

The Socialist Holocaust in Armenia

by Llewellyn H. Rockwell, Jr.

A roar, a shudder, and the end of the world. That was Soviet Armenia on December 7th when the great earthquake struck. Whole cities disappeared, as nurseries and factories, offices and homes, collapsed into rubble. In a few moments, more than 55,000 men, women, and children were crushed to death.

But no matter what seemed to be the cause, these people weren't victims of geologic forces; they were casualties of socialism.

The Armenian earthquake measured 6.9 on the Richter scale. In 1985, Mexico City had two back-to-back earthquakes measuring 8.1 and 7.5, yet they did far less damage, with almost all of the deaths caused by collapsing public housing. In Armenia, all the buildings were public, and they all collapsed.

Brian Tucker, a California geologist, says the destruction in Armenia was 100 times greater than it would have been in California from a similar-size quake. In fact, the ratio is probably 1,000 to one. In 1965, a San Fernando Valley earthquake measuring 8.5 did relatively little damage, except to a federal government hospital, which crumpled and killed 40 people.

Nature is often blamed for the failure of socialism: bad weather for 70 years of Soviet crop failure and a drought for the Ethiopian famine. Socialist agriculture is the cause of food shortages in the USSR, while in Ethiopia, socialist dictator Mengistu has deliberately starved the peasants to collectivize and control them.

Unlike natural disasters, the destructive effects of socialism are not capricious. They are necessary consequences of government control.

In his important new book *A Theory of Socialism and Capitalism* (Kluwer Academic Publishers and the Mises Institute, 1988), Professor Hans-Hermann Hoppe shows that socialism must result in: 1) much less capital formation; 2) a gargantuan waste of resources; and 3) destructive overuse of the means of production. Armenia is an all-too-accurate illustration.

Capital

Under socialism, all capital goods are publicly owned. Without individual ownership, as Hoppe explains, under socialism



there is almost no incentive to produce new capital goods, let alone to maintain older ones. Control over capital goods is exercised by politicians and bureaucrats, not owners.

There is no market for Soviet buildings or building materials. Everything is decided by central government planners, and citizens must live or work in whatever the bureaucrats erect. As a result, builders have no stake in the value of what they build, and since the buildings cannot be sold, there is no reason for managers to try to preserve what little value the structures have.

Waste

Making the best use of scarce resources is impossible under socialism. As Ludwig von Mises showed in 1922, socialism

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Controlling the World Economy

by Graeme B. Littler and Jeffrey A. Tucker

International trade and investment are growing—and that's great news for consumers, investors, and companies. But there's a dark side: politicians and bureaucrats are internationalizing their controls.

Some pundits believe that the global marketplace has permanently outrun the ability of governments to control: "It is no longer possible or desirable to control borders, manage trade, manipulate currencies, or otherwise interfere with global commerce," says supply-sider George Gilder. "The fabric of relationships among American, Asian, and European businesses is woven too tight."

Certainly government interference with global commerce is undesirable. But to claim that it is "no longer possible" is naive. Governments never relinquish power unless forced to; wherever the economy leads, governments are sure to follow.

Now that so much of the economy is international, governments have found new ways to interfere. Here are just some of them:

Cash

To intervene, governments need complete and accurate information about sources and directions of cash flows. The U.S. government has largely met this requirement domestically by building a huge network of computerized financial dossiers on American citizens. The misnamed Bank Secrecy Act, for example, requires bank customers to reveal information about themselves (name, age, SSN, amount, etc.) on a Currency Transaction Report (CTR) if they withdraw or deposit more than \$3,000 in cash. These forms are then sent to government agents for careful analysis.

The CTR enables the government to monitor *both* cash and non-cash transactions. Banks already must keep photographic

records of all checks. Combined with the CTR, this creates a permanent paper trail that the government can access at any time. Real criminals can escape because they know these requirements inside and out. But they are not the intended targets. The real victims are law-abiding citizens who want their rightful privacy.

Now that cash is flowing over the borders and into the world economy, the government wants to put a tail on it. It is currently negotiating several international agreements that would extend the state's power to keep track of global financial affairs. They include:

1. A GLOBAL CTR. A U.S.-sponsored treaty being negotiated in the UN right now would require a global CTR. The provision is buried deep within the treaty, which is supposedly directed against drugs.

2. A GLOBAL CURRENCY CONTROL AGENCY. President Reagan signed a bill in November allegedly to fight the drug war, which calls for the "Treasury to negotiate with finance ministers of foreign countries to establish an international currency control agency." With no public notice or debate, the Federal Reserve and the Office of the Comptroller of the Currency recently made a deal with the International Criminal Police Organization (Interpol) to swap information on cash flows. The target is supposedly "international financial crimes," but under exchange controls, that would include an honest American wanting international diversification and privacy.

3. THE WAR ON OFFSHORE BANKS. The U.S. government is seeking to eliminate private overseas banking. Investigators from Congress's Permanent Subcommittee on Investigations (PSI) have been junketing around the globe for three years, interrogating businessmen and warning banks to obey. The PSI recommends in a recent report, for example, the ratification of a U.S.-sponsored UN treaty to force all banks world-wide to disclose information on clients automatically and simultaneously. Says the report: the U.S. should impose "sanctions against those havens who [sic] express no interest in treaty negotiations" including limiting "direct airline flights to and from the havens."

4. A GLOBAL TAX TREATY. If the U.S. Senate passes a treaty recently drafted and passed by the Organization for Economic Cooperation and Development (OECD) at the behest of the U.S. State and Treasury departments, it will take a giant step towards a world tax collection agency. The "Administrative Convention on Tax Matters" will establish a global tax-collection agency, responsible for collecting and keeping track of everything from income taxes to local property tax. All major industrial countries are members of the OECD.

Capital

For months after the October 1987 stock-market crash, we heard calls for more securities regulation. In the past, this might have meant new restrictions on American stock markets. But with international capital markets and around-the-clock trad-

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Writers in This Issue

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Statistics: Destroyed from Within?

by Murray N. Rothbard

As improbable as this may seem now, I was at one time in college a statistics major. After taking all the undergraduate courses in statistics, I enrolled in a graduate course in mathematical statistics at Columbia with the eminent Harold Hotelling, one of the founders of modern mathematical economics. After listening to several lectures of Hotelling, I experienced an epiphany: the sudden realization that the entire “science” of statistical inference rests on one crucial assumption, and that assumption is utterly groundless. I walked out of the Hotelling course, and out of the world of statistics, never to return.

Statistics, of course, is far more than the mere collection of data. Statistical *inference* is the conclusions one can draw from that data. In particular, since—apart from the decennial U.S. census of population—we never know all the data, our conclusions must rest on very small samples drawn from the population. After taking our sample or samples, we have to find a way to make statements about the population as a whole. For example, suppose we wish to conclude something about the average height of the American male population. Since there is no way that we can mobilize every male American and measure everyone’s height, we take samples of a small number, say 500 people, selected in various ways, from which we presume to say what the average American’s height may be.

In the science of statistics, the way we move from our known samples to the unknown population is to make one crucial assumption: that the samples will, in *any and all* cases, whether we are dealing with height or unemployment or who is going to vote for Bush or Dukakis, be distributed around the population figure according to the so-called “normal curve.”

The normal curve is a symmetrical, bell-shaped curve familiar to all statistics textbooks. Because all samples are assumed to fall around the population figure according to this curve, the statistician feels justified in asserting, from his one or more limited samples, that the height of the American population, or the unemployment rate, or whatever, is definitely XYZ within a “confidence level” of 90 or 95%. In short, if, for example, a sample height for the average male is 5 feet 9 inches, 90 or 95 out of every 100 such samples will be within a certain definite range of 5 feet 9 inches. These precise figures are arrived at simply by assuming that all samples are distributed around the population according to this normal curve.

It is because of the properties of the normal curve, for example, that the election pollsters could assert, with overwhelming confidence, that Bush was favored by a certain percentage of voters, and Dukakis by another percentage, all

within “three percentage points” or “five percentage points” of “error.” It is the normal curve that permits statisticians not precisely to claim absolute knowledge of all population figures, but instead to claim such knowledge within a few percentage points.

Well, what is the evidence for this vital assumption of distribution around a normal curve? None whatever. It is a purely mystical act of faith. In my old statistics text, the only “evidence” for the universal truth of the normal curve was the statement that if good riflemen shoot to hit a bullseye, the shots will tend to be distributed around the target in something like a normal curve. On this incredibly flimsy basis rests an assumption vital to the validity of all statistical inference.

Unfortunately, the social sciences tend to follow the same law that the late Dr. Robert Mendelsohn has shown is adopted in medicine: never drop any procedure, no matter how faulty, until a better one is offered in its place. And now it seems that the entire fallacious structure of inference built on the normal curve has been rendered obsolete by high-tech.

Ten years ago, Stanford statistician Bradley Efron used high-speed computers to generate “artificial data sets” based on an

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original sample, and to make the millions of numerical calculations necessary to arrive at a population estimate without using the normal curve, or any other arbitrary, mathematical assumption of how samples are distributed about the unknown population figure. After a decade of discussion and tinkering, statisticians have agreed on methods of practical use of this “bootstrap” method, and it is now beginning to take over the profession. Stanford statistician Jerome H. Friedman, one of the pioneers of the new method, calls it “the most important new idea in statistics in the last 20 years, and probably the last 50.”

At this point, statisticians are finally willing to let the cat out of the bag. Friedman now concedes that “data don’t always follow bell-shaped curves, and when they don’t, you make a mistake” with the standard methods. In fact, he added that “the data frequently are distributed quite differently than in bell-shaped curves.” So that’s it; now we find that the normal curve Emperor has no clothes after all. The old mystical faith can now be abandoned; the normal curve god is dead at long last. ■

Christianity and Capitalism

by Carl C. Curtis, III

American evangelicals are approximately 20 million strong, and, despite their current bad press, still claim to be a powerful force in American politics. But there is another force among the evangelicals that has not received as much publicity as the religious Right, but which has proved its potency among publishers, editors, and pastors. This is the evangelical Left.

Listen to one of their leading lights, Ron Sider, in a *Christianity Today* article entitled "Mischievous by Statute: How We Oppress the Poor." The capitalist West, because of its private property and markets, is "dooming more people to agony and death than slavery did" and keeping a "stranglehold...on the economic growth of the Third-World." In case Christendom missed his point, he later expanded his argument to a book, *Rich Christians in an Age of Hunger*.

And Sider is not alone. He is joined by an international cadre of professors and pastors determined to spread the Good News of socialism. Andrew Kirk of the London Institute for Contemporary Christianity and author of *The Good News: The Kingdom's Coming* dreams of the future socialist state. In that golden age, the government will establish not only a minimum wage, but a maximum one as well. Unemployment benefits will match the minimum wage—a happy prospect for those who prefer not to work—and all money earned above the maximum will go to charity via "steeply progressive" taxes. Leaving aside the fact that this dream system is practically in effect in our country, Kirk apparently thinks every man, woman, and child will be healthy, wealthy, and wise under his inspired scheme. Whether or not he also believes, as Sourier did, that the sky will periodically rain lemonade, he does not say.

According to Kirk, justice and hope are not to be found in the capitalist formula, but in Marxism, "the only place where man finds his own real humanity by discovering that of his neighbor."

Much of what Kirk says was echoed by Jose Miguez Bonino, whose book *Christians and Marxism* has also influenced Left evangelicals. He too finds free markets to be fundamentally opposed to biblical teaching. "The basic ethos of capitalism is definitely anti-Christian: it is the maximizing of economic gain, the raising of man's grasping impulse, the idolizing of the strong, the subordination of man to the economic production.... In terms of their basic ethos, Christians must criticize capitalism radically, in its fundamental intentions."

Bonino has often spoken of his infatuation with Marxist theory—not the "ideal" variety we hear so much about (and never see), not the kind that eschews the abuses of Lenin, Mao, and Castro. In fact, he says he is impressed by these three totalitarians and "their deep compassion for human suffering and their fierce hatred of oppression and exploitation."

The French theologian Jacques Ellul opines in his book

Money and Power that money is evil because it "creates a buying-selling relationship" necessarily subordinating men to itself. He further observes that "in every case [i.e. every transaction] one person is trying to establish superiority over another." Evidently, Ellul has never heard about the Austrian concept of mutually beneficial exchange. To him, sellers act only from the basest of motives. "The idea that selling can be a service is false; in truth the only thing expressed by the transaction is the will to power, a wish to subordinate life to money." Those unfortunate enough to buy Ellul's book must draw their own conclusions about his "will to power" in performing such a base act.

Though it is true that the writers and intellectuals cited here are largely in Europe and Latin America, their influence in America is as powerful as it is noxious. American evangelicals have imbibed the brew concocted by their foreign mentors.

We might have reason to despair were it not for an equally active and infinitely more reasonable group of writers providing a rear-guard action against these socialists. In this group, one of the clearest writers and most consistent proponents of Austrian

Dr. Ronald H. Nash's Poverty and Wealth successfully challenges the evangelical Left and makes the Christian case for the free market.

economics is Dr. Ronald H. Nash, professor of philosophy and religion at Western Kentucky University. His recent book *Poverty and Wealth: The Christian Debate Over Capitalism* successfully challenges the evangelical Left and makes the Christian case for the free market.

Nash recognizes a constant theme running through the books of the evangelical Left: the "zero-sum game." This is the contention, common to socialists everywhere, that free exchange is a type of exploitation. Nash shows how this thinking violates reason and common experience, and Nash demonstrates how free exchange—which depends on the cooperative judgment of individual subjective value—promotes mutual happiness and peace within society. This may seem obvious to readers familiar with Ludwig von Mises or Henry Hazlitt, but it is something many evangelicals deny.

Nash is also quick to pick up the evangelical Left's adulation of the state. Is this, Nash asks, Christian? Are we to put our faith in the coercive power of the government? Are we to think that a handful of men can decide questions of market pricing, proper preferences, the production and distribution of all goods

and services, in offices in Washington, London, or Moscow? Such men would have to possess the knowledge of God or at least of Angels. And that is of course precisely what men do not have and what Christians throughout the ages have been admonished to remember they can never have.

Nash also rebuts other confusions Christians have on economics. With clarity and veracity, he explains the source of economic value, the causes of business cycles, the real lessons of the Great Depression, the function of money and banking, the harm of interventionism, and the free-market answer to poverty.

A brief acquaintance with the writings of Kirk, Sider, Ellul, Bonino, and the others might tempt one to think them errant on the subject of economics, but otherwise well-intentioned Christians. A closer examination must lead to another conclusion. These men are not simply misguided. They are socialists: materialistic, dishonest, and totalitarian to the core. Theirs is not the love of God, but the love of the state, and it is imperative that they be exposed for what they are. Ronald Nash's book is an important contribution to that cause. ■

POVERTY AND WEALTH

The
Christian Debate
Over Capitalism
RONALD H. NASH

Dr. Ronald Nash's important book on Poverty and Wealth: the Christian Debate Over Capitalism is highly recommended. It's available from the Institute for \$12.00, which includes U.S. postage and handling.

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makes rational economic calculation impossible. There is, to take a simplified example, only a limited amount of steel, which must be allocated to both industry and building. Without market prices, there is no way to tell which is the more highly desired end.

We assume that concrete is less valuable than steel and that both are less valuable than marble. But we know this only because the market-generated prices tell us so. Without capitalism, no one can know what anything is worth.

The Soviets get a rough idea from Western price schedules, but that's not enough for rational economic calculation. To know how, when, and where to use capital and resources, there must be trade so that each good can have a market price.

Without freely set prices, the Soviet economy is necessarily chaotic, with random surpluses and shortages. Even if a builder wanted to build a sturdy apartment house in the Soviet Union, he probably couldn't get the necessary resources.

Overutilization

Under socialism, government builders must fulfill the central plan or else. Quality, which can't be bureaucratically quantified, means nothing; in fact, it is an impediment to turning out the ordered amount of production with the least amount of effort. The result is incredibly flimsy buildings.

The efficient production of buildings is an enormously complex process, too complex to be encompassed in a central plan. There is no way that bureaucrats in Moscow can handle it, let alone discover, like the entrepreneur, more effective ways of production.

In a free market, consumers ultimately determine the pattern of production. If buyers would rather have brick houses than wooden ones, the structure of production reflects this by raising the price of bricks, bidding them away from alternative uses where they are less highly valued.

Under socialism, this process is thwarted. The decisions of consumers have little if any connection to the central plan. Goods with little or no consumption value are produced, and everyone is made poorer.

It is no wonder that even in Moscow, buildings come crashing down five or ten years after they are built; even the structures still standing must have nets hung over the sidewalks to catch falling masonry. In the USSR's internal colonies, standards are even lower—so low that an earthquake that would have minimal effect in the U.S. turns Soviet cities into cemeteries.

The inconceivable death and destruction in Armenia is a vivid illustration about the importance of economics. Good economics results in prosperity and freedom. Bad economics results in a holocaust. ■

Foreclose on the World Bank

by R. Cort Kirkwood

"There are a bunch of capitalists [there] taking steps in the right direction." That's how a World Bank official described Ethiopia a day after the *New York Times* reported that its communist government drove 350,000 people from their homes during an offensive that included napalm and cluster bombs.

The baffling mindset that gives rise to statements like that about Ethiopia demonstrates why U.S. taxpayers should not be forced to "contribute" their hard-earned income to the World Bank's coffers. The bank does not provide any tangible benefits to the recipients of its largesse or to those whose taxes are confiscated to support its operations. First, in distributing loans to developing countries, the bank supports socialism. Second, it steadfastly refuses to reform its lending practices and divulge the terms upon which its loans are made and evaluated. Third, its chief beneficiaries are American corporations, whose products are purchased by countries using World Bank loans.

An examination of each of these problems shows why the

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United States should not be a member of the World Bank.

Reason #1: The World Bank Supports Socialism

Ethiopia is the principle example of the World Bank's abysmal failure to fulfill its mandate. At the height of Col. Mengistu Haile Mariam's forced resettlement program, which by conservative estimates killed 100,000 people, the World Bank provided his communist regime with nearly \$150 million. Ignoring his new plan to resettle 350,000 hapless Ethiopians in 1988, the World Bank dished out another \$103 million during the fiscal year. Mengistu's collectivist farm policies have continued with increasing assistance from the World Bank.

The World Bank's International Finance Corporation, which is supposed to promote private sector development, has invested in government-controlled enterprises in Zambia, Zimbabwe, Ghana, and Pakistan. The IFC's fastest growing beneficiary is the communist bloc, and half of all IFC loans go to state-owned enterprises.

Obviously, the World Bank energizes statism and retards private-sector development.

Part of the reason the bank does so much harm in places like Ethiopia is that its "population experts" accept at face value the hoary socialist canard that high population growth in the Third World inhibits economic growth, spreads poverty, and blunts the effectiveness of World Bank loans. "I realize that population policy touches upon sensitive cultural and religious values," World Bank president Barber Conable said at the recent World Bank-IMF conference in West Berlin. "But the societies in which population is growing so fast must accept that many—perhaps most—of these new lives will be miserable, malnourished, and buried. With today's population growth, badly-needed improvement in living standards cannot be achieved, public resources for necessary services are over-stretched and the environment is severely damaged."

Mr. Conable's words reflect a bogus economic theory dating to Thomas Malthus. In fact, population growth leads to economic development. Indeed, the facts show that many countries with high population densities are economically prosperous, while those with low population densities are squalid dungeons of economic despair.

Red China's population density is 110 people per square mile, while Taiwan's is 1,396; but the PRC's per capita income is \$273 annually, whereas Taiwan's is \$6,010. Ethiopia has only 95 people per square mile with a per capita income of \$117. Yet Singapore, with 10,357 people per square mile, has a per capita income exceeding \$7,286. A similar picture emerges in comparing the two Koreas. The salient difference in the two sets of figures lies in the fact that Taiwan, Singapore, and South Korea have freer economies, whereas Red China, Ethiopia, and North Korea are Communist countries.

In collaborating with the Communist world in promulgating
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Constitutional scholar Dr. Ed Vieira, Jr., Jeff Tucker of the Mises Institute, and Professor Charles K. Rowley of George Mason University at the Heritage Foundation's Lehrman Auditorium. The Mises Institute recently sponsored a paper by Dr. Vieira on Constitutional money vs. a world fiat currency at Heritage. He was introduced by Dr. Rowley, who also gave a short talk on why Mises was right about the gold standard.

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ing, regulators know that investors can easily move abroad to freer markets. So the regulators have decided to pursue global controls.

In November 1988, SEC Commissioner David Ruder outlined what London's *Financial Times* described as "the first authoritative blueprint for the creation and regulation of a truly global market system." The plan was announced at the annual conference of the International Organization of Securities Commissions (IOSC).

The increasingly powerful IOSC is working with other international bodies—such as the Bank for International Settlements and the OECD—to standardize controls over banking, accounting, and securities. Although moves toward standardization can reflect greater competition in the free market, these particular changes are not the result of market competition. Standardized regulations will only increase the power of regulators to interfere with the international flow of investment capital.

The SEC is also working to exchange information on securities transactions. The SEC's principle tool is the "Memorandum of Understanding" (MOU) which establishes formal mechanisms for swapping information and requires regulators to conduct investigations on behalf of foreign regulators. The SEC has already reached MOUs with Canada, Britain, Japan, and Brazil. It has information-swapping treaties with Switzerland, the Netherlands, and Italy. And the recently passed Insider Trading Act gives the SEC authority to conduct investigations on behalf of foreign governments *even if the activity in question doesn't violate U.S. law.*

The Committee on Government Operations, which oversees the SEC, agrees with the SEC that it needs authority to deny "uncooperative countries" (i.e., those with bank secrecy laws) access to U.S. securities markets. The Committee also recommended that the SEC—in conjunction with the State, Justice, and Treasury departments—develop "a system of linking trade and other benefits to foreign government cooperation with the SEC and other U.S. agencies."

On another front, the SEC is banning electronic trading links between foreign and U.S. stock exchanges unless it can swap information and conduct surveillance with foreign regulators.

Money and Banking

In the heyday of the gold standard, politics and money were largely separate. Not so with today's fiat money and central banking.

In Reagan's first term, the administration largely followed a policy of "benign neglect," which allowed the dollar to rise and fall according to the dictates of the world-money markets. In

Reagan's second term, the president abandoned this policy and replaced it with government-managed "reference ranges" for currencies. Governments and central bankers agreed to buy and sell one another's currencies to keep them trading within a specified range. As a result of these agreements, central bankers spent \$120 billion to support the dollar during 1987.

The upshot will be the re-fixing of exchange rates within a world of fiat paper money. Fixed-exchange rates were harmful even under the Bretton Woods system (1945-1971), and they will be even worse if implemented today. Under Bretton Woods, world currencies were at least indirectly tied to gold. Today, the only limit to money and credit expansion is the central bankers' fear it will cause their respective currencies to depreciate relative to others. If the Fed expands the money supply too quickly, traders can dump dollars and move into yen or marks. The prospect acts as a brake on inflation.

Fixed-exchange rates remove that restraint by forcing global currencies into a pre-set trading relationship. Then inflation is spread uniformly throughout the world economy while the culprits avoid detection.

Economic integration is a desirable goal. But political integration will only mean more powerful government under even less citizen control.

Current trends in Europe toward monetary and banking integration foreshadow what could eventually happen worldwide. Twelve European currencies have been packaged into a single unit called the European Currency Unit, or ecu. The ecu has already become the world's fourth largest trading currency; ultimately, it could replace all of Europe's national currencies. European financiers and governments are lobbying to make the ecu the single currency and to create a European central bank. This will permit Europe-wide inflation. Eventually, the same steps could be taken to unite the yen, ecu, and dollar into a single worldwide currency.

Thinking Globally

Economic integration is a desirable goal. But political integration will only mean more powerful government under even less citizen control. Political borders have limited governments' jurisdiction to fixed geographic regions. When governments seek to extend their control over borders, liberty is threatened. What is true domestically is also true internationally: free markets work best when they are unhampered by government control. ■

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the population growth myth, Mr. Conable is providing prestigious cover so its entrenched despots can avoid admitting their policies are by nature totalitarian, visiting economic and social misery upon their subjects.

Reason #2: There is no hope for reform.

The World Bank's new Multilateral Investment Guarantee Agency (MIGA) would provide insurance for companies operating in less-developed countries, which will promote increased investment in LDCs by shielding Third World Marxists from the consequences of nationalizing foreign-owned industries, which of course discourages new investment. The top recipients of structural adjustment loans are countries that don't need them like Turkey (\$2.5 billion), while others like Argentina (\$850 million) keep getting loans on the collateral of flimsy promises to reform their economies. In Berlin, World Bank President Barber Conable promised \$1.25 billion to Argentina (which received \$626.5 million in fiscal 1988 alone), just enough to keep stoking the boilers on its disastrously managed state-owned railroads.

The bank's documentation for its loans are "classified" from the appraisal to evaluation stages on the grounds that divulging such information would compromise the ability of the bank to carry out its operations.

Reason #3: American taxpayers don't benefit from U.S. membership in the World Bank.

At the urging of the Reagan Administration, Congress recently approved a \$14 billion taxpayer bailout for the World Bank in the form of a general capital increase (GCI). It would be enlightening to ask what U.S. taxpayers will get for their \$14 billion and how many of them support continued U.S. membership. The answers are not something the World Bank's myrmidons in Washington would want to hear.

Sure, there may be a few Congressmen genuinely concerned about development in poverty-stricken countries, which is laudable even if their policies for development are misguided. But the evidence suggests that Congressional support for the World Bank exists only to the degree that it subsidizes U.S. exports. In fiscal 1987, at least 915 U.S. companies (IBM, Dresser Industries, Monsanto, Exxon, and Ingersoll Rand, to name a few) earned more than \$1.7 billion from the World Bank. This makes it easy for Congress to say that the bank's loans "create" jobs and "boost" exports. In reality, taxpayers pay for the whole kit and caboodle: the loans, exports, jobs, and bureaucrats that make them happen. The money merely goes

on a round-trip to Kwanda or Zambia to make it look like something legitimate is going on.

Indeed, it seems that the only people who support the World Bank are big businessmen operating through fronts like the Bretton Woods Committee, which boasts a membership list of luminaries from soy-bean tycoon Dwayne Andreas to money magnate David Rockefeller. (Not coincidentally, the GCI appropriation language requires the U.S. to "initiate discussion" about the possibility of extending loans to countries so they can make payments on unsound loans from big U.S. banks.)

The World Bank is supposed to spur development in less-developed countries. It has not fulfilled that mandate. It is not a bank in the usual sense; it is an international welfare agency manned by government bureaucrats (whose high salaries are exempt from all taxes) whose purpose is to increase their "lending" portfolio to whatever country they work with. Their success isn't measured by the profitability of the loans they make, but by the amount of money they "lend" and the amount of power they accrue. In this respect, they are like government bureaucrats everywhere.

The World Bank is only a slick way for fat cats in the U.S. and corrupt despots in the Third World to fleece American and Western taxpayers under the guise of promoting economic development. Instead of expanding funding for the World Bank, as Secretary of State Jim Baker urges, the U.S. should get out.

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