

DEVELOPMENTS

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Comparing Corporate and Sovereign Power

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SINCE the Seattle anti-globalisation protests in 1999, there has been renewed concern about the role and place of transnational corporations in the global economy and polity. Considerable anxiety of those worried about corporate hegemony has focused on the power of corporations to influence states both domestically and internationally. However, with challenges emanating from both sides of the debate about globalisation, and given the difficulty in measuring the real political power of business interests, it can be problematic to make any authoritative statements.

An influential analysis was made by Anderson and Cavanagh of the Institute for Policy Studies looking at the rise of corporate power. They found that, "Of the 100 largest economies in the world, 51 are corporations; only 49 are countries." (Anderson and Cavanagh 2000: i), based on contrasting the sales of the Fortune Global 200 versus the gross domestic product of countries. As has rightly been pointed out by economists, this is like comparing apples and oranges because sales and GDP measure very different things (De Grauwe and Cameron 2002; Wolf 2004). However, the response by De Grauwe and Camerman, which instead compares GDP to the value-added of the same corporate list, not only is very imprecise, but misses

the mark in terms of what needs to be compared to determine the relative power of corporations and countries.

Using the GDP of a country as a proxy for its power in the international sphere is certainly going to be wrong, with errors falling in both directions. First, the official GDP statistics are likely to far under report the actual activity of any economy, especially those in the developing world, because of the amount of activity that occurs in the informal sector. Estimates have shown as much as 90% employment in areas outside of the formal, recorded economy in some countries (ILO 2002).

On the other hand, the power of a country is not solely, or sometimes not even mainly, determined by the size its economy. Geo-strategic concerns, military might, historical relations, and other factors also influence sovereign power in the international sphere. Additionally, governments do not have absolute control over their whole economies, and can not extract 100% of the surplus out of those economies. As an entity, the government's resources are much more limited,

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A Word from Chairman Matt

By Matt Bolton, MSc Development Studies (Research)

HASN'T the year raced by? It seems like yesterday we were all shifting nervously and asking each other "So, Where are you from?" again and again. We've seen so many new things: from Wade and Wolf's endless mortal combat to David Keen's moonlighting on the BBC. And what parties! Every Friday night the Tuns was completely colonised by the DESTINED.

As a memento, the DESTIN Students Society has produced this journal. Its pieces, written by master's students, are diverse: from scholarly to journalistic, light-hearted to heart-breaking. As you all spread out across the world doing good work, take this along – there will be many long journeys and sleepless nights.

Good luck and make sure you keep in touch – I expect at least one of us to end up a President or Secretary General, it will be nice to say I knew you!

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namely to the taxation it can take from its citizens. Theory has long pointed to the fact that there is a limit to what a government can extract from its national economy, based on the fact that more oppressive taxation reduces the incentives for citizens to invest in productive activities (Olsen 2000). This means that only a percentage of all economic activity can directly be harnessed by the administration for use in governmental activities, be they provision of public goods or the private accumulation of wealth by the rulers. The financial ability of the government of any country can not logically be conflated with the GDP of that country, and more suitable measures of comparison need to be used.

Given these difficulties in comparing national economies with corporate performance and power, the appropriate course of action should not be to deflate corporate revenues to a value-added basis, in order to get an appropriate comparison with national GDP, but instead to compare relevant figures from the relevant entities. For looking at actors in the international sphere, especially when assessing the ability of players to influence real instruments – such as multilateral or bilateral treaties, investment agreements, or even domestic lobbying in third countries – this means comparing corporations with governments, not national economies. As proxies for our comparisons we will then have to use corporate financial metrics against the financial metrics of governments, for assessing power differentials.

The article makes two comparisons of such data. The first compares corporate revenue and government revenue, as a measure of which entities have the most resources to leverage for whatever economic or political purposes the management of the entity chooses. The second looks at credit ratings of sovereigns and firms to assess which group is better able to access funding in private credit markets. The final section discusses the implications of these comparisons and concludes.

Revenue Comparison

To avoid the double-counting problem that occurs when comparing corporate sales to national GDP data (De Grauwe and Camerman 2002), and to ensure the comparison of the relevant entities that must actually compete in the international sphere, government finances should directly be compared to those of corporations. Because of the limits on the data available for government revenues, comparisons for the

most recent years could not be made. The most recent, relatively comprehensive set of data for government revenue comes from the year 1999 (World Bank 2004), so this is used in comparison to data for the same year from Fortune magazine's Fortune Global 500 (Fortune 2000).

Because the corporate data from Fortune magazine is presented in current US dollars, the same basis of comparison is used for governmental accounts. Though, some might argue for the use of purchasing power parity factors to convert governmental revenue in local currency to a standard basis for comparison, the problems of doing a similar transformation for corporate revenue from global operations makes this impractical. Additionally, since we are generally concerned with the areas where corporate and national actors interact in the international arena, we must be concerned with the ability of entities to leverage resources for use in various forums – such as trade bodies in Geneva, the United Nations in New York, or the international financial institutions in Washington. Using a purchasing power comparison would be irrelevant to such international concerns. As revenue data was reported in local currency it was converted to US dollars using the official exchange rate determined by national authorities or a legally sanctioned exchange market, using an annual average based on monthly averages (World Bank 2004).

For some countries data was not available for the year 1999, so the most recently available data was used, often from 1997 or 1998, but in some cases as far back as 1993. Data is largely unavailable for the poorest and least developed countries, but given that their revenues would likely fall far below those of the poorest OECD countries, which themselves come at the bottom of the table, the results would not change. The notable sovereign entities with missing data were Taiwan, Saudi Arabia, Iraq, and Hong Kong. Additionally, efforts were made to ensure that all resources available to the governments were included in the calculation, meaning that international aid and grants, valued in US dollars, were added to the normal revenue figures.

The results, as seen in Table 1, are striking, with only 29 countries figuring in the list of the top 100 international entities in terms of revenue. The G7 countries and Brazil managed to outpace all corporate actors, but firms outnumber sovereigns 29 to 21 in the top 50. Even some OECD countries, such as Greece

Table 1: World's largest 100 entities by annual revenue (billion dollars, 1999).
Source: World Bank 2004; Fortune 2000.

Rank	Entity	Revenue	Rank	Entity	Revenue
1	United States	\$1,905.25	51	Deutsche Bank	\$58.59
2	Japan	\$892.78	52	Boeing	\$57.99
3	Germany	\$672.01	53	India	\$55.53
4	France	\$582.01	54	Dai-Ichi Mutual Life Insurance	\$55.10
5	United Kingdom	\$523.56	55	Honda Motor	\$54.77
6	Italy	\$486.85	56	Assicurazioni Generali	\$53.72
7	Brazil	\$196.19	57	Nissan Motor	\$53.68
8	General Motors	\$176.56	58	E.On	\$52.23
9	Wal-Mart	\$166.81	59	Toshiba	\$51.63
10	Netherlands	\$165.05	60	Poland	\$51.48
11	Exxon Mobil	\$163.88	61	Bank of America	\$51.39
12	Ford Motor	\$162.56	62	Fiat	\$51.33
13	Spain	\$160.76	63	Nestle	\$49.69
14	DaimlerChrysler	\$159.99	64	SBC Communications	\$49.49
15	Canada	\$140.62	65	Credit Suisse	\$49.36
16	Mitsui	\$118.56	66	Hewlett-Packard	\$48.25
17	Mitsubishi	\$117.77	67	Turkey	\$47.29
18	Toyota Motor	\$115.67	68	Fujitsu	\$47.20
19	General Electric	\$111.63	69	Metro	\$46.66
20	Belgium	\$109.46	70	Sumitomo Life Insurance	\$46.45
21	Itochu	\$109.07	71	Tokyo Electric Power	\$45.73
22	Royal Dutch/Shell	\$105.37	72	Kroger	\$45.35
23	Australia	\$97.08	73	Total Fina Elf	\$44.99
24	Sumitomo	\$95.70	74	NEC	\$44.83
25	Sweden	\$95.63	75	State Farm Insurance	\$44.64
26	Korea, Rep.	\$95.23	76	Vivendi	\$44.40
27	NTT	\$93.59	77	Unilever	\$43.68
28	Marubeni	\$91.81	78	Fortis	\$43.66
29	AXA	\$87.65	79	Israel	\$42.74
30	IBM	\$87.55	80	Russian Federation	\$42.62
31	BP Amoco	\$83.56	81	Prudential	\$42.22
32	Citigroup	\$82.01	82	CGNU	\$41.97
33	Volkswagen	\$80.07	83	Finland	\$41.24
34	Nippon Life Insurance	\$78.52	84	Sears Roebuck	\$41.07
35	Austria	\$78.12	85	American International Group	\$40.66
36	Siemens	\$75.34	86	Peugeot	\$40.33
37	Allianz	\$74.18	87	Enron	\$40.11
38	China	\$73.64	88	Renault	\$40.10
39	Hitachi	\$71.86	89	BNP Paribas	\$40.10
40	Mexico	\$66.36	90	Zurich Financial Services	\$39.96
41	Denmark	\$65.96	91	Carrefour	\$39.89
42	Matsushita Electric	\$65.56	92	Argentina	\$39.82
43	Nissho Iwai	\$65.39	93	TIAA-CREF	\$39.41
44	Norway	\$63.42	94	HSBC Holdings	\$39.35
45	ING Group	\$62.49	95	ABN Amro Holding	\$38.82
46	AT&T	\$62.39	96	Compaq Computer	\$38.53
47	Switzerland	\$62.16	97	Home Depot	\$38.43
48	Philip Morris	\$61.75	98	Munich RE Group	\$38.40
49	Sony	\$60.05	99	Portugal	\$38.39
50	Iran, Islamic Rep.	\$58.92	100	RWE Group	\$38.36

Notes:

1. 1998 data used for Germany, Brazil, Belgium, Finland, Portugal, Greece, Cyprus, Iceland and Albania.

2. 1997 data used for France, Netherlands, Spain, South Korea, Ireland, Malaysia, Egypt, Luxembourg, and Zimbabwe.

3. 1994 data used for Ecuador.

4. 1993 data used for Japan.

5. Corporations are highlighted in grey.

Table 2: Local-currency credit ratings of the Fortune Global 100 and sovereign nations. Source: S&P 2005.

Credit Rating	Corporations	Corporations as % of Total	Sovereigns	Sovereigns as % of Total
AAA	8	8.42%	19	17.92%
AA	26	27.37%	11	10.38%
A	37	38.95%	26	24.53%
BBB	20	21.05%	11	10.38%
BB	3	3.16%	15	14.15%
B	1	1.05%	20	18.87%
CCC-C	0	0.00%	3	1.89%
Default	0	0.00%	1	0.94%
<i>Investment grade total</i>	<i>91</i>	<i>95.79%</i>	<i>67</i>	<i>63.21%</i>

Ireland, did not rank in the top 100, while other new OECD members such as Hungary and the Czech Republic have lower revenues than the top 200 corporations. Only four developing countries made into the top 200, those being the ones with the largest populations (China, India, Indonesia and South Africa); while a handful of middle-income countries – Brazil, South Korea, Mexico, Iran, Poland, Turkey, Israel, Russia and Argentina – ranked within the top 200. Only 33 nations placed in the top 200 entities in the world in terms of revenue.

Credit Ratings

While revenue measures the amount of resources that an entity is accruing each year, it does not measure its past accumulation of capital nor its ability to raise money in the future. Unfortunately comparisons of the asset bases of governments and corporations are very difficult because the valuation of assets for nations is neither readily available nor easy to calculate. Likewise, while stock markets provide an indication of the likelihood of future revenue for a corporation, there are no such market mechanisms evaluating expected income flows to governments. However, we can easily compare the ability of firms and governments to raise money in the future through borrowing.¹

A look at the credit ratings of sovereigns and corporations will provide us with information about the ease and cost of raising capital in private markets. Sovereign and corporate credit rating data was obtained from Standard & Poor's and reflects the most recent

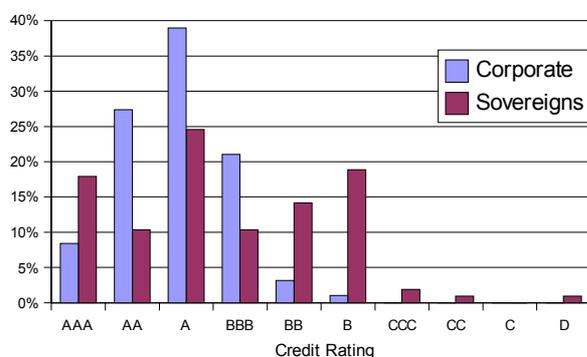
credit ratings (S&P 2005), thus the sovereigns were compared to the most recent list of the Fortune Global 100 (Fortune 2004). It is important to note that just over 50% of sovereign nations, 106 of them, have ratings available and it can be reasonably assumed that for the remaining countries they have little or no access to capital markets.

The rated sovereigns were compared against the 100 largest corporations in the world, to give an approximately equal-sized sample for comparison. Some of the firms, as privately held enterprises or state-owned enterprises, have no available credit ratings, leaving 96 corporations in the sample. In order to compare like data, the local-currency credit ratings were used for all entities, though this provides a distinct bias in favour of the firms because all but 6 of them are based in Japan, the US or Western Europe, which all have strong currencies and sizable capital markets. The foreign-currency ratings of 47 developing country sovereigns are lower than their respective local-currency ratings.

As shown in Table 2, the percentage of sovereigns holding AAA ratings was greater than the percentage of firms, but with the exception of Lichtenstein and Singapore, those were all OECD countries.

¹This analysis compares the ability of firms and countries to borrow on the private capital markets. Governments of course do have many other means to raise money such as bilateral and multilateral lending and aid. Those sources of funding have different advantages and conditions and thus are not strictly analogous to private lending, which can be undertaken by both firms and countries under nearly identical terms.

Graph 1: Distribution of credit ratings for the Fortune Global 100 and sovereign nations. Source: S&P 2005.



Looking at a broader basis of comparison, only 63% of the countries had investment-grade ratings, while nearly all of the corporations, 96%, did. It is also notable that some of the sovereigns were in default or selective default on their external liabilities – Argentina on all of its debt while Venezuela, Grenada, and the Dominican Republic were only in default on their foreign-currency debts – but none of the firms had such difficulties in meeting their obligations.

It should also be noted that the reasons for different entities to access the private capital markets will often differ. As a whole, governments are more likely to use debt instruments to finance current revenue shortfalls, while corporations will often use them for productive investment. Given simple growth models, this implies a widening gap in future revenue as investments in productive resources yield enhanced revenue for firms, while nations will be saddled with liabilities but no prospect for enhanced growth. Less advantageous borrowing terms thus have a double impact, not only in higher costs now, but also in reduced discretionary revenue in the future, potentially creating a debt trap.

Implications and Conclusions

While the conclusion from De Grauwe and Camerman may point to corporations not being significantly larger than national economies, the relevant comparison is between corporations and governments of nations. These are the actors that must interact, negotiate and compete to have their interests heeded. While the size and market share of giant multinationals

is important in terms of their ability to leverage market power in uncompetitive ways in the market place, it is their resources and their ability to use them to influence outcomes in the policy sphere that is more pertinent to the question of assessing power differentials.

In this regard, based on the findings of this paper, companies clearly have more resources at their disposal which can be used to advance their interests. This applies both to ongoing sources of current revenue and to the ability to raise capital on private equity markets. The fact that the majority of governments rank far below the top 200 corporations in revenue and that about half of them have absolutely no access to capital markets is a sobering indication that these sovereigns are likely to have little influence in the international arena as compared to multinational corporations. Further research should be done to compare these revenue streams and credit ratings over time, to see if corporations have indeed advanced compared to nation states. However, this snapshot of financial metrics provides a dramatic indicator that now corporations wield significant financial resources, which can translate into both economic and political clout. There is no doubt that the world's largest corporations, as entities are larger than all but the biggest of national governments.

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Do States Reinforce Gender Norms More Than They Challenge Them?

By Saber Latif, MSc Development Studies

STUDY of the state is still crucial with regard to gender norms because of the increasingly penetrative role of the state in every aspect of people's lives (Afshar 1987b). The assumptions that states hold regarding gender influence their policies, reproducing existing sexual divisions of labor within the family and workforce (Moore 1988). Moore (1988) notes that empirical evidence suggests that women in pre-state societies enjoyed a position equal to men, which changed to one of subordination when the emergence of state structures transformed pre-state kinship relations, bringing women increasingly under the control of men. Men and women are different kinds of political subjects. While both men and women may be granted state support, women do not benefit from or influence the state to the same extent (Moore 1988). It is important, however, to work through the state to transform gender norms because the state does open up space for women's resistance when there is a tension between the various elements attempting to control women. The ways in which women are affected by state policies is governed by the competing hierarchies of race, ethnicity, class, rural or urban location, and religion, which determine access to the state, to state resources, and to political representation (Moore 1988).

While examining whether states more consistently reinforce gender norms than challenge them, I will also consider the four key dimensions of analysis of gender-state relations:

- 1) The state's mechanisms to control access to society's resources, and the restrictions and opportunities structured by gender;
- 2) The state's attitudes towards sexuality and its control;
- 3) Manipulation of competing and intersecting hierarchies to achieve social control;
- 4) Manipulation of gendered symbols of authority, i.e. how the connotations of male and female are used to convey ideas about political relations (Borque 1989).

We see how these four elements operate in conjunction with each other when we study colonial and

postcolonial state policies with respect to agriculture, industry, and population. We especially see the manipulation of gendered symbols in fundamentalist or military regimes. It is also important to note the differing results with respect to gender when there is divergence between competing hierarchies within states, especially between customary and common law. Throughout this analysis it is crucial to keep in mind that the state is not a monolithic entity.

The state is a "network of power relations existing in cooperation and also in tension," (Rai 1996, p.5) within a specific historical, economic, and ideological context (Afshar 1987a). The main players in this network are the state, the community and the household, all of which are dominated by patriarchal interests which either converge or diverge to uphold the subordination of women; the divergences, Agarwal (1988) argues, have tended to work against women's welfare, but do open the possibility of building resistance.

The various interests represented in the state – economic, political, social, and religious – come together to form particular assumptions regarding gender which influence policies, concerning, for example, the proper societal role of men and women (Borque 1989, Agarwal 1988). Borque (1989) points to the importance, when examining the state, to take into account the political culture, that is, values and attitudes, of state and bureaucratic elites. The competition between these values can be seen in the gap between the beliefs of those who create progressive gender policies and those of the bureaucracy, which may choose not to implement policies that threaten their own class interests (Afshar 1987a). States vary in terms of how much power they can wield in the face of community resistance; Rai (1996) argues that developing states are weak in this respect. Their lack of infrastructural power also means that women may be ignorant of or unable to exercise their rights (Rai 1996). Thus, while it may seem, on the surface, that a state is challenging gender norms, its lack of power and political will mean that this has little effect. States may also be too heavily embedded in the community to move beyond the intersecting patriarchal interests, thus limiting possibilities for change (Rai 1996).

Moore (1988, p. 131) points out that it in some

cases, such as the colonial state, instead of the state being embedded in the community, the community is actually incorporated into the state, whereby "state structures penetrate local power and authority structures, and thus become involved in manipulation of kinship and marriage rules, among other things."

The experience of the colonial state is a key example of the way in which state structures restrict women's access to resources, by restricting their rights to land and property, and diminishing their status in the public sphere by limiting their religious responsibilities and their autonomy, as Borque (1989) demonstrates with respect to Spanish rule in Latin America. The British in Kenya imposed a public-private distinction which established men's role as breadwinners and women's as domestic (Nzomo and Staudt 1994). Under British indirect rule, the colonial state interacted with kinship authority to give local men power in their societies, and over women (Nzomo and Staudt 1994). With respect to agricultural policies, the colonial state determined that men were appropriate recipients of agricultural extension advice from male field agents (Nzomo and Staudt 1994). Such attitudes have carried on into the post-colonial state. As Rai (1996) illustrates, the predominantly male indigenous elites who would take power after decolonization did not question the colonial basis of contemporary gender relations, having already internalized the colonial modernist and Orientalist discourse.

Post-colonial state policies continue to act upon assumptions carried over from the colonial period, as seen in the continued gendered bias in agriculture. In Kenya a bias continues against female farm managers, with agricultural agents, still predominantly male, concentrating their visits to farms where men are present (Nzomo and Staudt 1994). Nigeria is another country where agricultural improvement measures focused on men, who consequently became growers of cash crops for export, relegating women to producing food crops with lower returns (Dennis 1987).

As well as gender disparities in access to capital, land reform in Kenya placed title deeds to land in the hands of men. Here we see common law restricting the rights women held under customary law, men no longer needing to inform their wives prior to selling land (Nzomo and Staudt 1994). Borque's (1989) findings in Honduras also illustrate competing hierarchies, of class and gender, and customary norms and law. Land reform in Honduras explicitly included women, yet both men and women were unwilling to acknowl-

edge women's labor if that suggested a lower status for the household. In this case, where there was potential for change through the state, for many whom the law would have benefited class considerations took precedence over those of gender.

In north India, Agarwal (1988) notes that agricultural policies have actually decreased the survival chances of female children, with lower female life expectancy at birth and greater incidence of female infanticide. Agricultural policies that lower women's already relatively low labor force participation rates (LFPRs), for example, by limiting their access to land, and also increase the pay differential between men and women, make women a greater economic liability (Agarwal 1988). China exhibits a similar rise in female infanticide, arising from a combination of policies controlling women's access to resources (the institutionalization of a pay differential), and policies controlling their fertility (limiting them to one child). The state has, thus, given an economic impetus for that one child to be male (Agarwal 1988).

With regard to industrial policy, Singapore is a state which has successfully implemented policies (childcare subsidies and support for upgrading of skills) which have increased wages in the industrial sector while reducing the male-female wage differential, and increased female employment and female mobility through the industrial hierarchy (Agarwal 1988). This situation contrasts with most Asian countries, such as South Korea, where the absence of such state provisions has meant that few women continue work in the industrial sector following marriage (Agarwal 1988). Women have also been encouraged to work for lower wages, based on the state's "development first, distribution later" attitude towards development (Sohn 1995, p. 438).

An important factor is the position of such developing states in the international political economy. Singapore's industrial policies have ensured better welfare for their workers but have increased costs of production, prompting foreign investors to move their manufacturing elsewhere (Agarwal 1988). South Korea's policymakers are, thus, forced to make a trade-off between the state's competitiveness in the international market and the welfare of its citizens. As El-Saadawi (in Rai, 1996) argues, international capitalism has led to impoverishment of communities, and it is women who suffer most as a result of this exploitation. The predicament is greater for those states who have much less economic and political clout on the international scene, as Nzomo and Staudt emphasize

(1994, p. 429): "Kenya's men and women are constrained in an international political-economic environment that disempowers African states." They argue that this burden falls heavily on women, as is seen with the imposition of structural adjustment programs on Kenya – in the negotiation of which women play little role – at the expense of marginalized political constituencies such as those relying on state healthcare provision, and has seen an increase in maternal mortality. Kandiyoti (in Rai 1996) does, however, see a positive aspect to international capitalism, in that it gives women new opportunities in the public sphere and in that capacity leads an attack on traditional patriarchy.

Policies aiming to control women's sexuality, such as population policies, reflect class, gender, and ethnic assumptions of the ruling class, and the burden falls on the women whose lives and bodies they aim to control, such as poor Malay women, with least access to healthcare and least able to stop working, encouraged to have more children so as to increase the proportion of Malays in Malaysia's population (Agarwal 1988). The pervasiveness of such policies is seen across diverse contexts: Singapore and Iran have in common policies that reflect and reinforce a view of women as biological reproducers, mothers and homemakers (Agarwal 1988).

Fundamentalist and military regimes illustrate the "significance of gender-based ideologies as key components in state policy and action" (Borque 1989, p. 115). Both Nigeria and Iran base gender policies on the assumption that women are sources of evil (Afshar 1987a). Social problems are blamed either on women not fulfilling their social roles as mothers and wives, or on the 'indiscipline' that women may encourage in men (Afshar 1987b, Dennis 1987). There is a fear of single women in both societies, with marriage seen as a way to ensure public morality, and a way to pass control of women from their fathers to their husbands (Afshar 1987b, Dennis 1987). The sanction that fundamentalist states give to men to control women's behavior, shifts control of women by male kin to control by all men (Chhachhi in Agarwal 1988). With respect to military regimes in Latin America, when protesting state actions, women co-opt the state's ideology and appeal to the military's masculinity, in their

capacity as mothers and wives (Borque 1989). Borque (1989) notes that the appeal to sexual and gender difference as the basis for political participation implies that women did not have recourse to other strategies.

While it is apparent that states more consistently reinforce gender norms than challenge them, it is important to note that much progress thus far has happened through the state. As Borque (1989) demonstrates, in parts of Latin America, it is by working through the state that women have been able to achieve progress. As Alvarez notes, "under different political regimes and at distinct historical conjunctures, the State is potentially a mechanism for social change or social control in women's lives" (Alvarez, in Rai 1996, p. 12). It is important to use the state as this mechanism for social change, by understanding its dynamic nature, looking for the tensions within it that can be manipulated for women's resistance, and to also, as Borque (1989, p. 128) advocates, "use the state's view of its needs to expand women's political realm, to redefine their political space, and to broaden women's claims."

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Hormones, High Spirits and Sponsored Run Raise Thousands for Tsunami Victims

By Guy Collender, MSc Population & Development

SAUCY and sporty students from LSE's illustrious Development Studies Institute (DESTIN) have pooled their stripping and athletic talents to raise more than £3,000 for the tsunami relief effort.

They wowed the crowds at two fantastic fundraisers – a date auction where nearly all was bared in The Tuns and a five-mile sponsored run in Hyde Park.

The date auction on Thursday 10 February 2005 created a raucous hormone-fuelled atmosphere which erupted into an orgy of frantic bidding.

DESTIN's finest lads and lasses were up for sale and they paraded provocatively in front of the packed bar to display what they had to offer to the appreciative spectators.

The evening began with an unorthodox move – a headstand by lot number 1, Guy Collender.

Subsequent performances included DESTIN's hunks swiftly ripping off their shirts as the audience demanded a closer inspection of the goods on the market. Benji Plener readily stripped down to his boxers to support the good cause.

Seductive ladies in sexy outfits completed the lineup with titillating displays and flirtatious fun which successfully thrust the prices higher and higher.

The last lot – a double whammy comprising the excellent and entertaining auctioneers Laura Smith and Antonia Smithies – led to an appropriate climax. They were sold to an ecstatic red-blooded male for a record-breaking £150 – the highest price for a single lot.

Each buyer then picked an evening's entertainment to enjoy with their date from a lucky dip. Prizes ranged from a £150 champagne dinner at The Langley to an open-top bus tour of London.

The prizes were all donated to the auction because it was a charity event.

A total of £750 was raised at the auction and now it's time to watch this space and see what happens on those dates.

Meanwhile, the majority of the cash raised by

DESTIN's do-gooders was collected from their sponsored run around Hyde Park.

The self-styled "jolly joggers" plucked up their energy to combat their hangovers and sleep deprivation by running five miles on a bright and crisp Sunday morning on 6 February.

They made up a truly international team, including fundraisers from South Africa, Scandinavia, North America and Britain.

The seventeen runners exceeded their wildest expectations by raising more than £2,500 from the event – far more than their original £1,000 target.

The vast majority of the sponsorship was raised in a few days thanks to a flurry of online donations to a special web page – www.justgiving.com/lse – set up for the event.

Money raised will go to the Disasters Emergency Committee's tsunami relief effort.

During the run the jolly joggers sported their uniform T-shirts emblazoned with the slogan "I'm running for relief" and they sporadically let out morale-boosting whoops and shouts.

They set off from Speakers' Corner and walkers out for a stroll with their buggies, babies and grannies were certainly bemused when the hoard of panting joggers steamed past.

The route hugged the Serpentine before passing the Round Pond and Kensington Palace.

As the run continued and the aches and pains worsened, the fundraisers split up into smaller groups running at different speeds depending on sporting prowess.

They were all reunited at the finish at Speakers' Corner where the banter began with some unpopular speakers desperate for attention while on their soapboxes.

Whoops of delight from the fundraising runners and LSE students who had turned out to meet them were met with inexplicable comments.

One speaker cast aspersions on the sexuality of the runners and another claimed they might be "fit on the outside," but they were "sick" on the inside.

Mozambique, Easterly and Dropping the Debt

By Robert Minikin, MSc Development Management

LAST April the World Bank revealed its "Implementation Completion Report" on the institution's \$98.7 million October 1995 loan to Mozambique, planned to fund spending over a five year program from 1996 to 2000. For readers with a particularly short attention span, there is a useful grid in Annex 5 giving a simplified rating scheme of the loan's benefits. The columns in the grid are headed in descending order of outcome (High, Substantial, Modest, Negligible) and each row represents a different criterion – poverty reduction, macro-economic, etc. A black blob in the middle of row 2 reflects that the loan had a "Modest" impact on "Sector Policies." This is the World Bank rating the World Bank's loan so unsurprisingly the Negligible column is entirely untroubled by black blobs! What is most striking, however, that there is no rating on the "Financial" line. As we try and unravel the reason for this, we get a better understanding of how Africa got indebted and why the debt relief scepticism of people like Bill Easterly is misplaced. We understand a little better why the Highly Indebted Poor Countries (HIPC) debt does need to be dropped; not just for the benefit of poor developing countries but as a step toward honesty in international aid flows.

The World Bank loan came toward the end of a tragic phase of Mozambique's history. Independence in 1975 gave way to a long civil war which only ended with the peace accord of October 1992. The health system had been hit hard throughout. Contemporary reports suggest that while there were 500 doctors in the years before independence, there may have been as few as 30 trained doctors in late 1975 (for a population of 9 million). As the civil war raged, health service infrastructure was often seen as part of the "government" and destroyed. The World Bank loan helped tackle a very urgent need – it financed a the Health Sector Recovery Program (HSRP) to generate "the improvement of the health status of the population, in general, and a decrease in infant and child mortality in particular."

The program ran into some problems, however.

The World Bank notes, for example, that over its eventual seven year timespan, it had *five* different World Bank Task Team leaders! Nevertheless, there is considerable evidence of improved infrastructure (the number of health centres rose 74%) and actual health outturns (infant mortality fell from 162 to 101 per 100,000 population).

The key problem for Mozambique, of course, is that there is nothing to suggest that the HSRP would *ever* generate the revenue to service the debt – or be able to repay the \$98.7 million principal. One could think of a very indirect mechanism; say better health boosted growth, which in turn lifted tax revenues...which built to such a level that the loan is repaid. But this is a very long process and extremely uncertain. So really, the loan could never be assessed purely on *financial* terms. This program was never going to generate any black blobs on the *financial* line of the World Bank's assessment grid. Does it matter? For the average person in the developed world looking at the situation, the answer is probably no. Essentially this was humanitarian aid to help Mozambique citizens – not investment in a new car plant. Even now Mozambique's annual per capita income is only around \$210 per year – so even if it could squeeze the average taxpayer sufficiently, it is not clear that it is desirable that the repayment is made.

The *accounting* of aid as if it was an investment in a car plant is clearly inappropriate. It is rooted in the Harrod-Domar financing gap model of development aid in which official loans from overseas simply makes up a shortfall in domestic saving. But this was no high-return industrial or infrastructure project; there was no real "banking" to be done here. To the extent that the World Bank debt burdens future generations and creates a sense of inherited failure, this accounting approach may actually dampen future growth prospects. Perhaps more insidiously, it puts the multi-lateral lenders in an even more powerful position relative to poor countries. It is not entirely co-incidental that the pace of privatisation accelerated in 1995 or that subsequent years saw a dramatic shift to trade liberalization. However, the multilaterals also now have a second-round of influence over Mozambique as it desperately battles?

to meet the conditions for HIPC debt relief. The collapse in Mozambique's cashew processing industry is a well-documented example of the limitations of the multi-laterals' free-trade agenda. By 2001, only one of thirteen cashew processing plants was still operating. Mozambique managed to win both Enhanced HIPC relief *and* the right to protect its domestic processing industry in 2001. However, it is still unclear why a desperate need for basic health care in 1995 should have cast a shadow over Mozambique trade policy some six years later.

Debt-finance and the level of interest rates play a key role in developed economies in helping determine which investment projects actually get implemented. In a world of scarce capital, it acts as an invaluable rationing device. In the world of *development aid*, it helps create an Alice in Wonderland world of fictional balance sheets and fictional aid flows. If you turn to the World Bank's accounts and look at the concessionary loan programme – known as the International Development Association (IDA) – you'll see a list of development credits outstanding. Ethiopia, ranked 170th in the latest Human Development Index survey, "owed" \$3.5 million to the IDA in mid-2004. But in the context of the ambition of the Millennium Development Goals is this really a recoverable asset – is it really a debt? Or simply, a sort of running total of development assistance to Ethiopia? To the extent that IDA debt can't be serviced or repaid (and doesn't yet qualify for HIPC debt write-down), it requires new aid flows from the developed countries which are simply paid *back* to the developed countries or their multilateral agencies. Humanitarian aid to Mozambique in the late 1990s can get double, even triple-counted as donors highlight their generous role in giving "new" help to Mozambique by financing the old debt and perhaps finally, in a grand gesture, writing it off. Amidst the accounting reshuffle it is sometimes difficult to understand exactly what is going on. The World Bank's 2003 Annual Report includes this fascinating vignette on DRC debt:

The arrears clearance of the overdue payments to IDA and IBRD for the Democratic Republic of Congo was accomplished using bridge financing provided by an international financial institution, and supported by certain member countries. On the same day, IDA disbursed a development credit to the Democratic Republic of Congo in support of an economic and poverty reduction program. *A part of the proceeds of this development credit was used to repay the bridge financing.* [my italics].

The arguments against debt write-offs rest on two important foundations: that the move might have perverse incentive effects and that it could prove costly, diverting resources away from other, much more worthwhile, causes. Both of these arguments are vastly overstated. William Easterly summarises his views on debt relief in his book "The Elusive Quest for Growth" (2002, Chapter 7), which in turn draws on many years of research, and academic papers. He argues that the HIPC debt build-up reflects high discount rate behaviour by governments in developing countries, often associated with very bad policies. Debt relief will simply open the way for new borrowing and, to the extent that it rewards bad behaviour, may create perverse incentives. The first thing to note about IDA loans are that they are *concessional*. So when the World Bank announced its first Poverty Reduction Support Credit last October, it was on standard IDA terms – a forty year loan with a grace period over the first ten years and staged repayment of principal thereafter. In today's money, only 40% of the IDA loan is actually eventually repaid. So as a form of borrowing this is great deal! Even if a developing country's discount rate was exactly the same as that of the US government (let's say), it would still have a huge incentive to borrow as much as it could through this facility. More generally, a government of any very poor country has an obligation to its own people to attract as much foreign aid, *including concessional loans*, as possible. There will always be a subtle mismatch between the agenda of the donor countries (and multilaterals) and those receiving the aid. Concessional debt is just a special case of this.

The Easterly research does suggest that the prospect of having to repay the principal of a loan at a very distant date – say between ten and forty years hence – may not prove much of a constraint on current government behaviour. Even if there were high return projects with a rather delayed positive pay-off out there, it is not clear that the Mozambique government would necessarily go scurrying around trying to find them. But that is where the current debt accounting for development aid is truly failing. To the extent that policy mistakes are made, then the price for that will likely be paid by future generations, not the current one. In East Africa, 50% of Uganda's population is 15 or younger. Is it reasonable that their outlook and life-chances should be weighed down by debts built up in the late 1980s?

The World Bank's IDA facility had some \$115.7 billion development credits outstanding in mid-2004, of which \$10.8 billion was covered by the HIPC Initiative. So 100% debt relief may not be cheap. However, this is only a share of the overall developing country debt burden; bilateral assistance and other multilateral lift the total considerably. Global Development Finance 2004 put total long-term public sector borrowing by low income countries to official creditors at \$325 billion (of which HIPC was \$137.8 billion). The IMF argues that the total cost of the HIPC Initiative is \$55 billion in giving debt relief to some 37 countries, although is simply bringing the country concerned to a "sustainable" debt level. So how much will debt relief cost? In the financial markets, assets are often valued in terms of the future cash payments associated with them. So to value an option on the stock market, you look at the probability of lots of different outcomes for the stock index and the cashflows associated with each of these outturns. You then work back from these to value the option. If achieving the Millennium Development Goals have priority, then the real value of these loans are probably a long way below their book value in the official accounts. If they were in the private, rather than the public sector, many of them would have been written off by now!

Another way of thinking about the cost of debt relief is to focus on the transfer of resources. When the World Bank disbursed its loan to finance Mozambique health spending, then actual resources available in the health sector actually went up at the end of the 1990s. When part of its debt is written off under the HIPC and Enhanced-HIPC (E-HIPC) initiatives, all we did is give up the right to try and claw

back the money from Mozambique at some point in the future. Clearly, to the extent that current debt servicing costs are cut and there is no commensurate drop in gross aid flows, developing countries will be better off. But this net year-by-year cost in the context of OECD GDP may be much more modest than the headline debt stock figures might suggest.

Many of the arguments advanced here suggest that development aid based on cashflow accounting – that is, on *grants* rather than loans – should be adopted going forward. These grants perhaps should be conditional on institutional and governance advances in developing countries. There is also much to be said for the Millennium Challenge Corporation approach of offering aid as a reward for improvement rather than using debt to punish countries for past failures. Dropping the debt, by itself, may introduce a new transparency and honesty into the aid industry. It could even lay the grounds for what President Bush described as a "new compact for global development."

A final word on Mozambique. The discussion so far has been rather gloomy and in fact the economic performance of recent years in the post-war years was very strong (manufacturing growth averaged 16.1% in 1995-99). Multilateral, and particularly Washington, support for good governance has been rewarded by a string of multi-party elections extending out to December 2004. The precise circumstances under which Mozambique struck a 1995 deal with Enron to develop its Pande natural gas field remains open to some debate. Nevertheless, it is encouraging that of the two parties of the agreement, it is Mozambique which has emerged from the past decade in the best shape!

Peace and the Beautiful Game

By Robert Gaylard, MSc Development Management

THE CREW of the Saturday KLM flight from Nairobi to Amsterdam may not have noticed, but they were carrying a very special passenger. For Abdi Bashir Abdi, a 17 year old Somali returnee from Hartishek camp in Ethiopia, the flight marked the culmination of an extraordinary journey that has taken him from Mogadishu during the time of Siad Barre, to Hargeisa, Djibouti, Hartishek refugee camp in Ethiopia in 1991 and finally back to Hargeisa in 1995. In early 2004, Abdi was chosen, along with three other Somali youths, to attend a Real Madrid football summer camp between

18 July and 1 August, as part of a joint initiative organised by UNDP, UNICEF and the UN Political Office for Somalia, and sponsored by Rotary, Kobo-Safaris, KLM and Real Madrid.

The story of Abdi both reflects the difficult and uncertain recent history of Somalia, and provides a poignant reminder of the determination and potential of its young citizens. Abdi's family were originally from Hargeisa, but moved to Mogadishu in the early 1980s seeking employment opportunities. The civil strife of 1988-1991 forced them northwards to Djibouti, and from there Abdi, his mother and aunt moved to Hartishek in Ethiopia, whilst his father sought

employment in Yemen. "It was a very difficult time," commented Abdi, "and I haven't seen my father since then." The four years abroad in Ethiopia represented a further difficult period, but one where Abdi first started to nurture his love for football. "It was hard to be away from home, but I started to play football about this time." The four years also brought further sadness in the death of Abdi's mother. In 1995, Abdi and his aunt moved back to Hargeisa.

In many ways, Abdi's experience upon return provides a snapshot of the lives of so many young Somalis, both male and female. Since 1995, Abdi has faced further hardships and struggles, as he lives through the daily Somali reality, trying to access the most basic of services. He started school, but soon had to drop out for lack of the requisite school fee of \$5 per month. He stayed with relatives and took up a cleaning job in their offices, with the promise that he would be trained as a driver. Eventually however, Abdi's grandfather became sick, and he was asked to take care of him fulltime.

Throughout his trials and tribulations, football was a welcome respite from the troubles of everyday life. "I started playing with the local team at Sheik Mader, and would look forward to the games every day." Upon hearing of the 2004 "Somaliland Peace Cup" Abdi's team decided to enter. The cup was sponsored by UNDP and UNICEF Somalia, as part of the wider 'Sports for Peace Programme' that is one of the pillars of "Somalis for Peace Campaign" to celebrate this year's International Peace Day. The prize for the four best youth from all over the country was a scholarship for a two week summer camp with the Real Madrid Football Club. Abdi's two goals in the tournament, strong leadership of his team and exemplary sportsmanship earned him one of the places.

So having gained this highly prized opportunity, what is he most looking forward to at the Real Madrid camp, and what does it mean to him personally?

"I am looking forward to more training, meeting other young people from around the world, and also the famous players. To me, the training shows what is possible with peace. Without peace, there would be no Real Madrid."

What then, of the role of sport in the rebuilding of his country? The UN Security Coordinator in Somalia reported a decrease in the amount of militia activity during the month of Euro 2004, as local warlords and militia laid down their weapons to admire the silky skills of Zidane, Beckham, Raul and Figo, and

the organisation and teamwork of eventual winners Greece. Could it really be true that sport represents a potential vehicle for reconciliation and understanding?

"Yes, it is true that everyone wanted to watch Euro 2004, and that no-one was interested in fighting. Football can unite people. You can see that with the four of us going to the training camp. Two of us are from Hargeisa, one from Mogadishu and one from Merca. We did not know each other before, but now we are friends, we play together, and we stay together. We hope to keep in touch after the camp."

Lastly, who is his favourite international player, and why?

"Zinedine Zidane" he interjected, almost before I had finished the question. "He has an excellent technique, and great skill. Also, he has a wonderful temperament, a good reputation, and he never swears or shouts."

And with that, he was gone, spirited off by a couple of Somali escorts in a reminder of his new found fame. "We have an interview with the BBC," one of them pointed out. Outside, in the UNDP Somalia car park, the four boys took out a football and showed off their skills in a scene reminiscent of the famous Nike advertisements. It was clear that they would fit in perfectly amongst the young European aspirants that they would soon meet. A UNICEF representative standing next to me commented: "when I see them practising their skills, it really reminds me why they are here, and that we can communicate through sport."

It was also a powerful reminder that good things are happening in Somalia. As a country with some of the worst social indicators in the world, severe poverty and intermittent conflict, Somalia is often portrayed in the international media as a 'basket case' a 'failed state' or a 'terrorist haven,' depictions which can perpetuate a cycle of under funding, competition over scarce resources and conflict. The story of Abdi, however, reminds us that there is a new generation of Somalis coming to the fore, witnesses to a painful past, important actors in a difficult present, and, with the help of the international community, potential creators of a better future. In doing so, they are exercising rights that have hitherto been denied them, including the right to life, to full development, to health and education, and to play.

"I want to make the most of the training camp, learn as much as I can, and bring a message of peace, during my time in Spain and when I return."

Empathising with the Violent, Understanding Atrocities

By Ioannis Vassiliou, MSc Development Management

AN ATROCITY is defined by the Oxford English Dictionary as "an extremely wicked or cruel act". This definition reflects the one-sidedness of most speculation on violence. Whoever would be satisfied with this definition might ask, "Surely it is not the violent with whom we should empathise, but their victims?" The answer is twofold. Primarily, to empathise with the violent is neither to justify nor to forgive them. It is to enter their perspective and share their emotions, in order to comprehend - as objectively as possible - how, and why, they function and malfunction. To condemn or condone is to miss the point: understanding violence requires the exploration of violent worlds, not the projection of our personal views onto them. Accordingly, the distinction between 'violent' and 'victim' is not black and white. Victims of violence can lapse into it themselves; violent parties are arguably their own victims. Says a Jewish crematorium-operator from Auschwitz: "You mustn't think that we are monsters; we are the same as you, only much more unhappy" (Levi 1988, p.36). Any understanding attempted from a distance without (as accurately as possible) adopting the mindset of Pol Pot, the Duvaliers or a 9/11 airplane-hijacker is not the confrontation of violence but merely a passive attempt to 'explain it away'. One might exclaim, "How is it objective to empathise with Slobodan Milosevic or Charles Taylor?" However, I propose that to be objective is to examine violence from the *inside*: otherwise we remain trapped in subjective speculation as outsiders.

A symptom of such myopic speculation is the misleading conception of atrocities as constituting *inhumanity*. For history demonstrates that, throughout time and on all scales, 'barbarity' is not typical of some 'other,' as the term implies, but comprises perhaps the most universal characteristic of human existence. Even our own initial reaction to the violent - to disconnect ourselves from them immediately - illustrates the human gift at alienation, which is what makes violence perpetual.

Violence is "human, all-too-human." It flour-

ishes in *homo sapiens* - not as *sapiens* as we believe. To deny this is to deny one's own humanity for the sake of wearing rose-tinted glasses. Chomsky (1998, p.40) observes that "deploring the crimes of others often gives us a nice warm feeling: we are good people, so different from those bad people." His ironic tone reveals the frivolity of such abstract, arbitrary notions as 'good' and 'bad' when used as excuses not to understand violence.

To reach a level-headed understanding of the versatile nature of violence - its causes and temptations, its stakes and ferocity, its diverse manifestations and consequences - two steps must be taken. The first is deconstructive, the second reconstructive. The only solid ground on which these steps can be taken is empathy with the violent.

The first step is to appreciate the inevitable limitations of our outlook on a *modus vivendi* that is unfamiliar to us: we cannot grasp the *dog eat dog* life-experience of a Nicaraguan *pandilla*-member, ready to mug and kill instantly (or *he* may be killed by a rival gang), without overcoming our moral preconceptions. Moral interference can - if not reined in - blinker our perspective rather than broaden it, for two reasons.

On the one hand, it takes for granted that our values are unconditionally applicable, whilst the greatest atrocities arise from moral anarchy. Even where they are applicable, people often have no choice but to sacrifice values for survival. Put yourself in Rwandan ten-year old Ndayambaje's position, now in Butare prison, who was forced by the current councilor to clobber another boy to death. "He said to me 'Either you kill him or you fuck your mother.'" That man then arrested him. (African Rights 1994)

Deontological ethics are an unaffordable luxury for many, whom we stereotypically label "the violent," when they have more urgent concerns than what 'ought' to be done because it is ethically imperative per se. In a moral vacuum, one's thoughts are necessarily more consequentialist: decisions depend more on real outcomes than wispy morals. Moral values can - in zero-sum, dead-end situa-

tions – be valueless. Fanon (1990, p. 36) explains that values “become lifeless, colourless knick-knacks...revealed as worthless, simply because they have nothing to do with the concrete conflict in which the people is engaged.” Adolf Hitler argues that “when the question of destiny, *to be or not to be*, cries out for a solution – then all considerations of humanitarianism or aesthetics melt into nothingness” (1998, p. 162).

On the other hand, moral judgment can not only narrow but misdirect our perspective. ‘Ethical’ reactions to atrocities are primarily aesthetic: our *instant* reaction to a horrific image is revulsion before moral objection or sympathy. Each new image of an emaciated African child, fly-ridden with stomach swollen, *loses* shock-value: like having the same nightmare, we subconsciously presume it is the same child. Were our reaction purely ethical, our indignation would *increase* each time. Instead we call the image clichéd – which, tragically, it is – and it remains another’s nightmare. We change the channel. We mail a cheque. Our mismanaged aid funds soldiers “to continue fighting and marauding and creating new scenes of starvation that will show up in newspapers and magazines and in ads for relief agencies trying to raise more money to send more food into the battle.” (Maren 1998, p. 1-2) Violence disgusts (even bores) us, so we conveniently condemn and dismiss it. Pinochet dehumanised his victims by ‘disappearing’ them; we dehumanise violent and victim alike by not empathising with them. We ‘disappeared’ them altogether when we changed the channel.

The second step is to recognise violent actions as the external manifestations of internal tensions at play in (and between) us all: to translate physical eruptions of violence into their psychological counterparts. Treating violent actions in isolation gives an incomplete picture of violence as an all-engulfing force. Ugresic (1998) describes a ten-year old girl after Serbian soldiers murdered her parents before her eyes. “When the psychologists asked her what she was most afraid of, the little girl replied: ‘People...’” (p. 197).

If one cannot co-ordinate internal tensions, extreme socio-political circumstances can aggravate them to internal conflict, when they erupt into physical violence. Circumstances are extreme when one has nothing to lose (e.g. orphaned, drug-fuelled, brainwashed Congolese child-soldiers) or everything

to gain (e.g. jihadist Iraqi suicide-bombers in pursuit of *Jannah* – paradise) and a ‘breaking-point’ is crossed, of no return. A Peruvian woman witnessed that point when recruited by the ‘Shining Path,’ aged eleven: “like dogs they killed them... they made us drink the blood of people... they made us eat their liver, their heart, which they took out and sliced and fried...” (Defence Monitor 1997) Thucydides concludes: “human nature is what it is... always ready to offend even where laws exist... incapable of controlling passion, insubordinate to the idea of justice, the enemy of anything superior to itself”. (1998, p. 245).

Two truths emerge. Firstly, ‘the violent’ are volatile agents in a volatile arena. You ask, “What about the Columbine shooters? They led a normal life in a developed community.” However, they suffered social exclusion, bullying, shame, monotony and exposure to violence through escapist video-games. These factors teased out insecurities and frustrations, which crossed the breaking-point in search of catharsis. The two teenagers fired at their traumas, not their classmates; in tragic irony, they only cured these traumas when they shot themselves. Violence is dangerous because its roots grow right beneath our nose. Optimum growth conditions are omnipresent and sometimes too banal to be perceived. The Columbine massacre was brewing internally long before it happened.

Beyond this breaking-point, emotional reflexes overtake rational processes: it is the limit to our maximum possible empathy and understanding, where we must accept our “paralytic” “*impotentia judicandi?*” (Levi 1988, p. 43). We cannot claim to share the *full* intensity of their feelings unless we commit their atrocities. Nor can we claim that if we were in their shoes, we would *not* have committed their atrocities. If we grasped *entirely* the driving forces beyond it, there would probably be world peace.

Secondly, they remain real people like you or me – neither monsters nor martyrs. Gilligan states that “violence is a contagious disease, not an hereditary one” (1999, p. 105). Rather, violence is contagious *because* its seeds are inherent in us all, perhaps from animalistic instincts that define us even when we deny them: instincts that surface unsuspectedly even through business-deals, siblings quibbling or a game of chess. Violence breeds violence in a vicious cycle of self-defence, self-assertion, self-interest, self-identification, self-contradiction,

tion and self-reinvention fuelled by predation, greed, fear, shame, antagonism, retaliation, coercion, imitation, ignorance. What characterises 'the violent' is their irresolute existence: something is missing from each of their lives, in all their diversity. This drives them to *breaking-point*.

A crucial 'filler' for this irresolution is an (often blind) adherence to socio-political and/or religious dogma. It can incite relentless atrocities, as Mao's Cultural Revolution and Khomeini's regime demonstrate. Everyday examples are the annual statistics of female genital mutilations worldwide at 2 million) and female deaths from domestic violence in Russia at 12-14 thousand (Williams 2004). It can also be a pretext for pursuing money and power – strong incentives for immeasurable violence. This is clearer in developing states and their interaction with developed countries, as they are less stable – politically, economically, socially – and more vulnerable to imbalance in these aspects, so that empowered minorities can get away with prolonged violence. (Developed countries are more experienced at masking their violence.)

In the Sudanese war between the government and rebel groups (the Sudanese People's Liberation Army and Justice and Equality Movement), civilians are raped, slain, and torched from home by government militia for supposedly harbouring rebels. Ethnic cleansing continues, barely disguised. On 30 July 2004, UN Security Council Resolution 1556, Article 6 demanded Janjaweed disarmament and apprehension. Today 20,000 Janjaweed are not detained, but armed to guard the very civilians they displaced with nightmarish violence: the shepherd hires the wolf to 'guard' the sheep. What use is blaming the wolf?

The Janjaweed lead a dream-like, carnivorous existence in which *nothing stands, anything goes and violence pays*. Aristotle's dictum – "the real difference between man and other animals is that humans alone have perception of good and evil, just and unjust" (1992, p. 60) – is hollow. For as Nietzsche emphasises, "the aspect of suffering which actually causes outrage is not suffering itself, but the meaninglessness of suffering" (1996, p. 49). Nietzsche's insight is consolidated by an American lieutenant currently in Ramadi: "If anyone gets too close to us we fucking

waste them... It's kind of a shame, because it means we've killed a lot of innocent people. It gets to a point where you can't wait to see guys with guns, so you start shooting everybody... It gets to a point where you don't mind the bad stuff you do." (The Economist 2005, p. 31-33) The operative word is *waste*.

In conclusion, violence cannot be understood *completely*, even by the violent. Nonetheless, we *can* identify which of its aspects elude our understanding and why, so as not to *misunderstand* it. The sole reliable route to this disillusionment is empathy with the violent. I hope that by deconstructing the barriers to understanding violence, we have penetrated them as far as possible; and that by reconstructing the experience of violence from the inside, we have captured its essence. Violence develops from the most fundamental aspect of human being: *antithesis*. Our nature is founded on antitheses between the self and the other, reason and passion, insensitivity and vulnerability, self-detachment and self-absorption, the real and the surreal, giving and taking, loving and loathing, living and killing. Unless we recognise violence as arising from the interplay between each of the above, we cannot prevent it, on any scale. Unless we can prevent it, we can only continue to clean up after it.

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From Christmas Shopping to Juan Valdez

By Cesar Borja, MSc Development Studies

IN THE midst of chaotic Christmas shopping I paused to look at the tags of dozens of products on the store shelves: "Made in Vietnam," "Made in China," "Made in Brazil" and so forth. Most of the posh buyers, however, were only concerned about one thing: the logo. At Louis Vuitton, for example, a plain pair of brown gloves was going for £350. £350 can probably pay for three or four months of salary for the worker who manufactured them in a developing country. Why can Louis Vuitton mark up the prices of its products to exorbitant levels while manufacturers can barely make a margin? Addressing value chains requires deep understanding of economic and business dynamics, dynamics which, in turn, affect the lives of millions of people.

In this essay I will describe how manufacturing value chains have become structures of power which impede a tangible improvement of the lives of people in the Third World. In the second part of the essay I will try to add some original thought on, first, certain business-type characteristics of value chains and, second, why distortions to incentives in the Third World may compliment the theory of value chains in explaining the failure of industrialization in achieving income convergence.

The Symptoms: Poverty and Inequality

To claim that poverty and inequality have either increased or decreased is controversial. It is not surprising, therefore, to find people who claim that poverty and income inequality are falling and people who claim that poverty and income inequality are spiraling upwards. For example, speaking about poverty, the World Bank argues that the number of people in extreme poverty has fallen in the past two decades from 1.4 billion in 1980 to 1.2 billion in 1998 (cited by Wade, 2004a). Many others criticize the soundness of these numbers, for example Wade states, "On poverty the strong conclusion is that we must be agnostic about the poverty headcount – level and trend – because deficiencies in current statistics make for a large margin of error" (Wade 2004a, p. 66).

Disagreements about statistics on inequality are similar to those on poverty: different people tend to see opposite realities. Wolf, for example, argues that

world inequality is diminishing as the rapid growth of China and India has led to an improvement in inter-country income distribution (cited by Kaplinsky 2000). Milanovic (2003), on the other hand, refutes the use of such narrow criteria to draw conclusions: "If we treat each country as a unit but give a weight to each country equal to its population, then inequality has been declining over the last 20 years. That concept is a useful one, but it is not really the one we want to study, because it is only an approximation to (the concept) of the inequality of all individuals in the world. Now, regarding (this) concept, we can say that inequality is extremely high. Everybody agrees on that. It is more difficult to say whether it is rising." For many others, the evidence shows that global inequality is rising. For example Kaplinsky (2000, p. 5) states, "The growth of global inequality has been mirrored by the growth of inequality within countries, both in the high- and low- income worlds." Wade concurs: "It is therefore disingenuous to say, *tout court*, that world income distribution has become more equal in the third wave of globalization. More likely, a rising proportion of the world's population is living at the ends of the world's income distribution and a rising share of the world's income is going to those at the top" (Wade 2004b).

With the available evidence it is hard to agree with either neo-liberals or its critics about precise trends in poverty or inequality. However, one statement can be made confidently: Third World industrialization has not yielded substantial, palpable and widespread reductions of poverty or income inequality. Looking at value chains can help the effort to find explanations of why industrialization has not lived up to its expectations.

The Sickness:

The Failed Prophecy of Industrialization

Industrialization was a failed prophecy. After decolonization, development theories were nearly unanimous in defending industrialization as essential for the Third World to catch up with the First World (Arrighi, et al. 2003). Industrialization was viewed as the best way to avoid the falling terms of trade that characterized commodities during the 1960s. Twenty years later, however, during the 1980s, people started questioning why the per capita income in the periphery was less than 5 percent of that in the core despite

the fact that industrial production of the periphery, as a percentage of GNP, had matched that of the core (ibid). Structures of globalized industrial production are a powerful tool to explain these dynamics.

The dynamics of globalization have led to a division of labor based on global value chains. A value chain is the sequence of productive, value added, activities leading to and supporting the end use of a product (Sturgeon 2001). These activities include – but are not limited to – the design, manufacturing, marketing and sales of a product (Kaplinsky 2000).

The study of value chains allows researchers to focus on the vast power asymmetries in industrial arrangements between firms in the core and in the periphery. Since Third World industrialization began, industries in the core either own the industries in the periphery, command the technology used by them, or buy products from them (and are very picky about what they buy). Power relations have been in clear favor of the core: the firms leading the processes of organization in the value chain, or what Sturgeon calls lead firms (cited by Wade 2004a), are almost exclusively located there.

Value chain analysis also tells us that different activities within this process will capture more benefits than others. First, some activities will add more value to the end product. Second, some activities are characterized by rising marginal gains as output rises, principally due to barriers of entry, which cause scarcity and ensure high prices. And third, some activities have greater spill over effects over the economy. Common examples of such activities include design, research and development (R&D) and marketing.

The analysis of value chains, therefore, describes how lead firms in the core have used their power to appropriate those value chain activities with greater value. For example, one would expect that, at first, low value added activities would transfer to the Third World to take advantage of lower production costs and then, gradually, high value-added activities would pour in as infrastructure and capacity improved while costs remained low. This never happened. Most activities with high barriers to entry never migrated to the periphery.

An explanation of why lead firms chose to retain key activities is Robert Wade's theory of "sticky locations in increasing return activities" (Wade 2004a, p.171). The notion of sticky locations offers organizational and economic reasons why firms will prefer to stay in

the high wage areas despite pressure to cut costs. Such reasons include factors like: low wages off-shore can be more than offset by lower productivity, companies rely on face-to-face dynamics to achieve a collective knowledge management and social organization, a number of spill-over effects can be found in places where other firms and supporting infrastructure exists, and, that, due to certain institutional arrangements, zones in the core are viewed as more resilient to Schumpeterian shocks (Wade 2004a).

Activities sent off-shore, therefore, are those involving less value added and those unprotected by barriers of entry. The competition among players in such activities may initially focus on enhancing products or processes, but if these enhancements are not done through technological change that is sophisticated enough to be patented or that is impervious to reverse engineering, these product and process enhancements will be quickly matched by the competition. In this scenario, those companies stuck in activities with no barriers to entry will depend on depreciation or on looser labor markets to be able to compete.

Unfortunately, significant technological leaps are unlikely to occur in the periphery as, historically, there has been little innovation in Less Development Countries (LDCs) as the characteristically low profits of highly competitive activities leave little money for re-investment or innovation (Gereffi & Sturge 2004). Even some of the most forward looking developing countries, like Singapore, fail to have proprietary R&D. Singapore concentrates on adapting products for the regional market and on monitoring competitors (Wade 2004a). Finally, Schumpeterian processes are more likely to begin in a country in the core because: high incomes create a favorable setting for product innovation (i.e., ability to attract high skilled labor, high purchasing power of equipment, etc.), high costs create the proper incentives for innovations in techniques, and cheap and abundant credit creates a favorable environment for financing innovations (Arrighi, et al. 2003).

Without other options, countries are forced to loosen labor laws or devalue to maintain competitiveness. Loose labor laws diminish the quality of life of workers. Devaluation, on the other hand, diminishes terms of trade and international purchasing power. Devaluation, furthermore, can have the ironic effect of affecting a country's export competitiveness. If for example, a weaker currency leads to the inability of hiring high priced international lawyers and consult-

ants during rounds of trade agreements (Wade 2004b). Most importantly, however, devaluation, loose labor laws and price wars among producers lead to what Kaplinsky and Morris have called immiserising growth: an expansion of economic activity that reduces real living standards (Kaplinsky, et al. 2001).

Value chains, thus provide a powerful tool to explain how industrial power structures cause the deterioration of living standard of millions of people through falling terms of trade, loss of purchasing power and a race to the bottom. Value chains start to explain why in the 1960s people in Ecuador had to work harder and harder to export more bananas to buy the same truck and why fifty years and much suffering later, people in Ecuador still have to work harder and harder to export more truck tires to buy the same truck engine.

Business is Business

The argument about sticky locations gives economic and organizational explanations why lead firms retain strategic activities in high wage zones, yet there are factors based on pure business logic why lead firms want to maintain such activities nearby. For example, lead firms keep activities related to design, R&D and marketing in the core because of their proximity to customers and end users.

Geographical proximity to the customer is essential due to two main factors. First, lead firms must know their customers. Firms have to constantly gauge consumption preferences, tastes and behaviors to be able to react quickly. Second, lead firms must have access to their customers. Having access to the customers means more than knowing them, it means being able to talk to them and to relate with them.

The importance of these factors being business based as opposed to economic or organizational is not only rhetoric. To think that value chain governors constantly set the rules and suppliers are just forced to keep up is an oversimplification. It is consumers who constantly change the rules. Both lead firms and suppliers must keep up. For example, in order for Apple to sell 4.6 million iPods during the last quarter of 2004 (Sullivan 2004) it needed a flawless concept that probably could have never been achieved if it had outsourced its market research and design to a South African, Polish or Indian firm.

While it is undeniable that political economic structures continually work against Third World countries, this does not mean that the disadvantages faced by

them are entirely the product of political economy. A major part of the disadvantages faced by the periphery within the value chain structure are based on purely business-based dynamics.

Should I Stay or Should I Go: A Problem with Incentives

Another problem that may be flying under the radar screens of those studying value chains is the problem with incentives. All companies are subject to market based incentives and incentives based on state intervention. Companies in the periphery, however, are more likely to be influenced by government incentives simply because the larger role of governments in nascent industrialization processes. It is common for states to aid the industrialization through tax exemptions, tariff protection, capacity building and state controlled allocation of capital, among other tactics.

Furthermore, often well-intentioned institutions, such as multilateral banks, channel large amounts of non-market-allocated resources to the industrial capacity of the Third World, increasing the distortion of markets. It has been argued, for example, that World Bank projects to increase the output of certain commodities in Africa has contributed to a global oversupply of such commodities.

Finally, other more subtle distortions to the incentives of economic activity in the periphery include: First, the effect discussed by Arrighi, Silver and Brewer (2003, p. 18) that: "LDCs tended to overrate their chances of winning the "spectacular prizes" that industrialization brought to First World countries, and correspondingly tended to underrate their chances of becoming the losers in the intense competitive struggle." And second, the fact that multinational corporations (MNCs) leverage on their *reputation* of deep pockets and agents of technological transfer to lock the periphery into the production of low value added products. In reality the role of MNCs as agents of technological transfer is limited, and their investments in Third World countries are also limited.

While each of the distortions to incentives mentioned above can be disregarded individually, collectively, the distortions to incentives may amount to an important impairment of market forces. While this is not a defense of orthodox neo-liberalism, development professionals must remember that distortions to the market must be kept to the minimum possible levels to avoid potentially large disequilibriums.

Conclusions

Why there is such a thing as a commodity

Many consider the word *commodity* to be outdated. They argue that you can add value to any product; therefore once the product has value added it is no longer a commodity. Unfortunately, this is not true. If value that is added to a commodity becomes instantly commoditized itself, the end result will be a commodity. This situation occurs in those activities where no barriers to entry ensure such fierce competition that value added to a product – except for large scale technological leaps – will be quickly matched by millions of competitors, turning that value added itself into a commodity and therefore failing to add value to the commodity. The global value chain structure created an arrangement where those who are stuck in these activities are the Third World countries.

Juan Valdez: The need for aggressive strategies

Solving the riddle of how to escalate the activities of value chains will not be simple. The solution is not to override the whole global system of production; after all, it is almost uncontested that modern value chain and the division of labor have benefited millions of people through more variety, lower prices and better quality products. Mechanisms within value chains, therefore, must be addressed individually, avoiding falling into black and white generalizations that would ultimately oversimplify problems and solutions.

A complex solution calls for state intervention by a state that is conscious that it is getting in the way of the market so it has to make up for that fact in precision, discipline and efficacy. Furthermore, the solution to this problem will come from both economists who create effective policies to counter structural problems and clever businesses who can compete head to head with the lead firms that have a headlock on certain niches of consumers. Undoubtedly problems will arise implementing any given strategy. For example, small producers will probably have to incur the high costs of creating an agglomeration to coordinate efforts in the long run. This is not an easy task, but from a ten-thousand-foot-view it seems more logical to undertake the costs of amalgamation than the costs of being at the wrong end of the value chain.

Colombian coffee, for instance, represents a well established effort to escalate a global value chain. Currently over 50% of the sales of Colombian coffee have value added, meaning that its price is above the

standard price. The export of specialty coffees rose by 254% during 2004, and the income of coffee growers, many of whom are small landowners, has increased by 28% in the last three years (Red de Informacion Cafetera 2004).

The positive results are the outcome of eager efforts to deliberately escalate the global value chain of coffee products. Some of the most notable efforts include investing in the logo of Juan Valdez and Café de Colombia since 1981, creating high levels of recognition in key consumer niches. Second, ongoing R&D activity has taken place in areas such as productivity, sustainability and high-quality coffee, with initiatives to study the genome of coffee already on their way. Third, massive technical and economic support has been given to assist and educate coffee growers in production, marketing and commercialization. Fourth, the Federation of Colombian Coffee Growers has opened 14 Juan Valdez retail stores, selling finished coffee products to end consumers in Colombia and the US. Monthly sales are already over USD 250,000 and are expected to rise as the goal of opening 300 stores in the coming years draws closer (Red de Informacion Cafetera 2004). Finally, future plans seem more aggressive, including linking the value chains of coffee with the value chain of tourism and the domestic press has circulated rumors about coffee-based cola products.

The importance of the example is that coffee, an agricultural product, is gaining ground in appropriating value added activities through ongoing, coordinated and aggressive strategies. Successful appropriation of activities with high barriers to entry will allow Third World producers to charge premiums for their products, allowing higher rates of capital transfer to the periphery and a higher rate of capital accumulation that will, in turn, enable more strategies to appropriate activities with high barriers to entry, helping to change the economic structures that have done so little to lift the Third World out of poverty.

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Gardening and Economic Growth

By Philipp Riedel, MSc Development Management

IMAGINE you inherit a small garden from a distant aunt in the countryside, which you are only allowed to keep if you manage to grow and sell a minimum amount of flowers. With the vision of creating the richest garden in the whole region, you turn the whole site upside down and declare the beginning of a new era. You do not have any money, so you can either beg your neighbours for some seeds or purchase some on credit, hoping to sell some flowers on the market later. On the way back from work you stop by the library. In the immense section on gardening you find a nice book on planting – right distances, right depth and so on. Well done.

A few months after sowing you get a little nervous because there is still nothing growing. Back in the library you now find books on seed-quality, watering, plant-disease management, flower breeding, soil fertilization, flower trade and other related issues. This is all too much for you so you are very happy to have finally found the latest edition of "Three Steps for a Prosperous Garden." But what a disappointment when the librarian turns up and

tells you that some of those steps are old and did not work in other gardens. Your disillusionment gets even worse when the other books are declared as old, containing some wrong information.

Your garden still looks very sad. A friendly garden architect advises you to build first some paths – he sells you the material conveniently – which adds to your debt. That did not really improve the growing but now you can invite some authors of the books to visit your garden to tell their stories. A glimpse of hope appeared when an experienced and successful florist comes along offering to rent the garden. The lease would be just enough to pay off your debts but at least you could keep the garden. Unfortunately, on his way home the florist got chased away forever by some other angry gardeners who claimed he gave bad deals. They advised you not "to put the fox in charge of the henhouse."

After half a year of (trying) gardening, you have probably either shot all the friendly advisers, dumped the whole site for some bottles of fine whiskey and walked off or you are still there, trying hard to develop your own garden handbook and getting excited about every sign of growth...

The Development Discourse

From the Mandate System to Bretton Woods

By Swapna Nair, MSc Development Studies

'The strength of the development discourse comes of its power to seduce, in every sense of the term: to charm, to please, to fascinate, to set dreaming, but also to abuse, to turn away from the truth, to deceive.' - Gilbert Rist (1997).

THE CONCEPT of development is generally assumed to have gained importance with President Truman's inaugural speech in 1949 (Nustad 2004). In fact many academic works even consider it as the starting point for the development debate. But the not generally recognized fact is that the mandate system of the League of Nations was the forerunner of most development projects. The ideas of development that existed in the League were quite different from those that animated later period discussions. However, in many ways it is the ideas and concerns that emerged then that set the basis for future discussions. This essay tries to analyze the ideas of development that emerged during the period after the First World War and how they influenced later development theory.

The mandate system of the League of Nations led to a fair amount of debate on the future of the mandate territories. The mandate system was a major step since it was a formal denouncement of open colonialism. The acceptance of the mandate system played an important role in determining the way the relations between the North and South evolved. To understand and appreciate this the events leading to its acceptance should be considered.

The Birth of Neocolonialism?

During the course of the First World War, there arose from different sides calls for a permanent solution for peace. Lord Robert Cecil in 1916 wrote a memorandum in which he argued for the creation of an international system that would ensure peace. Woodrow Wilson in his fourteen point speech delivered on 8 January 1918 also asked for the creation of the League. The Armistice was signed 11 November 1918 and a peace conference was held in Paris to discuss the post war world order. The historical decision of creating the League of Nations was made at Versailles. The most critical issue facing the allies was

the question of the territories annexed by the German and Ottoman powers. President Wilson was opposed to the victors annexing these territories as colonies. He believed that this was against the ideals of liberal democracy about which that the war had been fought (Anghie 2000). He suggested a system of international trusteeship under the supervision of the League of Nations (Sharp 1998). This issue was dealt with by the creation of the League's mandate system.

General Smuts was the brain behind the mandate system. Smuts had proposed the idea much earlier but in the context of South Africa. He was of the firm belief that the natives of the colonies (in particular of Africa) were simple child like people and did not have the social and moral incentives, which had helped the Europeans to progress in a short period (Smuts, 1942). The only way they could progress was by being administered by the superior European powers. This was his logic behind proposing the mandate system, which was expressed its founding document, the 22nd Covenant of the League of Nations. This article claimed that the system's basic aim was to promote the "well being and development of the people" belonging to these colonies and territories. Since the people of these territories were "unable to stand by themselves under the strenuous conditions of the modern world" they had to be placed under the "tutelage of advanced countries" that were better equipped to carry out this process. Thus the territories were divided into three groups of mandates according to the 'level of development' they had reached. The professed goal was to help these countries gain sovereignty by assisting them in their development process.

Many of the key concepts of the present day development discourse are found in their most primitive form in the mandate system. It believed it was not colonizing the territories but only taking care of them until they could stand on their own. However, the bare truth was that it was nothing but a distribution of the spoils of war in a more sophisticated manner. The movement for self-determination or autonomy was strengthening in many of the colonies. Hence they had to be convinced that this was a step towards this goal. In fact there was much focus on the aspect of self determination. President Wilson in his famous 14 points

speech emphasized the principle of autonomous development. The propounders of the mandate system believed that the colonies were not yet ready to administer themselves. In fact, the idea that an advanced, technologically and economically superior country had to guide the less developed country through its stages of development takes root here. This idea of the superior power being a mandatory or a trustee rather than a colonial ruler was quite a dramatic departure from the earlier ideas of imperialism. It is very similar to the ideas of development presently existing and being practiced by the international development agencies. Nustad (2004) writes, "The form of development practiced by the World Bank implies an idea of trusteeship; that someone who has the necessary vantage point guides the process of Development." This statement could have easily been about the method of administration accepted by the mandate system.

The progress of the mandates was monitored by an expert Permanent Mandate Commission. Their main task was to gather socio-economic data about the mandates and formulate policies for them. This, according to Anghie (2000), helped develop "a specialized science of colonial administration" which might have later on developed into the discipline of development. The mandate system was a major step towards neo-colonialism. The process of exploitation still continued but now under the name of promoting 'well being and development.'

'The Age of Development'

The mandate system was extremely concerned with the colonizers and the colonized. However, after the Second World War this situation changed. Colonies were gaining independence. There was no longer a question of cultural superiority or inferiority. The differences between countries were delegated to the economic realm. The emphasis was now on the terms developed and underdeveloped. In fact both these terms are used in President Truman's epic speech (Escobar 1995). Development was now not a passive concept. The colonizer and the colonized were in two different spheres and it was difficult for them to progress together (Paily 1996). But now it was just a matter of time and expertise before underdeveloped countries could catch up with the developed. According to Escobar (1988), between 1945 and 1955 a specific discourse took shape that centered on the concept of underdevelopment. This discourse drastically altered the nature of relations between rich and poor

countries and the perception of what governments and societies were to do. Development was now synonymous to industrialization. The development West was the point of reference for the underdeveloped nations and reflected their future. Technical assistance and aid was to help them reach this goal and the newly formed Bretton Woods institutions were to facilitate the process.

It was not acknowledged then the Bretton Woods institutions were influenced considerably by the mandate system. In fact, as Antony Anghie (2000, p 624) remarks, "In strictly legal terms the mandate system was succeeded by the Trusteeship system of the United Nations. But in terms of technologies of management, it is the Bretton Woods institutions that are the contemporary successors of the Mandate System." This might be due to the fact that many of the economists who were associated with the League, were also involved with the World Bank or IMF. This included economists like Ragnar Nurkse, Jaques Polak, Gottfried Haberler, Alvin Hansen, and Jan Tinbergen (Pauly 1996). Jan Tinbergen who helped the World Bank write a general guide on development policy in 1955 was briefly an economist with the League of Nations (Kohl 1993). Jacques Polak, who is considered to be the founding father of the "IMF monetary model," began his career in the League of Nations. Nurkse, who was a member of section in the League and was instrumental in publishing many of the league documents on finance, was later on an advisor for the World Bank. As William Tabb 2004 has stated, though not strictly in this context, the "staff of extant international organizations influence the trajectory of the process" they follow. The ideas of many of these economists were influenced by their experiences in the League. The League did not initially give much priority to economics since it was formed primarily as "a peace keeping agency rather than one having positive functions with regard to beneficent actions along economic and social lines" (Woolf 1920). However, it did influence the economic thinking of many of its staff and "made them aware of the benefits of multilateral Economic cooperation" (Boughton 2004).

After the Second World War many of the erstwhile colonies became sovereign or were in the process of becoming sovereign. However, due to long periods of colonialisation and also because of the Great Depression and the Second World War, most of these countries were poor. The problem as perceived now was to help these underdeveloped coun-

tries develop. Development was synonymous with Westernisation. And the dominant idea was that in order to develop, these countries had to industrialise. Capital formation was seen as the key to this process and the problem in most of the 'underdeveloped' countries was considered to be a lack of capital. International aid was seen as a solution and was where the international organizations entered the picture. The two major organizations were the World Bank and the IMF. The World Bank was conceived as an institution to provide long-term loans. Though its initial aim was the reconstruction of war ravaged Europe it soon began to focus more on developing countries. The IMF was to provide short term liquidity to countries to manage their exchange rates. Its chief aim was the correction of the balance of payments. The period after the Second World War saw not only the creation of these organizations but also the emergence of development studies/development economics, the study of developing countries, as a separate discipline. As Escobar said, the "professionalisation" and "institutionalization" of development occurred after the Second World War. Strategies varied but the goal was consistently to industrialise and emulate the western economies. This period after 1945 saw the emergence of the World Bank as the chief development institution and the rise of the US as a hegemonic power. One of the main changes immediately after the Second World War was a delineation of politics and economics. The mandate of the World Bank specifically mentioned that it would not interfere with the economic policies of the debtor countries. This was in contrast to the mandate system where the mandates were responsible for the political, administrative and economic conditions of the mandates. The main emphasis was on providing technical help to the underdeveloped countries as is evident in Truman's speech. Development was presented as "a set of technical measures outside the realm of political debate" (Rist 1997, p. 78). Economics rather than politics ruled the discourse. Development could be measured in a set of figures. A universal theory of development emerged, synonymous with Westernisation. To develop, poor countries had to follow the same paths traversed by the developed nations. This view was further strengthened by the theories of development put forth by economists like Rosanstein Rodan, Rostow and Lewis.

Over the decades after the Second World War there have been changes in the development discourse

(Escobar 1995). This can be best understood from the way in which the role of the World Bank, the chief facilitator of the development process, has changed. From a bank focusing on technology transfer it has emerged into a larger than life knowledge bank touching every aspect of developing countries. The present emphasis is on good governance strategies. Quite curiously, this is when the World Bank resembles the mandate system the most. By focusing on governance structures, the World Bank tries to place within the developing countries the causes of its underdevelopment when in all probability the Bank's own actions might have precipitated the situation (Anghie 2000). Is this not reminiscent of the mandate system's "blame of backwardness of the mandates on their lack of moral incentives and lack of civilization?" So are we coming full circle? The mandate system dealt with countries that were not sovereign. The sovereignty of the present underdeveloped countries is a matter of dispute.

History has a curious way of repeating itself. What is being witnessed now is a repetition of past events albeit in a new manner. Over the years the development discourse has changed much. But the stark fact is that the basic theme of dominance continues. Contemporary development agenda has its roots deep in history. To understand the reasons why it has evolved as it has, past events should be carefully studied. This should help us to prevent repeating the same mistakes.

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The Moral Dilemmas of HIV/AIDS

By Robert Gaylard, MSc Development Management

"People talk about the right to return, well what about our right not to become infected with HIV/AIDS?"

"The good thing about being a Muslim country, is that we are protected against HIV/AIDS"

"If people want to talk about using condoms, then let the fools die"

I OFTEN encountered the above comments while working in Somalia for UNHCR, where the stigma and discrimination towards people living with HIV/AIDS is high, and where infection is considered one of the worst punishments from Allah. The country has an estimated prevalence rate of 1-2%, but several high risk factors, including low awareness and lack of information, high risk behaviours, migration, conflict and displacement, cultural and social factors such as female genital mutilation, wife inheritance and early marriage, and poverty. The disease is still seen as very much a 'foreign' one, with Ethiopians common targets for accusations of promiscuity and immorality, and of bringing the disease to the country.

Taking into account the above factors, it was with some trepidation that I agreed to visit Inkalaila, a 39 year old Ethiopian refugee who had been confined to a hospital bed for the last six weeks. Inkalaila had full blown AIDS. A CD4 count test taken by the doctor revealed a count of 51, where below 350 is defined as AIDS. Which means, in layman's terms, that he had weeks, if not days, to live. His wife had already died of AIDS, and Inkalaila was being cared for by his 14 year old stepson.

As I approached the hospital, I felt a distinct feeling of uneasiness and apprehension – as though I sensed that what I was about to witness would be truly upsetting. We passed the main wards, already patently overcrowded and understaffed, and approached the balcony of the hospital, where Inkalaila lay on a make shift single bed. "Over there over there," a crowd pointed.

Inkalaila had been sleeping inside the wards, until the previous week. Now, incontinent, moaning and unable to walk, he had been moved outside, on the request of the other patients. Approaching his bed, we were overcome by a powerful stench of urine, and found Inkalaila to be weak, bedridden, and yet in surprisingly good spirits.

"Thank you mother, for coming to see me" he said to the lady with me. His face brightened as he began to engage with visitors he had not had for some time.

"How are you, Inkalaila?" asked the lady with me.

"Ok today, I am having a lot of trouble walking, and my legs are sometimes paralysed, but inside my body today I feel ok. But I am very cold out here."

We had brought a bag of food and medicine which we hoped might revive both his body and spirit, full of beans, tuna fish, bread, cheese, apples, multivitamins, and folic acid supplements. We also promised to bring blankets, to protect against the cold.

"Inside, fish?!" exclaimed his stepson, hopeful perhaps that this could be the magic alchemy that would save his stepfather. I didn't have the heart to tell him it would most likely not be enough.

"And the doctor, is he coming with the drugs?"

Inkalaila was referring to Anti Retroviral Treatment, which is urgently needed for such patients with a CD4 below 350, but which are unavailable in the country except on a private basis.

"We are doing all we can for you, and will try to bring more medicine," was all I could say in reply.

Would the nutrition and hygiene package be enough to sustain him for the next few weeks? Probably not. Could UNHCR adopt a similar initiative to the WHO 3 by 5 type initiative? For instance, 25% of refugees worldwide in need of ART to be on treatment before the end of 2005? Should UNHCR set its own pace with regard to caring for its mandated population? Or should it wait for UNICEF and WHO to set up ARV systems for the general population? Where was the protection of UNHCR in this instance?

So many questions, so few answers.

"Make sure you eat all the food, be strong, you are going to get better" I told him, trying to sound confident and brave, but inside, knowing that he had only hours and days left.

Had we done the right thing, visiting? In his last few days, to bring apples, beans, bread and multivitamins when he needed Anti Retroviral Medication seemed akin to trying to cure cancer of the throat with cough medicine. Were we simply raising hopes unnecessarily?

"Just having someone visit him, I tell you, that will keep him going for the rest of today" commented the lady next to me.

And that, painfully, had to be enough, for clearly, tomorrow was a long way away, perhaps never to arrive.

NB: All names given in this article have been changed to protect the identity of persons concerned.

Rooting Ideas of War and Peace in Justice

By Cesar Borja, MSc Development Studies

"Peace can only last where human rights are respected, where the people are fed, and where individuals and nations are free"
-Dalai Lama

MY DAILY commute to the university in downtown Bogotá was an hour, but it often seemed longer, thanks to bus drivers' questionable musical preferences. One day, the bus driver turned his radio down to allow a man to speak. When the man stood in the middle of the silent bus I could have sworn I was looking at a ghost. His eyes were sad and distant; his voice was almost too soft, too humble, to be heard over the traffic. He was a refugee fleeing from the violence in the countryside.

Although refugees are not an uncommon sight in Bogotá, this man was different. Refugees tend to find precarious ways to cope with their situation, through charity, government help or informal employment. Usually refugees don't seem as vulnerable and as far from home as this man did. He told his story; his farm in the mountains had been raided by the army, who accused him of aiding the guerrillas. Soldiers raped one of his daughters using the barrel of a machine gun and one of his sons was murdered in front of him. He got money from some passengers and left the bus crying. I will never forget the fragility of that strong and courageous man, or the fear in his eyes. At this time Colombia was at 'peace': the government denied labelling the internal conflict as a war to avoid the negative political and economic connotations of the term. Peace cannot, and must not be constructed without justice.

Justice over Peace

Peace is not the natural state of humanity. In fact, a glance at either current events or history illustrates the fact that war is as much a part of humanity as peace is. Peace seems to be a mental construction within a framework of dichotomies: peace is good and war is bad (Keen 2004). For example, consider Benjamin Franklin's oversimplification: "there was never a good war or a bad peace."

Aside from its idyllic connotation, *peace* tends to be a weak force in the shaping of society. A clear example is when, in 1997, Colombian organized civil groups carried out a campaign for citizens to vote for peace in an effort to curb guerrilla and paramilitary violence. Ten million people turned up to the ballots and voted to reject vio-

lence and uphold peace. The war only intensified for the next several years. Luis Carlos Restrepo, the current government's top negotiator with the FARC rebels, recalls: "The day of the 10 million votes everyone rejoiced, except me. I realized that the symbolical gesture was useless. It was going to have no repercussion in real power" (Revista Semana Online 2004. Author's translation) Standing on its own, the promise of peace seems to be a weak factor in mobilizing agents towards deep-rooted political action or major shifts in power structures.

On the other hand, collectivities are easily pushed into meaningful political action as a result of a sense of a collective injustice. For example, it seems natural that Palestinians protest and even resort to violence if they feel the state of Israel is violating their rights. It would seem *unnatural* for Palestinians *not* to vigorously protest Israeli policies undermining their ability to move freely or to own property (Said 1995, pp. 150, 158), and to accept these injustices simply to declare 'peace'.

Justice is the main pillar for the abstract concept of peace. Resistance of a collective injustice – as opposed to 'will for peace' – seems to be an innate force shaping societies in states not ruled by fear or oppression (an issue that will be addressed below). Quoting Richard Rorty, "Every institution or principle will produce new, unexpected, injustices of its own. Every imaginable utopia will need a social protest movement. Justice is a ghost that can never be laid" (1999, p. 213).

Constitutionalism in War and Peace

Ceteris paribus, peace is, undoubtedly, a preferable state to war. In general terms, the power structures of peace are more conducive to justice than the power structures of war. In a normal situation there is more justice during peace than during war because, among other things, there are stronger institutions supporting constitutionalism – the entrenchment of balance of powers, rule of law and and of minorities (Ignatieff 2001, p. 30). War shifts structures of power, weakening constitutionalism while empowering armies and those able to enforce direct violence more effectively. In the vast majority of circumstances the power dynamics natural in war undermine the most powerful institution to uphold justice in human societies: constitutionalism.

Structural Violence

However, simply because a condition of theoretical peace is preferable to a condition of theoretical war does

not mean that *any* peace is preferable to *any* war. Peace is often caused by violence and embodies violence (Keen 2004). While some levels and types of violence can be tolerated by a society, this does not provide justification for a state apparently at 'peace' to perform intolerable and systemic acts of violence against its citizens. Johan Galtung's concept of structural violence captures this dynamic. His definition of structural violence is violence that engulfs "those factors that are built into the structures of society and that cause people's actual physical and mental realizations to be below their potential realizations." Structural violence can include several different types of violence, such as direct violence, poverty, repression or alienation (Urvin 2000, p. 165-166).

In her book *Death Without Weeping: The Violence of Everyday Life in Brazil*, Nancy Scheper-Hughes describes some of the most violent injustices caused by poverty. She describes a scenario of structural violence where poverty, alienation, repression and direct violence occur simultaneously, victimizing a specific population in Brazil. Brazilian bureaucracy allows people to die in the halls of hospitals because of lack of proper attention, the snatching of babies from poor mothers' arms, the killings of street kids and petty thieves by "social cleansing bands" and, in general, "terror as usual" (1992, p. 221).

Peace must not be used to legitimize structural violence (Keen 2004). Structural violence embodies a set of injustices which are morally questionable, not coherent with the principles of constitutionalism and a liability to stability. Collective injustices and structural violence create the risk of outbreaks of direct violence that could undermine governance and social stability. For example, structural violence towards certain groups has been seen as the cause of small outbreaks of instability (e.g., kidnappings and small outbursts of violence in Alto do Cruzeiro, Brazil (Scheper-Hughes 1992, p. 217)), medium-sized outbreaks of instability (e.g., Los Angeles racial riots after the Rodney King incident) and large-scale civil wars, even leading to genocide (e.g., Rwanda's interaction between structural violence- embodied in social inferiority, powerlessness, and humiliation- and racism (Urvin 2000, p. 166)).

Stability

Although the rights of civil society are more vulnerable during periods of social unrest and open war than during times of peace, the optimal approach to avoid instability is by increasing justice and eliminating structural violence – not the state's alternative, which is coercion

and repression. Some states justify coercion and fear tactics by saying they ensure stability which, in turn, facilitates the protection of civilians' rights. China, for example, "justifies human rights abuses as the price required to maintain the unity of a continental nation-state subject to many regional, ethnic, religious and tribal pressures" (Ignatieff 2001, p. 23). Although this premise seems appealing because it gives the appearance that the end result is more justice rather than less, it is an argument that must be approached carefully.

Peace and stability have the potential to legitimize violence to such a degree that the end result could be more violence rather than less. An example of a noble cause being used as a tool to do the exact opposite of what it is supposed to is law during war time. Law has been used to legitimize violence during war; and this legitimacy, in turn, has been used to increase violence towards civilians instead of diminishing it. Jochnick and Normand (1994) analyzed the Nuremberg tribunals' conclusion on moral bombing (bombing enemy cities to demoralize civil society to the point where people would refrain from resisting the incoming army), as follows:

There is a critical unspoken assumption that gives rhetorical power to the idea of a legal war – specifically, that a legal war is more humane than an illegal war... Through law, violence has been legitimated... The Tribunal concurred in the assessment that moral bombing was a customary practice of nations, and therefore legal. In fact, it explicitly condoned attacks against civilians, even atomic attacks, under a broad interpretation of military necessity that recognized a legitimate purpose in the bombardment of cities to induce surrender (1994, p. 92).

Neither peace nor stability can become justifications for violence in the way the law has. Although peace will always embody *some* violence, words cannot come to represent the exact opposite of what they stand for. Peace cannot hide a rampant state of structural violence, coercion or fear. Rooting peace and stability in the ideals of justice and constitutionalism avoids the Orwellian world where WAR IS PEACE, FREEDOM IS SLAVERY, IGNORANCE IS STRENGTH.

Conclusion

The terms *war* and *peace* must be linked to at least one essential underlying concept. In this essay I have proposed that the most appropriate underlying concepts to tie the terms *war* and *peace* to are the prevalence or absence of constitutionalism, structural violence and, most importantly, justice. Without ascribing meanings to *war* and *peace* these terms become empty, and, furthermore,

become prone to be used as banners for political ends. If governments can proclaim themselves as peaceful regardless of the levels of structural violence or injustice in their current social settings, peace is nothing more than a publicity stunt.

In any case, peace may not be possible without institutionalizing violence in some way (Keen 2004). Ultimately achieving peace is a complex and dynamic exercise. Peace is not static; opportunities for injustices arise with every institutional arrangement established by a society. Keeping unfair institutional arrangements from transforming into structural violence demands a society with communication channels, the ability to cooperate with one another, a strong democracy and sound constitutionalism.

According to Galtung the notion of peace is derived from the following three principles:

- a) the term "peace" shall be used for social goals at least verbally agreed to by many, if not necessary by most,
- b) these social goals may be complex and difficult, but not impossible, to obtain, and
- c) the statement "Peace is the absence of Violence" shall be retained as valid (Galtung 1969, p. 167).

Using a similar pluralistic and reconciliatory tone, in their analysis of the Salvadorian civil war, Pastor and Boyce suggest that a successful peace must address the underlying causes of conflict (2000, pp. 365-400). Although these notions provide sound basis for the construction of peace, the final solution needs to deal with justice. Peace requires a dynamic calibration of justice by the political leadership to ensure that institutional arrangements don't become structural violence and that the inevitable political losers of these arrangements don't become the oppressed minority.

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Rumbling, Bumbling, Humbling

Reflecting on a Year on the DESTIN Seas

By Philip Coticelli, MSc Development Studies

Week one, Friday Visiting Lecture. Victoria Brittain: Welcome to England. The government is evil. Enjoy your education.

What a helpful start. Here I've just given my grandparents' social security checks to the LSE to be told that George W. Bush is a miserable prick. I could have stayed home and gotten that for free! But hasn't it become so much more? I've found at DESTIN a troupe of warm and welcoming friends – and not just the Scandinavians! Mark Barsby, the gentle giant cum philosophical rapper. Tatiana Stephens, the perky, Latin-loving canuck. And Fawad Khan, the jolly big brother we all want to squeeze and take home with us.

Intimidating experts were quick to soften. Jon Lunn, at first a harrowing intellectual beast, blossomed by Christmas into a lovely rose bush with legs and smart shoes. David Keen evolved as a sex object, making time between filing restraining orders for teary but hopeful monologues on humanitarian aid and impromptu breakdancing exhibitions. Once declawed, Sue and Dru were no more administrators than rays of rainbow sunshine on an otherwise cloudy day.

In his first DV400 class essay, the legendary Walter Hemmens wrote:

In the first two paragraphs of Development as Freedom Sen gives us an answer with which few will disagree. What matters is deprivation in a world of opulence. Our job is to change that deprivation, not in

some distant future but as urgently as possible. Debates in development must always be fired by that sense of urgency. Debate is good: the better informed we are, the better we can do our job. But we must never forget that as we talk, people hunger.

Walter was my hero then, and he is more so today. His words occurred to me every time I got caught up in eristic political debates at the LSE. And there were many.

Beyond this, Iraq has towered over the international scene as long as we've all been together. Mary Kaldor, like many DESTINers, scarcely mentioned it without bringing up bile. Whatever your measure of its success or failure, it emphasized Sen's notion of freedom as the hottest commodity on the market. That we stand among its future brokers is both a great privilege and a looming burden.

As someone who believes deeply in human redemption, I strive to see suffering not as a curse but an opportunity to provide love, compassion and respect. All the nihilists in the world can criticize this sentiment, but it is not lost on those to whom these values are forgotten or neglected. My friends at DESTIN, this year have strengthened this sentiment in the love, compassion and respect they have shown me. I am more hopeful than ever of the potential for peace and progress in a world without fear. Thank you each and all for the gift of your friendship, good luck, hooray for everything, and rock and roll everywhere and forever.