DFI funding, constantly 'passing the parcel' between each other, most often led in consortia by a Bretton Woods international financial institution (IFI).⁷ We explore some examples in chapters 7 and 8, where multilateral institutions head a consortium of bilateral DFIs, private companies and transnational private foundations, 'crowding in' more truly private partners when a concrete development project is underway.

Thus, springing from the richest countries there are webs of related financial institutions, wholly owned or underwritten, authorised or legally sanctioned by the modern state. And then there are the 'joint venture' multilateral equivalents. These can be organised into generic types.⁸ There are three major types:

- export credit institutions, which help domestic companies trade by lending them money to insure their exports and investment against the risk of not getting paid;
- development finance institutions (DFIs), which, broadly, lend companies money to buy factories and facilities abroad, most often in the context of Southern countries; and
- jointly held, multilateral financial institutions, which are majority owned by a collection of rich states.

These institutions live in a twilight world, in the shadow of the state,⁹ or in the frontier zone. They are generally not part of a state's domestic structure or formally constituted in a public debate. They do not generally have transparent relationships of accountability to the public through the legislature, although the degree of accountability does differ (see Storey and Williams 2006). The first two types are also organised in collective associational bodies, on a global and regional basis, such as the Association of European Development Finance Institutions (EDFI) which coordinates the activities of the 16 European DFIs from Brussels or the Caribbean, Latin American, African and Asian equivalents (see chapter 8).

These institutions greatly expanded from the mid-1970s, when the system of distribution of liquidity in the global economy developed to accommodate the new 'eurodollar' and 'petrodollar' windfalls. In the mid-1980s the DFIs matured into strategic global institutions through their role in managing the 1980s debt crisis. This involved transferring and reorganising private and commercial debt into a liability for the public sector. Debt crises, then as now, can make many more bankrupt companies, banks and states than we know of, as liabilities are transferred over to the frontier institutions of the state, to be re-accounted later. The response to the current financial crisis in the UK in 2008 has repeated this pattern. Overall, the transfer of liability conforms to Chomsky's characterisation of capitalism itself, which works to socialise risk (and loss) and privatise profit (Chomsky 1993). Financial management of bad debt (loss) is transferred to pseudo-state institutions and the general public, as workers and consumers pay the price over time, through rents deducted as taxes from the collective value they produce.

Why is money so important?

There is a point of clarification we need to make first about money in the world order. 'Financial capital', or 'development finance', or 'aid', or even 'commercial credit', are interchangeable in one important respect. They are all forms of liquidity or available money, whose exact

term is chosen with reference to the context in which the money is found and its relative price. The word we use in a particular context relies on how much the price is, who is doing the lending and borrowing and where in the world they are doing it. Thus, as a hypothetical example, if the Malawi Government borrows money from the World Bank at 5 per cent interest over 20 years it is called 'aid' or 'development finance', whereas if the British Government borrows money from a Cayman Island offshore bank at, maybe, 6 per cent, it would be called commercial bond borrowing. Thus, even though a generic definition of aid would be 'a transfer of concessional resources, usually from a foreign government or international institution, to a government or an NGO in a recipient country' (Lancaster 1999: 490), it is the critical construction of the meaning of 'concessional' that matters, and this defining falls to those doing the lending. Indeed, the idea that aid is a 'concessional' form of distributing money is based in regulations defined by the lenders. 'Aid' can be just as expensive as commercial borrowing, but is defined as aid because the lender views their own structure as imparting features of 'added value'.¹⁰ Who is allowed money, and on what terms, is a central technology of global governance, and it is mediated in public-private networks ordered by the institutions of the frontier state. The defining or terminology, and control of the overall discourse on 'aid', as in other areas of social life, is strategically controlled by the powerful, in a varying degree of purposive process.¹¹

The DFIs regulate liquidity in the world economy: the money which flows through the tributaries and arteries of firms, governments, households and banks (as the nodal gatekeepers). They are the finance institutions closely related to the most powerful nation states. The whole system can be imagined as a tidal marsh area, regulated by Dutch-style water management: windmills, sluice gates, dykes and sinks. Those countries at the edge of the marsh, away from the central routes for liquidity, are most likely to lose access to money as the tide goes out; when recession hits the global economy. They are also subject to the whims of those that control the distribution system, those that open or shut the sluice gates!

Institutions matter

The extension of 'free markets', even in the neoliberal period of the 1980s and 1990s, tended to ever-increasing publicly authored regulation rather than corporate takeover. The importance of institutional regulation emanating from the powerful states grew in the global economy, ironically at just the time that communism had been proved a failure. People largely thought that regulation in the pursuit of social

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