BY MARCUS NOLAND

On the eve of the normally uneventful spring meetings of the World Bank and International Monetary Fund, Washington D.C. police increased their presence in the neighborhood around the two institutions. Bank and fund employees were instructed to exchange their pinstripes for blue jeans so as not to attract the attention of the gathering protesters.

Still, it was a shock when, on the afternoon of April 14, a truck piloted by two members of the organization People for the Ethical Treatment of Animals dumped a truckload of manure in front of the World Bank headquarters. Television reporters rushed to the scene and soon Police Chief Charles Ramsey himself was there, supervising the cleanup. The games had begun.

Two days earlier across town there had been little press and no police presence in a House hearing room, where the anything-but-attention-getting Prof. Allan Meltzer droned on about the report of the Congressionally appointed International Financial Institutions Advisory Commission that he had chaired. While the street protesters' concerns appeared at times to be only tenuously related to the activities of the two Bretton Woods institutions, Meltzer and the majority of his fellow commissioners were proposing the most radical restructuring of the international financial institutions in half a century. And although Meltzer later denied any affinity with the street protesters, the two groups seemed to manifest a symbiosis of purpose. Indeed, by the end of the protest weekend, left-wing sociologist Walden Bello would be gravely commending the Meltzer report to the demonstrators.

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THE NON-BRAWL ON THE MALL

The approach of the spring meetings was greeted with unease by Washingtonians, who feared a reprise of the Battle of Seattle that accompanied the biennial ministerial of the World Trade Organization in late November. Yet the protests in the nation's capital paled by comparison in both size and violence.

For one thing, the World Bank and the IMF made far less inviting targets than the WTO. Unlike the Seattle gathering, which was to launch the "millennium round" of world trade negotiations, it is less clear, even to insiders, what transpires at the spring meetings of these two institutions. (Quick: name one decision undertaken at last year's meeting.)

This difference was starkly delineated by the AFL-CIO's decision not to participate in the Washington protests. The unions had turned out members in massive numbers in Seattle, with AFL-CIO president John Sweeney leading their march. And Big Labor

KHUE BUI/AP WIDEWORLD PHOTO

was in Washington that week in April to protest the extension of permanent normal trading relations to China. It would have been easy for the union leaders to shift their own China rally back a couple of days and, in effect, combine the two protests against globalization. But in the wake of the vandalism in Seattle, AFL-CIO leaders decided to distance themselves from the broader anti-globalization movement and to save their political capital for the China vote.

Indeed, the AFL-CIO honchos were careful to get their members out of town before the planned protests against the World Bank and IMF institutions that weekend. As a consequence, those protests were smaller and carried less clout.

A second difference was the behavior of the police. In Seattle, the locals appeared unprepared despite abundant intelligence and the precedent of the "Carnival Against Capitalism" in London, during which protesters displayed considerable small-group tactical acumen and inflicted a considerable amount of property damage. By contrast, the Washington D.C. police have extensive experience in dealing with mass protests – there is some kind of protest nearly every spring weekend in the capital – and in this instance, they had the advantage of learning from the experience in Seattle.

The Washington police attempted to infiltrate the protest groups, an endeavor rendered difficult by the decentralized organization of the demonstrators. But police intelligence did enable the seizure of materials used to make "sleeping dragons" – chains linking protesters that cannot be broken up quickly without severing limbs – and they raided the protesters' headquarters on what organizers alleged were trumped-up fire code violations.

On the morning of Saturday, April 15, as Washington geared up for mass protests the next day, I noticed two unmarked police cars outside my neighborhood coffee shop, within easy walking distance of the bank and fund headquarters. Once inside the shop, I stood in line behind what I took for anti-globalization protesters. But heading out the door after getting breakfast, I observed one of the "protesters" unlock the door of the police car. And as he retrieved gear from the back seat, I noticed that he had a gun, radio and handcuffs under his parka. The four undercover cops then ambled off down 19th Street.

I walked across the street to Dupont Circle, where a colorful crowd was gathering. I couldn't see any "Save the Sea Turtle" placards, though I did notice some snappy banners. Entering the Circle, I was greeted warmly, but the demonstrators didn't want to talk about the World Bank. This wasn't the Anti-Globalization March; this was a Gay Rights March. As I said, springtime is mass demonstration time in Washington.

REVENGE OF THE NERDS

While the protest organizers plotted the disruption of the World Bank and IMF meetings, the International Financial Advisory Commission issued its report. The commission had its origins in a November 1998 political deal when the specter of the Asian financial crisis spooked the United States Treasury into asking Congress to increase America's lending commitment to the IMF.

The Republicans' quid pro quo was the establishment of a panel of outside experts charged with assessing the international public sector financial institutions. Meltzer, an expert on monetary policy at Carnegie Mellon University who is also known for his torment of the IMF, was chosen to head the commission. Although the majority report contains much that is sensible, it is an uneven and deeply flawed document.

The majority argues, correctly, that the world has changed fundamentally since the establishment of the World Bank and International Monetary Fund during the Bretton Woods conference at the end of World War II. The IMF was set up to help countries experiencing balance-of-payments crises in a world in which exchange rates were fixed and impediments to financial flows were ubiquitous. Today we have floating exchange rates and near-universal currency convertibility. The IMF has become irrelevant to economic policymaking in major industrial countries and is mainly engaged in providing lending and advice to developing countries and so-called "economies in transition."

The World Bank, initially set up to provide reconstruction assistance to the war-ravaged industrial economies of Western Europe, accomplished that goal a generation ago and has taken up promoting economies that were never developed. In short, having outlived their original mandates, the two institutions have turned to new tasks. Some might call this enterprise. Others would label it mission creep on the part of bureaucrats eager to keep their power and perks.

The Meltzer Commission takes this typical critique a step further. It claims that the world economy has experienced an increase in financial volatility. And that this increase in instability is due to "moral hazard" on the part of investors who make risky investments in emerging markets, secure in the knowledge that, should their investments turn bad, they will be bailed out by the IMF. The logic of this argument – that the existence of implicit insurance through the IMF undermines prudence – is unassailable. The issue is what to do about it. And here the report falls short, with radical restructuring of the international financial institutions served up as if the virtue of change were self-evident.

Perhaps this is too harsh. It is always easier to criticize the status quo than to formulate viable alternatives. The catch, of course, is that the Meltzer Commission will not be remembered for its critique of the current system, but for the reforms it espoused.

The commission's recommendations are quite sweeping. If the majority had its way, the IMF would end both its long-term lending and its below-market-rate lending programs to become a "quasi-lender of last resort" that offers short-term financing to solvent emerging economies at penalty rates. The IMF would not look kindly on requests for support from countries that refused to adopt either rigidly fixed or freely floating exchange rates.

As for the World Bank, it would be abolished and replaced by a World Development Agency that would differ from the existing institution in very important ways. First, middle-income countries and countries with "investment-grade" credit ratings – a list that includes China, Egypt, South Africa and Brazil, to name a few – would be excluded from WDA financing. Second, financing would take the form of grants rather than loans, to be paid directly to service providers without the intermediation of local government authorities.

Similar transformations would be undertaken at existing regional institutions, such as the Asian Development Bank and the Inter-American Development Bank. And, with the exception of Africa, most operations would devolve to these regional banks. The International Finance Corporation, the arm of the World Bank that lends to the private sector, would be abolished, as would similar private lending operations at the regional development banks. The report also targets for extinction the Multilateral Investment Guarantee Agency, a World Bank unit that protects foreign investors against risks such as war and expropriation.

The conduct of the IMF and the World Bank is no longer immune to influence by assorted vivisectionists, Naderites and isolationists.

Anticipating that Meltzer and Co. would issue a strongly "market-oriented" critique of the international financial institutions, the Treasury preempted the commission with its own reform recommendations. In a speech delivered in December, Treasury Secretary Larry Summers called on the IMF to phase out long-term lending and to focus on a narrower crisis-prevention mission. In particular, he endorsed the notion that the fund should play lender of last resort at "prices to encourage rapid repayment."

But in a nod to some Congressional Democrats and in sharp distinction to the Meltzer Commission, Summers seemed to support the sort of intrusive conditionality that proved so controversial in the Asian crisis. "Issues of social cohesion and inclusion. . . should be addressed as a condition for IMF support," he argued.

The Treasury thus seems to want it both ways: short-term financing with conditions still attached. But if the IMF is offering only short-term financing at penalty rates, then there is a reduced need for policy conditionality, much less the intrusive sort in the Asian crisis packages.

While one can thus divine the development of a consensus in the United States (at least among the suits), the rest of the world has shown far less enthusiasm for reform. Developing country governments have been openly hostile – and understandably so. An early draft of the Meltzer Commission report openly advocated the return of development bank capital to its shareholder countries, which would have amounted to a multibillion-dollar transfer from the poor countries to the rich. (By contrast, the report's final draft cloaks the financing of the WDA grant scheme in obfuscation).

Japanese government reaction has been cool both to the near-obsession with moral hazard from Meltzer and the "less money with more conditions" stance of the Treasury. The European Union has shown the greatest willingness to consider reform of the IMF, if for no other reason than Europe's need to reach an accommodation with the United States if it wants to retain its hold on the managing directorship of the fund.

Horst Kohler, the recently appointed managing director, has made a show of listening to critics in the United State and elsewhere – notably Asia, where considerable bitterness lingers over the fund's activities in 1997-98. The Asian Development Bank has gotten the message and is now emphasizing "poverty alleviation" over the bricks-and-mortar infrastructure lending that has been its forte. The World Bank and its combative president, James Wolfensohn, appear to be exceptions in this regard, opposing rather than accommodating the Meltzer Commission criticisms. Perhaps this is not surprising: While the Meltzer-Treasury consensus would shake up the IMF, acceptance of the Meltzer Commission recommendations would end the World Bank as we know it.

CONFRONTATION

Back on the street, the atmosphere was giddy with anticipation as the sun rose over Washington on the third Sunday in April. Small groups of protesters began making their way toward the World Bank and IMF buildings. As they approached, however, they found that the police had established a security perimeter around the site, sealing off numerous city blocks. The protesters responded by forming their own lines, so that lines of riot police and protesters confronted each other across police barricades. In only a few instances were protesters able to form "sleeping dragons" to block intersections; in most cases, their lines consisted only of demonstrators linking arms. By 6:30 a.m., the conference organizers had successfully bused most of the bank and fund delegates into the meeting, and the protesters were left with little to do except mill around and attempt to block the exit of the delegates in the afternoon.

The crowds were small – even protest organizers would claim only 10,000 participants – and overwhelmingly white and student. Oddly, despite the IMF's well-deserved reputation for the imposition of macroeconomic austerity on poor countries, it was the avowedly do-gooder World Bank that was the focus of the protesters' ire. According to one demonstrator, the bank "wrecks the environment and impoverishes Mozambican cashew nut farmers – didn't you know?" Whereas the fund . . . well, it is unclear to almost everybody but insiders what the fund does. Improverishing peasants trumps the sin of tight money every time.

In the days leading up to the protests, the organizers had encouraged consensus around

Spring Break for the politically correct?

JOHN HARRINGTON/BLACK STAR

a few principles, including non-violence, in the context of an avowedly decentralized and non-hierarchical movement. A majority seemed to subscribe to these principles, though a distinct minority argued that the destruction of private property in rich countries was small change compared with the depredations of the Bretton Woods institutions in developing countries. Besides, if they were paying their own freight, they could, and would, behave as they pleased.

The anarchist bands, as distinct from the dominant neo-hippy majority, looked ready for war, with facial coverings to conceal identification, gas masks and goggles for operation in tear-gassed environments and, in the case of one band, shields fabricated out of garbage can lids. However, during the long hours between the dawn confrontation and the expected confrontation when the delegates would attempt to leave, the protesters spent their time beating drums, throwing Frisbees and parading around the security perimeter.

In essence, this was spring break for the politically correct, a big adventure where you got to stop traffic, confront cops and meet members of the opposite sex – attractions that should not be entirely dismissed. Indeed, as one who participates in the annual Fourth of July pedestrian seizure of Connecticut Avenue can attest, challenging authority can be fun. But I like to think that, as a callow youth, I was a little more sophisticated about politics and economics.

The frolicking aside, the protesters did meet their match in the D.C. metropolitan police that weekend. Waiting for the afternoon confrontation, I asked two young protesters what they would do if the police brought in horses to control the crowd. They hadn't thought of that. Later, one of the protesters, perhaps confusing himself with the Alex Karras character in *Blazing Saddles*, punched a horse.

WITHOUT A BANG

The following day was a rainy school day, and the protestors dwindled into the hundreds. It would be wrong, though, to regard the anti-globalism protests as sound and fury signifying nothing.

Criticism from both the street protesters and their bespoked counterparts is unlikely to diminish. And frustration with the lack of change could encourage the Asians to go their own way, establishing new regional institutions as complements or substitutes. At the very least, the two aging Bretton Woods institutions are now "in play." For better or for worse, their conduct is no longer immune to influence from assorted vivisectionists, Naderites and isolationists.