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Article (Published Version)

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Review of International Studies / Volume 28 / Issue 03 / July 2002, pp 537 - 555
DOI: 10.1017/S0260210502005375, Published online: 26 July 2002

Review of International Studies (2002), 28, 537–555 Copyright © British International Studies Association

The imposition of a global development architecture: the example of microcredit

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Abstract. Poverty reduction is now a prime concern of global policymakers. Renewed global efforts for poverty reduction are presented as the *post*-Washington Consensus. In this context, I identify an emerging 'global development architecture' that entails new patterns of interlinkages between the WTO, IMF, World Bank, Regional Development Banks and Bilateral and Multilateral Development Agencies. Through the example of microcredit and poverty reduction I address the political economic implications of the emerging global development architecture. I argue that microcredit (1) facilitates financial sector liberalisation and the global trade in financial services; (2) functions as a political safety-net, containing or dampening resistance at the community level to liberalisation policies and economic austerity measures. The article critically probes the emerging global development architecture and argues that it is incorporated into the reconfiguration of global political economy as a strategy of 'crisis management'. Normative discourses underpinning the *post*-Washington Consensus are argued to be instrumental to efforts to legitimate the consolidation, 'constitutionally', of what *continues* to be the Washington Consensus.

Introduction

Poverty reduction and development are now central concerns of global policymakers. 'Pro-poor growth' has become fundamental to globalisation for which 'pro-poor enabling' policy environments are prescribed.[1] In this context, it has been observed that '[t]he emerging development paradigm breaks with previous international models'.[2] This comes amid the expressed recognition by policymakers that for both globalisation and development:

> (. . .)1999 could well have been a turning point, from three angles: implementation of poverty reduction strategies; promoting real and operational partnership, based on shared responsibilities; and a systematic focus on the principles of policy coherence and governance.[3]

To be sure, 1999 did signal a shift to an ostensibly different political project for global poverty reduction and development, suggesting a movement away from the

* I would like to thank the anonymous referees of the Journal for their very helpful comments on an earlier draft. I am grateful for a Research Fellowship at the CSGR, University of Warwick, during which I made the revisions.

[1] See for example, OECD, *DAC Scoping Study of Donor Poverty Reduction Policies and Practices* (London: ODI, 1999) p. viii; Martin Greeley and Rob Jenkins, *Mainstreaming the Poverty-Reduction Agenda: an Analysis of Institutional Mechanisms to Support Pro-Poor Policy Making and Implementation in Six African Countries* (Sussex: IDS, 2001).

[2] OECD, 'Development Co-operation 2000 Report', *The DAC Journal–International Development*, 2:1 (2001), p. 11.

[3] OECD, 'Development Co-operation 2000 Report', p. 11.

Washington Consensus and toward what has been identified as the *post*-Washington Consensus.[4] The term Washington Consensus captures the neoliberal orthodoxy of the 1980s and early 1990s,[5] the limits of which were brought to the fore in the light of its adverse implications for social justice:[6] the 1980s came to be known as the 'lost decade' of development. In this context, the Washington Consensus was challenged to respond to calls for 'adjustment with a human face'.[7]

The post-Washington Consensus may thus be captured in terms of political responses aimed at addressing some of the social limitations of the Washington Consensus. But it goes beyond that: global institutional efforts have been stepped up in support of the international development targets.[8] Two key policy initiatives are noteworthy: firstly, the decision to increase the link between international debt relief and poverty reduction. Secondly, the decision to move beyond the debt initiative by making 'poverty reduction' the foremost conditionality of international financial institutions and bilateral and multilateral development agencies. In this context, a broadly based global development agenda is emerging. The form of policy restructuring for poverty reduction at the global level under the post-Washington Consensus has pertinent implications for global political economy, and more importantly for poverty and inequality.

This article critically explores the poverty reduction agenda[9] of the post-Washington Consensus. This agenda is central to the construction of what I identify as an emerging 'global development architecture', which may be distinguished on two accounts: conceptually, it has an explicit normative framing[10] and practically it entails a comprehensive structural reconfiguration of global order. The latter refers to a consolidation, constitutionally, of a distinctive policy framework for development at the supranational level, reflected in associated processes of global policy harmonisation.[11]

[4] See Richard Higgott, 'Contested Globalization: The Changing Context and Normative Challenges', *Review of International Studies*, 26 (2000). For an outline of the development policies prescribed in 1999 see OECD, 'Development Co-operation 1999 Report', *The DAC Journal–International Development,* 1:1 (2000).

[5] For an overview of the context of its original application and discussion of subsequent usage and meanings see, John Williamson, 'What Should the World Bank Think About the Washington Consensus?', *The World Bank Research Observer*, 15:2 (2000).

[6] See John Walton and David Seddon, *Free Markets and Food Riots: The Politics of Global Adjustment* (Oxford: Blackwell Publishers, 1994); Caroline Thomas, *Global Governance, Development and Human Security* (London: Pluto Press, 2000).

[7] Giovanni Andrea Cornia et al. (eds.), *Adjustment With a Human Face: Protecting the Vulnerable and Promoting Growth*, vol. 1 (Oxford: Oxford University Press, 1987).

[8] These include the commitment to 'reduce the proportion of people living in extreme poverty by half between 1990 and by 2015'. See OECD, 'Development Co-operation 2000 Report', pp. 41–2.

[9] See World Bank, World Development Report 2000/2001–'*Attacking Poverty'* (Oxford: Oxford University Press, 2000); Dan Ben-David et al., *Trade, Income Disparity and Poverty* (Geneva: WTO Publications, 1999); The *Global Poverty Report,* prepared by the Multilateral Development Banks and the International Monetary Fund for the G8 Okinawa Summit, July 2000; more recently, development and poverty reduction in particular, were placed as a core commitment in the final statement of the G8 Genoa Summit (www.g7.utoronto.ca/g7/summit/2001genoa/finalcommunique.html).

[10] This may be captured on the one hand in terms of discourses of 'empowerment', 'emancipation', or 'poverty reduction', and formulas such as 'making globalisation work for the poor'. On the other hand, those discourses must be situated and evaluated in the context of the *political* process in which they are embedded.

[11] A preliminary outline of such an agenda was evident in World Bank President, James Wolfenson's, *A Proposal For A Comprehensive Development Framework* (Washington, DC: World Bank, 1999).

The rules and norms of the emerging global development architecture,[12] however, I show to coincide—or rather to become unified—with wider global trends towards policy convergence,[13] in the logic of what Cutler refers to as the 'unification movement'.[14] The norms central to the unification movement are those of 'the law merchant (*lex mercatoria*) or private international trade law'.[15] Through a critical engagement with the emerging global development architecture, I show the poverty reduction agenda to be strategically embedded in global political economy. I demonstrate how it is instrumental in efforts to consolidate the unification movement and argue that its primary function is to link the unification movement at the supranational level with local social policy and politics. Consequently, the rules and norms of the global unification movement are extended to the level of individuals within local communities. Thus, the emerging development agenda many be conceptualised as an effort to 'globalise' the unification movement not merely at the 'constitutional level', but also at the level of establishing its reach and entrenchment within the realm of actual social relations.

I substantiate this argument by drawing on the example of microcredit and poverty reduction. Microcredit has salient local ramifications, as well as crucial multi-level policy implications. It thus affords crucial insights for locating the poverty reduction agenda in global political economy.

The example of microcredit and poverty reduction[16]

The idea that microcredit—as the road to self-reliance[17]—is an effective intervention for the 'empowerment of women'[18] in particular, and poverty reduction more

[12] These may be deduced from an interpretation of prescribed development strategies, which include: an institutional and legal framework which supports the emergence of an enterprise-based economy and an efficient public sector. The development of a competitive environment which enhances the efficient functioning of markets. See OECD, 'Development Co-operation 1999 Report', p. 28.

[13] See Hugo Radice, 'Globalization and National Capitalisms: Theorizing Convergence and Differentiation', *Review of International Political Economy*, 7:4 (2000); Saskia Sassen, 'Embedding the Global in the National:Implications for the Role of the State', in David A. Smith et al. (eds.), *States and Sovereignty in the Global Economy* (London: Routledge, 1999); Colin Hay, 'Contemporary Capitalism, Globalization, Regionalization and the Persistence of National Variation', *Review of International Studies*, 26:4 (2000).

[14] A. Claire Cutler, 'Public Meets Private: The International Unification and Harmonisation of Private International Trade Law', *Global Society*, 13:1 (1999).

[15] A. Claire Cutler, 'Locating "Authority" in the Global Political Economy', *International Studies Quarterly*, 43:1 (1999), p. 59; Jarrod Wiener, *Globalization and the Harmonisation of Law* (London: Pinter, 1999), esp. pp. 151–83.

[16] The concern of this article is with the particular global institutional approach (as outlined below) of microcredit and poverty reduction. It includes local operations that are informed and shaped by the global institutional approach, either formally or informally, directly or indirectly.

[17] This understanding informed the Hearing before the (US) Subcommittee on International Economic Policy and Trade of the Committee on International Relations House of Representatives (105th Congress, Session I). See the report of this hearing, *Microcredit and Microenterprise: The Road to Self-Reliance* (Washington, DC: US Government Printing Office, 1997).

[18] The Microcredit Summit in Washington DC in 1997 focused primarily on the potential of microcredit to empower 'destitute' women. *The Microcredit Summit Report, 2–4 February 1997* (Washington, DC: RESULTS Educational Fund, 1997).

generally, has come to occupy the status of a hegemonic discourse.[19] Locally, microcredit is purported to stimulate a transformation of the 'vicious circle' of poverty into a 'virtuous cycle' of economic advancement. Microcredit has been endorsed and adopted by the World Bank, Regional Development Banks and Bilateral and Multilateral Development Agencies and United Nations (UN) agencies.[20] In February 1997, it was given global coverage through the Microcredit Summit in Washington DC, which inaugurated an action plan to reach 100 million of the worlds poorest families, and particularly the women of those families, with microcredit by the year 2005.[21] The Summit's goals have been endorsed and are supported by actors including the Councils of International Financial Institutions and Donor Agencies.[22] The UN has adopted a resolution to declare the year 2005 as the year of microcredit.[23]

Explaining microcredit

Microcredit is the provision of small loans to poor individuals usually within groups as capital investment to enable income-generation through self-employment. Microcredit programmes may be complemented by the extension of microfinancial services (for example, options for insurance schemes or savings).[24] Microcredit differs significantly from other targeted poverty reduction strategies in that it is embedded in a commercial framework. Furthermore, it relies on the provision of *credit only*. No advancement of skills through training schemes (capabilities enhancement) accompany the packages. The approach has therefore come to be termed as microcredit *minimalism*. Microcredit is provided in the absence of conventional forms of collateral. Instead, group (mutual) guarantee mechanisms, such as peer monitoring and peer pressure, are employed as a form of social collateral. Interest rates are charged on a commercial basis. In some cases it is a condition that Non Governmental Organisations (NGOs) or Microfinance Institutions (MFIs) do *not* lend to the poor below a given commercial rate.[25]

Public discourses on microcredit have presented it as a panacea for poverty reduction. Much of its legitimacy has also been sustained through its association

[19] I have engaged this issue focusing particularly on the social impact and experience of microcredit programmes elsewhere. See Heloise Weber, 'Global Governance and Poverty Reduction: the Case of Microcredit' in Rorden Wilkinson and Steve Hughes, *Global Governance: Critical Perspectives*, (London: Routledge, forthcoming 2002).

[20] Details of the integration of microcredit and microfinance at policy level can be found at the websites of respective institutions and agencies.

[21] *The Microcredit Summit Report,* p. 1.

[22] Ibid., pp. 47–49.

[23] United Nations, 'Resolution Adopted by the General Assembly [on the report of the Second Committee (A/53/613)]. 'Resolution 53/197. International Year of Microcredit, 2005' (New York: United Nations, 22 February 1999).

[24] For the purposes of this article, microcredit and microfinance will be referred to interchangeably.

[25] For example, a World Bank-supported apex financial institution in Bangladesh is clear on this policy. See World Bank, *Bangladesh, Poverty Alleviation Microfinance Project* (Washington, DC: World Bank, 1996), p. 51. In general, interest rates may range from anything between 25–40 per cent or higher.

with the 'success' stories of the Grameen Bank in Bangladesh,[26] which has come to serve as a model of the 'virtuous' outcomes of microfinance minimalism.[27]

However, impact assessment studies have challenged the conventional wisdom of the poverty impact of microcredit, including the 'success' stories of the Grameen Bank.[28] The World Bank's own studies have cautioned on the 'band-wagoning'[29] of microcredit minimalism for poverty reduction.[30] Such critical findings have not translated into policy rectification, rather policymakers have reacted by changing the terms of reference. Thus, where the widespread use of microcredit for purposes other than investment for self-employment prevails, policymakers now refer to 'consumption smoothing'. The equally widespread practice of poor clients borrowing from one NGO (and/or MFI) to pay off the other is simply referred to as 'cross-borrowing' or 'over-lapping'. The taking of new loans to service repayment of old loans is referred to as 'pyramid loan' systems. In this context, the question arises as to *what* really motivates the microcredit agenda?

Closer scrutiny suggests that microcredit may be motivated primarily by its capacity to perform a 'dual function' in the global political economy. Firstly, as a financially steered targeted poverty reduction strategy, microcredit, *via* its implications for policy, facilitates financial sector liberalisation as well as extending the policy of trade in financial services to the local level. Secondly, microcredit minimalism has a disciplinary potential that renders it particularly conducive to functioning as a political safety-net. In the latter case, it offsets 'income-insecurity' and attempts to absorb surplus labour in growing informal sectors.[31] Appropriated as a *political* safety-net, microcredit *via* its disciplinary potential dampens or contains resistance to the implementation of neoliberal policies at local levels.[32] In addressing microcredit in

[26] A representative of Grameen gave evidence on the virtues of microcredit to the US Congress. See *Microcredit and Microenterprise: The Road to Self-Reliance.* Grameen was also presented as a key 'success' story at the Microcredit Summit in Washington, DC, 1997.

[27] See World Bank, *Financial Systems and Development* (Washington, DC: World Bank, 1990), see esp. pp. 98–103.

[28] See for example McDonald Benjamin and Joanna Ledgerwood, 'Case Studies in Microfinance, Non-Governmental Organizations (NGOs) in Microfinance: Past, Present and Future—An Essay, May 1999 (http://www-esd.worldbank.org/sbp/end/ngo.htm); Shahidur Khandker, *Fighting Poverty with Micro-credit* (Washington, DC: World Bank, Poverty and Social Policy Department—unpublished research document); Aminur Rahman, *Rhetoric and Realities of Micro-Credit for Women in Rural Bangladesh: A Village Study of Grameen Bank* (Ph.D thesis, Department of Anthropology, University of Manitoba, Canada, 1998); Aminur Rahman, 'Micro-credit Initiatives for Equitable and Sustainable Development: Who Pays?', *World Development,* 27:1 (1999). These studies point to the adverse social implications as a result of the credit intervention, such as an increase in violence at the community level, particularly against women, an increase in child labour and further impoverishment resulting from a rising spiral of debt. My own participant observation of microcredit and poverty in Bangladesh confirmed the critical research findings. See Weber, 'Global Governance and Poverty Reduction: the Case of Microcredit'.

[29] Benjamin and Ledgerwood, 'Case Studies in Microfinance', see esp. pp. 10, 33.

[30] Shahidur R.Khandker et al., *Grameen Bank, Performance and Sustainability* (Washington, DC: World Bank, 1996), p.86.

[31] For more on the role of microcredit in a rising informal sector, see the International Labour Organization (ILO) *World Labour Report 2000* (Geneva: ILO, 2000).

[32] See n. 28 above; Microcredit, as a strategy to offset income insecurity (from the perspectives of both the creditors and debtors) can often be tied to the political motives of creditors, with which debtors may choose to comply if framed as the only alternative for meeting basic needs. These social needs may be further instrumentalised to undermine or fragment social and political solidarity at the community level, especially in a context of repayment crisis. The strategy also seeks to ideologically entrench a competitive ethos for what Muhamud Yunus of Grameen calls 'grass-roots' capitalism. Similar parallels of power and authority may be drawn with reference to the organisation of global credit, see Randall D. Germaine, *The International Organization of Credit: States and Global Finance in the World Economy* (Cambridge: Cambridge University Press, 1997).

terms of its 'dual function' (strategic embedding) in global political economy new light is shed on the political economy implications of initiatives advanced to link local political economies with global political imperatives.[33]

Contextualising microcredit: linking global and local political economies?

Global efforts to advance particularly the financial sector imperatives[34] of the unification movement *via* effecting policy changes may encounter multi-level political as well as social constraints.[35] This is because:

> [t]he global unification movement privileges the private sphere and facilitates the further denationalization of capital and *the disembedding of commercial activities from governmental and social control.* Unification thus operates as a corporate strategy designed to assist the reconfiguration of authority in the global political economy in line with the disciplinary neoliberal agenda.[36]

The implications of the unification movement are social as well as political: They can be seen to 'blur the distinction between public and private authority in global political economy'.[37] This 'obscures the political significance of private economic power through the association of authority with the public sphere and its disassociation with private activities'.[38] Private economic power as *public authority* not only undermines the 'democratic provision'[39] but also limits the parameters of *how* entitlements to public goods and services might be secured.[40] This shift in the nature and form of governance is 'reconfiguring political authority as significant decisions over the disposition of resources are being devolved to the private sphere',[41] and thus making it harder to sustain a 'public' challenge to private authority.

The social tension inherent in artificially abstracting the economic from the political through a 'public/private' distinction,[42] which is a 'differentiation within the

[33] The case of Bangladesh is an illustrative example of how the dual purpose of microcredit functions. In 1996 the World Bank authorised a poverty alleviation microfinance project for Bangladesh. This project is also recognised as part of an overall strategy for financial sector liberalisation. See World Bank, *Bangladesh, Poverty Alleviation Microfinance Project,* p. 15. Prior to this, in 1995 a report on privatisation and adjustment in Bangladesh cited microcredit as a strategy to overcome potential resistance to this agenda. See World Bank, *Bangladesh*, *Privatization and Adjustment* (Washington DC: World Bank, 1994), p. 49.

[34] The 'unification movement' is driven by sectors that include transnational insurance, financial corporations and national chambers of commerce. See Cutler, 'Locating "Authority" in the Global Political Economy', p. 72.

[35] For more on finance in relation to the global public goods debate see Geoffrey R.D. Underhill, 'The Public Good versus Private Interests in the Global Monetary and Financial System', *International and Comparative Corporate Law Journal,* 2:3 (2000).

[36] Cutler, 'Public Meets Private', p. 48.

[37] Ibid., p. 26.

[38] Cutler, 'Locating "Authority" in the Global Political Economy', p. 72.

[39] Robert Latham, 'Globalisation and Democratic Provisionism: Re-reading Polanyi', *New Political Economy*, 2:1(1997).

[40] See, for example, Underhill, 'The Public Good Versus Private Interests in the Global Monetary and Financial System'; Kanishka Jayasuriya, 'Globalization, Law, and the Transformation of Sovereignty: The Emergence of Global Regulatory Governance', *Indiana Journal of Legal Studies*, 6:2 (1999).

[41] Cutler, 'Public Meets Private', p. 28.

[42] A. Claire Cutler, 'Artifice, Ideology and Paradox: The Public/Private Distinction in International Law', *Review of International Political Economy*, 4:2 (1997); A. Claire Cutler, 'Global Capitalism and Liberal Myths: Dispute Settlement in Private International Trade Relations', *Millennium,* 24:3 (1995).

political sphere',[43] may well need to be managed through disciplinary neoliberalism.[44] Thus, if the advancement of the unification movement proceeds through neoliberal discipline at the global level, then its extension to the level of individuals within local communities may also reflect this dynamic. In this context, the 'dual function' of microcredit becomes relevant: its capacity to facilitate the advance of the unification movement while at the same time offsetting its socially disembedding logic *via* its function as a political safety-net. Its disciplinary component may be crucial to the objective of extending the socially disembedding logic of the global unification movement to the level of local communities.

The global framing of the poverty reduction agenda in these terms under the post-Washington Consensus suggests an approach to development based on a strategy of crisis management. The objective seems to be to manage what is perceived as 'two crises': the crisis of global poverty[45] and the crisis of global capitalism.[46] Through insights drawn from Karl Polanyi it will be shown below *how* such a conceptualisation may misinform global responses to poverty reduction.

Polanyi's double-movement: understanding the 'two crises'

The two crises—the crisis of global poverty and a crisis of capitalism—are salient features of contemporary global political order: they are at the centre of such globalisation debates,[47] as James Mittelman captures in terms of the 'globalisation syndrome'.[48] Globalisation as a process may be conceived in terms of both the expansion (and consolidation) of the unification movement[49] as well as in terms of increasing trends to conceive of a humanist global project based on universal rights and duties, anchored in notions of substantive democratic participation.[50] This means that expectations of empowerment for the 'better life' are increased simultaneously as the unification movement is advanced. But the tendency of the unification movement to operate in a socially disembedding logic may undermine the

[43] Ellen Meiksins Wood, 'The Separation of the Economic and Political in Capitalism', *New Left Review,* 127 (1981), p. 82.

[44] Stephen Gill, 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism', *Millennium*, 24:3 (1995).

[45] OECD, 'Development Co-operation 1999 Report', p. 119.

[46] For discussion of this, see the collection of essays in Werner Bonefeld and John Holloway (eds.), *Global Capital, National State and the Politics of Money* (London: Macmillan, 1996).

[47] See for example Samir Amin, *Capitalism in the Age of Globalization* (London: Zed Books, 1997); Caroline Thomas, 'Where is the Third World Today?', *Review of International Studies,* 25 (1999); Julian Saurin, 'Globalisation, Poverty and the Promises of Modernity', *Millennium,* 23:3 (1996); Julian Saurin, 'The Global Production of Trade and Social Movements' in Annie Taylor and Caroline Thomas (eds.), *Global Trade and Global Social Issues* (London: Routledge, 1999), pp. 217–36.

[48] James H. Mittelman, *The Globalization Syndrome: Transformation and Resistance* (Chichester: Princeton University Press, 2000), p. 4.

[49] It is such a conceptual understanding of globalisation that is employed in this article, rather than appropriating globalisation as the *explanation* of transformation. For more on this see Justin Rosenberg, *The Follies of Globalisation Theory* (London: Verso, 2000).

[50] Some of these issues are discussed in Tim Dunne and Nicholas J. Wheeler (eds.), *Human Rights in Global Politics* (Cambridge: Cambridge University Press, 1999). See also the collection of essays in Morten Ougaard and Richard Higgott (eds.), *Towards a Global Polity* (London: Routledge, 2002).

emanicipatory project and thus result in the delegitimation of the unification movement itself. This tension was brought to the fore, challenging the Washington Consensus. It is in such a context that questions pertaining to the legitimacy of globalisation increasingly came to global prominence.[51]

The two crises are neither new, nor independent of each other. In *The Great Transformation,* Polanyi captured what is at stake in this context in dialectical terms, and conceptualised it through the metaphor of the 'double movement'.[52] He referred to the specificity of capitalism on the one hand to disembed the economy from society, allowing the free market to self-regulate with reference to public goods.[53] However, Polanyi observed that this ideal was a 'stark utopia'[54] that set in motion a dialectical process comprising society's attempts to recapture and re-embed the economy within social and political control.[55] The dialectic of the 'double movement' was thus discerned to be the tension between 'market society' and 'society with markets'. The former refers to the 'propensity of capitalist society to define and to quantify social life in market terms',[56] the latter to socially embedded forms of exchange predicated on reciprocity and redistribution.[57]

Although Polanyi's insights are historically specific, it has been argued that the analogy of the 'double movement' may be equally applicable to present circumstances.[58] However, rather than an analogy it is better understood as a historical continuum of the tension inherent in the 'push' factor of market forces and the 'pull' factor of the social life-world. In the contemporary context, what might have changed to a degree however—since the post-1945 political order—is the role of the state as a counterforce to protect society from the potentially adverse consequences of the tendency of capital to become disembedded.[59] Thus, for example, the

51 One of the most visible politics of resistance was recently evident in Seattle. See the discussions on Seattle by Mary Kaldor, Jan Aart Scholte, Fred Halliday and Stephen Gill in the *Millennium*, 29:1 (2000), pp. 103–140.

52 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, 1957).

53 'Self-regulate' here does not mean the absence of political regulation, rather it attempts to capture the political ideology of *laissez-faire*. For more on 'disembedding' see, Elmar Altvater, 'The Growth Obsession', in Leo Panitch and Colin Leys (eds.), *Socialist Register 2002: A World of Contradictions* (London: Merlin Press, 2002).

54 Polanyi, *The Great Transformation*, p. 3.

55 To be sure, conceptions of 'politics' underpin both the (neo)liberal idea of the market society, as well as alternative versions of 'societies with markets'. The political conception of the second movement entails the more radical democratic idea of a politics of the life-world, which subjugates the logic of market exchange to a solidarist and holistic ideal of emancipation and mutual advancement. (For supporting arguments on the limitations of liberal political theory and particularly the predominance of a narrow conception of liberty as *negative liberty*, see, for example, Anne Phillips, *Which Equalities Matter?* (Cambridge: Polity Press, 1999); C.B.Macpherson, 'Berlin's Division of Liberty' in *Democratic Theory: Essays in Retrieval* (Oxford: Clarendon Press, 1973).

56 Stephen Gill, 'Theorising the Interregnum: The Double Movement and Global Politics in the 1990s', in Bjorn Hettne (ed.), *International Political Economy: Understanding Global Disorder* (London: Zed Books, 1995), p. 87.

57 Bjorn Hettne, 'The International Political Economy of Transformation', in Hettne, *International Political Economy,* pp. 4–5.

58 Gill, 'Theorising the Interregnum'.

59 See for example Susan Strange, *The Retreat of the State* (Cambridge: Cambridge University Press, 1996). What I attempt to capture here is a shift away from a Social Democratic consensus. This should not be understood an endorsement of state-centrism as the only possible framework for realising solidarity-based conceptions of (distributive) social and political justice. These can be conceived, for example, in accordance with transformed conceptions of political community as advanced by Linklater in *The Transformation of Political Community* (Cambridge: Polity Press, 1998).

trajectory of the transformation of governance enacted through the authority of the state, relative to the imperatives of capital, since the post-1945 economic order may be described as being from one of 'embedded liberalism'[60] to the 'competition state'[61] and to its latest phase of the 'cooperative state'.[62]

Thus, in the latest phase, the tension of the 'double-movement' can be captured between the agencies of a *transnational* elite class[63] (advancing Polanyi's first movement, the market) and what might be loosely defined as 'global social movements'[64] (counter-advancing Polanyi's second movement).[65] In this sense, it may be argued that contemporary global transformation has merely transposed the dynamic of the 'double movement' from the confines of the Westphalian unit to the level of global social relations.[66] Thus, 'solutions to the problems of security and welfare' must now be 'found in transnational structures, global or regional'.[67] It is in the context of these trends and transformations that *local* social policy (particularly of low income states) has increasingly come to be set and defined at the level of global institutions. Deacon recently referred to this dynamic as the *supranationalisation* of local social policy.[68]

Thus, in addition to providing an understanding of the tensions between 'capital and society' under capitalism, what Polanyi's insights provide is a backdrop for locating and understanding the historical continuity of the poverty reduction agenda of the post-Washington Consensus. In this sense, the specific example of microcredit and poverty reduction can be best understood if situated in an historical process of crisis management. For this a brief engagement with the crisis of the 1970s and the evolution of the Washington Consensus is instructive.

[60] John Gerard Ruggie, 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', *International Organization*, 36:2 (1982).

[61] See Philip G. Cerny, *The Changing Architecture of Politics: Structure, Agency and the Future of the State* (London: Sage, 1990).

[62] This stage may be captured in terms of global drives for policy *harmonisation* as well as *unification* for commercial trade law. The constitution of the World Trade Organisation (WTO) can be seen to uphold the principle of 'fairness' in relation to capital. State membership of and commitment to the WTO thus can be seen to reflect the stage of state 'co-operation' in relation to the imperatives of capital. See also Wiener, *Globalization and the Harmonisation of Law*.

[63] Kees van der Pijl, *Transnational Classes and International Relations* (London: Routledge, 1998); Leslie Sklair, 'Social Movements for Global Capitalism; The Transnational Capitalist Class in Action', *Review of International Political Economy*, 4:3 (1997).

[64] Fantu Cheru, 'Transforming our common future: the local dimensions of global reform', *Review of International Political Economy,* 7:2 (2000). For an analysis of the limits and potentials of 'social movements' see William Robinson, 'Latin America in the Age of Inequality: Confronting the New "Utopia"', *International Studies Review*, 1:3 (1999).

[65] The way this tension is in fact played out renders the practices of the proponents less sharply distinguished than is implied by the constellation of a transnational elite class versus the politics of social movements. This, however, does not mean that these practices themselves are not anchored in this constellation in the way implied. Rather, it captures the tensions between the constituents of the constellation in terms of social/political struggle.

[66] Importantly, of course, this dynamic is as old as the capitalist state itself, pointing to the limitations of conceptualising global social formation in Realist/Westphalian terms (see, for example, Rosenberg, *Empire of Civil Society;* Christopher Chase-Dunn, *Global Formation: Structures of the World Economy* (Oxford: Blackwell, 1989). Notwithstanding, social-political struggle now occurs in qualitatively altered circumstances, with the site of political authority contested more saliently at different levels and in manners which suggest trends towards a transformation of modes of social political integration.

[67] Hettne, 'The International Political Economy of Transformation', pp. 12–13.

[68] Bob Deacon, 'Social Policy in Global Context', in Andrew Hurrell and Ngaire Woods (eds.), *Inequality, Globalization, and World Politics* (Oxford: Oxford University Press, 2000), p. 213.

'Crisis management' of the 1970s[69] and the genesis of the Washington Consensus: advancing Polanyi's 'first movement'?

The genesis of the Washington Consensus can be seen to have its roots in the capacity crisis of the 1970s. It has been argued that this crisis began 'with the erosion of the basis of postwar prosperity in the late 1960s (before the first oil shock of 1973), leading to a collapse of opportunities for productive investment'.[70] In seeking opportunities for capital accumulation, the pursuit of the potential for trade in services, and specifically financial services, emerged as a crucial objective of the advanced capitalist states.[71] These states were now post-industrial societies, with a thriving services sector.[72] As Ruggie observed then, 'the blurring of boundaries between domestic and international realms' were 'both hastened and deepened by the growing significance of traded services'.[73]

Capacity crisis, trade in services and trade in finance

In the context of efforts to advance the services sector, finance, as an investment category in itself, was to be included in the 'trade in services' agenda by the advanced capitalist states.[74] The 'decision in 1973 to abandon fixed exchange rates for good'[75] set in motion the 'formal' transition from a restrictive financial order to a liberal

[69] This period has been identified as the 'beginning of the crisis' of the post-war years. See Amin, *Capitalism in the Age of Globalization*, p. 16; R. J. Barry Jones, 'Globalization in Perspective' in Randall Germain (ed.), *Globalization and its Critiques: Perspectives from Political Economy* (London: Macmillan, 2000); Susan Strange, *Casino Capitalism* (Oxford: Basil Blackwell Ltd, 1986); Esthan B. Kapstein, *Governing the Global Economy: International Finance and the State* (Cambridge, MA: Harvard University Press, 1994); Bonefeld and Holloway, *Global Capital, National State and the Politics of Money*.

[70] Amin, *Capitalism in the Age of Globalization,* p. 20. For an account of the relationship between finance and the 'real economy' in the context of changing political economy during this crisis period, see Phillip G. Cerny, 'The Political Economy of International Finance', in Cerny (ed.), *Finance and World Politics: Markets, Regimes and States in the Post-Hegemonic Era* (Hants, UK: Edward Elgar 1993).

[71] With reference to the emergence of a trade in services agenda in the context of the oil shock in 1973, see Jacques Nusbaumer, Vice President (1986) of the Services World Forum, in the preface to Orio Giarini (ed.), *The Emerging Service Economy* (Oxford: Pergamon Press, 1986). The trade in services agenda was advanced steadily by the 'developed' states and the United States (US) in particular. See Helena Stalson, 'US Trade Policy and International Service Transactions', in Robert P. Inman (ed.), *Managing the Service Economy: Prospects and Problems* (Cambridge, MA: Cambridge University Press, 1985); Jagdish Bhagwati, 'International Trade in Services and its Relevance for Economic Development', in Giarini, *The Emerging Service Economy*, see esp. p. 25; John Gerard Ruggie, 'At Home Abroad, Abroad at Home: International Liberalisation and Domestic Stability in the New World Economy', *Millennium*, 24:3 (1995), esp. p. 514; K.N.Schefer, *International Trade in Financial Services: The NAFTA Provisions* (London: Kluwer Law, 1999), preface, pp. xxii, 48. For an account of the re-emergence of finance during this period, see Eric Helleiner, *States and the Reemergence of Global Finance* (Cornell, NY: Cornell University Press, 1992).

[72] See for example also Robert P. Inman, 'Introduction and Overview' in Inman (ed.), *Managing the Service Economy*, p. 1.

[73] Ruggie, 'At Home Abroad, Abroad at Home', p. 513.

[74] For an account of the early policy level developments of the 'trade in services' agenda and the implications for the financial sector, see Schefer, *International Trade in Financial Services*.

[75] Strange, *Casino Capitalism*, p. 7.

financial order.[76] One consequence has been the dynamic expansion of the financial services sector that saw the rise of non-bank institutions engaging with banking services and banks engaging with innovative financial investments.[77] With reference to the implications of these shifts in political economy, Robert Cox noted their implications for the options and choices of national policymaking. He stated then, that '[a]djustment to global competitiveness is the new categorical imperative'.[78] Generally, representatives of 'developing' states have been reluctant to 'adjust' to the new global imperatives, and have been particularly cautious of liberalising their financial sectors. However, primarily, although not only, through the instrumental role of particularly the IMF and World Bank, adjustments of state policy to the new global imperatives have been facilitated.

For example, Samir Amin locates the 'actions of international institutions after 1970' in this context.[79] He refers to the roles of the IMF and the World Bank in managing the crisis of this period and specifically to the development and promotion of Structural Adjustment Programs (SAPs) by and through these institutions.[80] If it can be argued that SAPs, to a degree, represent policy initiatives to advance Polanyi's first movement in response to the crisis of the 1970s, the counter-response by the second movement was to follow.

SAPS, the Washington Consensus and Polanyi's second movement

The implementation of SAPs increased rapidly during the 1980s and 1990s. As their impact became more far-reaching a 'politics of disquiet' took shape at multilevels and particularly at the local level.[81] At this juncture, initial discernable indications arose of the imminence of pushes in terms of Polanyi's 'second movement'. One of the most evident manifestations of the potential of the 'second movement' to resist the advance of the socially disembedding logic of the 'first movement' occurred in Bolivia during the implementation of the New Economic Program (NEP) in 1986.[82] To offset the demands of the 'second movement', the Emergency Social Fund (ESF) for Bolivia was created. Microcredit minimalism was a key component of the ESF.[83] The ESF approach departed from traditional public welfare programmes. It was both

[76] Ibid., p. 5.
[77] Murray Gibbs, 'Continuing the International Debate on Trade in Services', *Journal of World Trade Law*, 19:3 (1985), see esp. p. 208; Strange, *Casino Capitalism,* p. 54; Kapstein, *Governing the Global Economy*, p. 30.
[78] See Robert Cox, 'Structural Issues of Global Governance', in Stephen Gill, (ed.), *Gramsci, Historical Materialism and International Relations* (Cambridge: Cambridge University Press, 1993), pp. 60–61.
[79] Amin, *Capitalism in the Age of Globalization*, p. 17.
[80] Ibid., p. x.
[81] See Walton and Seddon, *Free Markets and Food Riots: The Politics of Global Adjustment*.
[82] For more on this, see James Dunkerley, *Bolivia: Political Transition and Economic Stabilization, 1982–1989* (London: Institute of Latin American Studies, University of London, 1990); Jeffrey D.Sachs (ed.), *Developing Country Debt and Economic Performance: Country Studies—Argentina, Bolivia, Brazil and Mexico,* vol. 2 (London: The University of Chicago Press, 1990), esp. pp. 157–266.
[83] See Jorgensen et al., *Bolivia's Answer to Poverty, Economic Crisis, and Adjustment: The Emergency Social Fund* (Washington, DC: World Bank, 1997), p. 6.

conceptually and in its practical design oriented towards the private entrepreneur—which suited well the objectives of the NEP.[84]

The Bolivian ESF: the counter-response to the second movement?

The Bolivian ESF was, from its inception, informed primarily by strategic political considerations.[85] The 'dual function' of microcredit minimalism served well to sustain as well as facilitate the liberalisation agenda from the 'bottom-up'. Analysis of the ESF for its potential for replication concluded that:

> [t]he *basic principle of a financial intermediary* that provides grants to local groups on a demand-driven basis using flexible and well designed management strategies is more *globally applicable*.[86]

The ESF approach has been replicated through the World Bank's Social Funds policy framework in comparable political situations elsewhere.[87] The strategic role of Social Funds (and safety-nets more generally) in disciplining the poor has been well researched.[88] There is evidence to support a causal linkage between the strategy itself, as well as its methods of implementation, and pre-empted political outcomes, at least in the formal sense. The ESF strategy was to become a crucial element in the poverty reduction policy inventory of the post-Washington Consensus, particularly since it has been acknowledged that the social costs of adjustment may not be a temporary problem of transition but rather long-term.[89]

The 'double movement' and complex multilateralism: towards the Post-Washington Consensus

The Bolivian experience reflected the potential implications of political contestations for the implementation of SAPs: from a Polanyian interpretation, the politics of the second movement was increasingly gaining prominence. In 1986, the IMF recognised

[84] This was well noted by the researchers at the World Bank. See Jorgensen, *Bolivia's Answer to Poverty,* p. 120.
[85] Jorgensen, *Bolivia's Answer to Poverty,* p. 51; Frances Stewart (with Willem van der Geest), 'Adjustment and Social Funds: Political Panacea or Effective Poverty Reduction?', in Stewart, *Adjustment and Poverty* (London: Routledge, 1995), p. 115.
[86] Jorgensen, *Bolivia's Answer to Poverty,* p. 114 (emphasis added).
[87] Deepa Narayan and Katrinka Ebbe, *Design of Social Funds–Participation, Demand Orientation, and Local Organizational Capacity* (Washington, DC: World Bank, 1997), pp. 2–3, 52–71.
[88] Jessica Vivian, 'How Safe are "Social Safety Nets"', in Vivian (ed.), *Adjustment and Social Sector Restructuring* (London: Frank Cass, 1995). Generally, all the essays in this volume provide an interesting angle on this issue. See also Joan M. Nelson, 'The Politics of Pro-Poor Adjustment', in Nelson et al., *Fragile Coalitions: The Politics of Economic Adjustment* (Washington, DC: Overseas Development Council, 1989).
[89] See Philip J. Glaessner et al., *Poverty Alleviation and Social Investment Funds: The Latin American Experience* (Washington, DC: World Bank, 1994), p. xiv; Anthony G. Bigio, *Social Funds and Reaching the Poor: Experiences and Future Directions* (Washington, DC: World Bank, 1998), p. 36; Helena Ribe et al., 'How Adjustment Programs Can Help the Poor' (Washington, DC: World Bank 1990).

the urgent need to proactively counteract such tendencies.[90] These concerns were incorporated into policy in the form of 'confidential standard instructions' from 1988 onwards,[91] which stipulated that the IMF 'in concert with the member country, may seek a solution within the framework of the programme'[92] to counteract any potential social and political resistance. It is in this context, that a distinctively reformulated poverty focus also re-emerged in the World Bank.[93] The focus being on '. . . the poorest groups in countries that are undertaking adjustment programs'.[94] The World Bank developed a 'Master Plan' which included '. . . involvement with NGOs, poverty programs, women's programs, and *micro-enterprises*,'[95] These efforts resulted in the adoption of the Program of Targeted Interventions (PTI) for poverty reduction.[96] In 1991 an Operational Directive on poverty (OD 4.15) was approved. As targeted approaches to poverty reduction increased so did the appropriation of microcredit.[97] By 1995, '(a)bout 18 Latin American and Caribbean countries' had adopted 'some version of the ESF model'.[98] It may have seemed that the World Bank was finally responding to calls for 'adjustment with a human face'. However, the increase of targeted interventions that accompany investment lending must be understood in context.

Poverty reduction and financial sector liberalisation: legitimating coercive convergence?[99]

Given that financial sector steering through poverty reduction had already been institutionalised from the 'bottom-up',[100] the stage had already been set to smooth the process of policy convergence in the logic of the unification movement between and within institutions. For example, trends in the global financial services sector

[90] Eric Denters, *Law and Policy of IMF Conditionality* (The Hague: Kluwer Law, 1996), p. 135.
[91] Denters, *Law and Policy of IMF Conditionality,* p. 135–ns. 70 and 71.
[92] Ibid., pp. 136, p. 135/6, n. 38.
[93] For an analysis of the early origins of targeted poverty reduction strategies during the Cold War and their strategic motivations, see Robert Ayres, *Banking on the Poor: The World Bank and World Poverty* (London: MIT,1984).
[94] D Kapur et al., *The World Bank–Its First Half Century*, vol. 1 (Washington, DC: Brookings Institute, 1997), p. 368.
[95] Kapur, *The World Bank,* p. 368 (emphasis added).
[96] Ibid., p. 368.
[97] For example, the 1990 World Development Report (on poverty) was to cite microcredit and particularly the Grameen Bank approach of microcredit minimalism as a potentially viable strategy for poverty reduction (Washington DC: World Bank, 1990).
[98] See for example, Beneria and Mendoza, 'Structural Adjustment and Social Emergency Funds', p. 54.
[99] For a discussion of the application of coercion in achieving policy convergence, see Hay, 'Contemporary Capitalism'.
[100] The financial liberalisation drive, although brought to the forefront of policymaking since the 1980s, has been taking shape since the 1970s. This may be recalled by reference to the role of the International Development Association (IDA) in advancing rural agricultural credit. The rural financial markets were one of the first ways in for the World Bank's efforts to achieve financial liberalisation. (The 'Ohio School' financial systems approach has had an influence on the World Bank. For a critique of this, see J. Allister McGregor, 'Towards a Better Understanding of Credit in Rural Development. The Case of Bangladesh: The Patron State', *Journal of International Development*, 1:4 (1989).

have been reflected in the transformations of the original mandates of both the IMF and the World Bank.[101] In this context, Key has observed that '[n]ew relationships and lines of communication are being established between the IMF, the World Bank and the WTO as regards liberalization'.[102]

In keeping with its responsibility for financial sector development in accordance with the institutional division of labour between itself and the IMF,[103] the World Bank adopted an Operational Directive 8.30, on Financial Sector Operations (OD 8.30) in 1992. It has been stated that OD 8.30 was a result of the 1992 Levy Report which 'challenged the Bank to find new ways to do business in the field of finance'.[104] It set strict guidelines on the use of subsidies and advocated commercial on-lending interest rates. However, due 'to uncertainty about how to implement the guidelines into practice'[105] OD 8.30 was recast in 1998 as an Operational Policy (OP 8.30) on Financial Intermediary Lending (FIL).[106]

In recasting its operational policy for the financial sector, the World Bank has explicitly incorporated microcredit minimalism into it. Moreover, it is anticipated that the World Bank's forthcoming Operational Policy 4.15 (OP 4.15) on Poverty will cite microcredit as a targeted poverty reduction strategy.[107] In this sense, OP 4.15 will complement—and facilitate—the implementation of wider financial sector objectives. Although not yet formally co-ordinated, through the PTI and Social Funds lending modalities this has effectively been achieved in practice. Importantly, by anchoring OP 8.30 (FIL) in the context of the microcredit and poverty reduction agenda, the advance of broader financial sector policy objectives is legitimated *via* the poverty reduction discourse.

The World Bank's role in facilitating the 'enabling environment' for the financial services sector *via* the microcredit and poverty reduction agenda is further exemplified by the creation of the Consultative Group to Assist the Poorest (CGAP) in 1995. The CGAP, a multi-donor initiative, is specifically charged with a mandate to facilitate the enabling environment for microcredit minimalism.[108] The CGAP has co-ordinated operations with the World Bank to achieve country-level (and regional) commitments for financial liberalisation. According to the CGAP, this has resulted in 'expedited financial sector reform' in several countries, including China, Brazil, Vietnam and Togo. [109]

101 See IMF, *Annual Report 1998* (Washington, DC: IMF, 1998).

102 Sydney J. Key, 'Trade Liberalization and Prudential Regulation: The International Framework for Financial Services', *International Affairs,* 75:1 (1999); see esp. p. 74.

103 See Denters, *Law and Policy of IMF Conditionality*, p. 160. See also The World Bank Group Operations Policy and Strategy, 'Poverty Reduction Strategy Papers Internal Guidance Note', 21 January, 2000 (available at www.worldbank.org).

104 CGAP, 'A Review of the World Bank's Microfinance Portfolio' (Washington, DC: World Bank, 1997), p. 2.

105 CGAP, 'A Review of the World Bank's Microfinance Portfolio'.

106 World Bank, Operational Policy 8.30 (OP 8.30) Financial Intermediary Lending (FIL), (Washington, DC: World Bank, Operational Manual, July 1998).

107 Authors' interview with the Director of the Poverty Reduction and Economic Management Sector in the World Bank, February 1999.

108 CGAP, 'A Policy Framework for The Consultative Group to Assist the Poorest (CGAP): A Microfinance Program'—5 September 1995 (www.cgap.org).

109 CGAP, *Status Report* (Washington, DC: CGAP Secretariat, World Bank), p. 24.

The implications for financial sector liberalisation at multiple levels, as a result of policy co-ordination for poverty reduction through microfinance, are evident. The 'level of global integration in financial services has proceeded far further than in most other sectors of economic life'.[110] Significant progress has been made on the liberalisation of the financial sectors of developing countries.[111] The contribution of microcredit conducive policy adjustments towards this outcome must not be underestimated.

It is against the background of the argument developed so far that I draw observations about the relationship between the Washington Consensus, the post-Washington Consensus and the emerging global development architecture. These are addressed below.

The post-Washington Consensus and the imposition of a global development architecture (GDA)

Under the post-Washington Consensus, the global unification of private international trade law is consolidated in terms of an architecture for global development at the *supranational* level.[112] This entails the harmonisation of policy across a broad range of global institutions (such as the World Bank, UN Agencies as the UNDAF[113] and multilateral and bilateral development agencies). The Development Assistance Committee (DAC) has been commissioned to oversee this process.[114] Key instruments for its implementation are the new poverty-focused conditionalities of the IMF and the World Bank: the Poverty Reduction Strategy Papers (PRSPs).[115] The framing of the emerging GDA in terms of the global unification movement means that its central function is best understood against the backdrop of the 'double movement'. It is designed to primarily reassert the supremacy of Polanyi's 'first movement'. This can be discerned clearly in relation to central premises of the emerging GDA. Policy prescriptions emphasise economic liberalisation and the free-market approach as a prerequisite for other emancipatory goals.[116] Thus, the DAC is

[110] Jones, 'Globalization in Perspective', p. 258.

[111] Andre Sapir, 'The General Agreement on Trade in Services: From 1994 to the Year 2000', *Journal of World Trade*, 33:1 (1999), p. 59.

[112] A key decision in this direction was adopted at the WTO's Ministerial Conference in Singapore in December, 1996. See the 'Comprehensive and Integrated WTO Plan of Action For the Least-Developed Countries' (Geneva: WTO, 1996). Pursuant to the *Plan of Action*, the approach underpinning the Integrated Framework was developed. (See wysiwyg://88/http://www.ldcs.org/intframe.htm)

[113] The UN has set in motion a policy to co-ordinate and harmonise policies of its various agencies through the UN Development Assistance Framework (UNDAF). See OECD, 'Development Co-operation 1999 Report', p. 107.

[114] OECD, 'Development Co-operation 1999 Report', pp. 124–5.

[115] See the World Bank Group Operations Policy and Strategy, 'Poverty Reduction Strategy Papers Internal Guidance Note'. I have engaged the role of the PRSPs as the central mechanism of implementation of the rules and norms of the emerging GDA elsewhere. See Heloise Weber, 'The Poverty Reduction Strategy Papers and "New Constitutionalism": Condition(alities) of "State Failure"?'.

[116] These convictions have been endorsed by the US Republican Treasury Secretary, Paul O'Neil. *Financial Times,* 15 February 2001, p. 20.

explicit that the social and environmental agenda '*must* be associated with liberalization'.[117] The emerging GDA exhibits a close affinity with the rules and norms of world trade law;[118] indeed through the emerging GDA the development and world trade agendas are conjoined. Here, the rules and norms of emerging GDA becomes *unified* with the global unification movement, and then implemented through a harmonisation of policy across global institutions. Hence, the argument that attention must be paid, 'concretely and systematically to policy coherence. (. . .) Here, coherence means coherence between policies in the North and South alike, and of all within the multilateral organisation.[119]

Thus, new forms of policy interlinkages emerge.[120] Policy co-ordination at this level and in its current phase can be seen to relate not only, but particularly, to *sectors* (such as finance, health, education), which coincides with current imperatives to advance the General Agreement on Trade in Services (GATS) of the WTO.[121] With reference to the financial services sector, financial liberalisation commitments in terms of the GATS now provide the World Bank and the IMF with both criteria according to which they draw up conditionalities for SAPs, and legal leverage for their implementation.[122] 'Indeed, South Korea undertook to improve its GATS financial services commitments as part of its 1998 IMF programme.'[123] The example of microcredit is again particularly illustrative in this context.

Microcredit *minimalism* has been given explicit recognition as global best practice. The guidelines for minimalism as outlined in the 'pink-book'[124] reflect the degree to which it is prestructured for all levels of the extension process of the global financial system. Firstly, the guidelines are harmonised with the World Bank's position on financial sector operations. Secondly, NGOs as potential financial intermediaries to the poor are subject to status revision by the CGAP and donor community for best practice. In many cases NGOs are now changing their status legally from 'NGO' to 'financial intermediary'. Thirdly, the language used in the policy literature on microcredit is of creating the enabling environment to ensure *access* to credit for the poor, reflecting directly the legal language of the GATS of the WTO.[125] Crucial here

[117] OECD, 'Development Co-operation 1999 Report', p. 3 (emphasis added).

[118] Efforts to integrate the development and world trade agendas have recently gained momentum. See especially paragraph 2 of the Doha 4th WTO Ministerial Declaration 2001(available at www.wto.org); Mike Moore, 'Changes in the Multilateral Trading System: Challenges for the WTO', Winconference 2001 Interlaken-Switzerland. WTO news 5 July 2001(available at www.wto.org).

[119] OECD, 'Development Co-operation 1999 Report', p. 3.

[120] See Dukgeun Ahn, 'Linkages between International Financial and Trade Institutions: IMF, World Bank and WTO', in *Journal of World Trade,* 34:4 (2000), pp. 1–35; Gary P. Sampson, 'Greater Coherence in Global Economic Policymaking: A WTO Perspective' in Anne O. Krueger (ed.), *The WTO as an International Organization* (London: University of Chicago Press, 1998).

[121] The linking of development policy with investment law and competition policy is evident in the Doha 4th WTO Ministerial Declaration 2001.

[122] Key, 'Trade Liberalization and Prudential Regulation', pp. 61–76.

[123] Ibid., p. 64.

[124] See *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries* (pink book) produced in 1995 by the 'Committee of Donor Agencies for Small Enterprise Development' and the 'Donors' Working Group on Financial Sector Development'. Available from the CGAP, World Bank. The 'pink book' rules have been endorsed across the board among the donor community.

[125] For a discussion of this issue regarding the problematic of gaining consensus for market *access* see Richard H. Snape, 'Reaching Effective Agreements Covering Services', followed by a commentary by Robert E. Baldwin, in Krueger, *The WTO as an International Organization.*

is not the replication of language *per se* but rather the policy implications of the legal interpretations for broader financial sector objectives. Implementation of the GATS is controversial. The GATS is tantamount to direct investment policy and *not* trade as conventionally understood. The microcredit minimalism and poverty reduction agenda can be seen to make a significant contribution to the removal of barriers to capital mobility in terms of both direct policy implications as well as legitimating it in terms of increasing *access* to credit for the poor; creating 'pro-poor enabling policy environments'. The argument advanced here is discernible in the British Government's latest White Paper on International Development, *Eliminating World Poverty: Making Globalisation Work for the Poor*.[126] By changing the terms of reference so as to render opaque the actual social experiences implied by such policies, any direct engagement with their cause and consequences in *political* terms might be avoided.[127]

Poverty reduction *as* crisis management: a Polanyian after-thought

Through the example of microcredit, the article has traced the dynamic of the poverty reduction agenda of the post-Washington Consensus back to the crisis of the 1970s. Microcredit has been situated in a historical context of crisis management of the advanced capitalist states. Even from a narrowly conceived South–North political economy perspective, it is clear that the crisis management strategy adopted then has *not* solved the crisis of capacity of the advanced capitalist states. Rather, we have rising concerns globally, including in the US, with growing surplus labour operating in the informal sectors.[128] Thus, the implications of the poverty reduction agenda must be understood in the historical context of *global* political economy.[129]

It is worthwhile to refer back to the initial framing of the poverty reduction agenda in Polanyian terms. If the market was seen to move 'into a groove' once again in the 1970s, efforts to reassert its supremacy came up against social and political limits, especially at the national level of policymaking, during the 1980s. A counter-response was shaped and was largely implemented by relevant global institutions through disciplinary neoliberalism.[130] This merely extended the dynamic of the 'second movement' to the level of the 'local' or the 'life-world', prompting a further counter-response focused on problems of micro-level risk management and

[126] UK Government (Department for International Development [DFID]), *Eliminating World Poverty: Making Globalisation Work for the Poor* (Norwich: The Stationary Office, 2000). Microcredit (p. 49) as well as capital account liberalisation (p. 64) are both prescribed as crucial elements of the poverty reduction agenda.

[127] Refer back to the discussion on the adverse social impact of microcredit above, whereby the official discourse is constructed in terms of 'consumption smoothing' and so on.

[128] See Ethan Kapstein, 'Winners and Losers in the Global Economy', *International Organization*, 54:2 (2000); see also the discussion of these issues by Altvater, 'The Growth Obsession'.

[129] See Peter Burnham, 'Open Marxism and Vulgar International Political Economy', *Review of International Political Economy*, 1:2 (1994).

[130] This was evident in a statement made by former Managing Director of the IMF, Michel Camdessus, '(…) adjustment is inescapable. If you do not do it voluntarily, it will take place as soon as you are cut off from international credit.' Michel Camdessus, in *Time,* 31 July 1989, quoted in Denters, *Law and Policy of IMF Conditionality,* p. 1.

thus setting the target for disciplining directly at the community level. Microcredit has been particularly conducive to both advancing the logic of the unification movement *and* offsetting its socially disembedding logic through its own inbuilt disciplinary potential imposed in the social sphere.

Since the argument advanced here adopts a historical approach and is particularly shown to link to the crisis of the 1970s, something needs to be said about the post-1945 embedded liberal compromise. Although embedded liberalism 'did indeed constitute a restructuring of the relationship between markets and political authority as Ruggie suggests' it never 'challenged the ultimate basis of the market as a disembodied institution itself'.[131] As Lacher argues, 'embedded liberalism' as conceptualised by Ruggie, did not work precisely because it differed fundamentally from the 're-embedding' of the economy in society in Polanyi's sense. Re-embedding cannot mean simply the restriction of the free-market, 'but its complete subjugation to democratic control by society, including the extension of democracy to the economic sphere'.[132]

An analysis of the post-Washington Consensus poverty reduction agenda using Polanyian insights helps not only to situate these recent trends within the broader context of capitalist crisis management but also to understand what these insights might offer for an *emancipatory* politics of development. A starting point is the recognition that the crisis of global poverty and the crisis of global capitalism are not distinct from each other, but are constituted as 'one', and must be understood in dialectical terms. A reconceptualisation of the crisis in these terms, may explain why even the best of intentions have either failed or resulted in further immiseration. Understanding this means understanding that '[p]overty is not a contingent social relation under capitalism; it is a *necessary* relation'.[133]

The non-recognition of the 'crisis' in these terms will mean that strategies in response will be based on the 'rejection or non-recognition of limits'[134] to crisis management. In this sense, the post-Washington Consensus—neoliberal politics—is perhaps 'the most evident manifestation of globalization', and can be seen 'not as the resolution of capitalist crisis but as "the politics of the unresolved crisis"'.[135] The *political* implications of development *as* crisis management may well be regressive, particularly if viewed from the perspective of substantive democratic politics. Under the post-Washington Consensus crisis management continues to push against its own limits.[136] The social implications of this mean that the imperatives of the

[131] Hannes Lacher, 'Embedded Liberalism, Disembedded Markets: Reconceptualising the Pax Americana', *New Political Economy*, 4:3 (1999), p. 345; see also Hannes Lacher, 'The Politics of the Market: Re-reading Karl Polanyi', *Global Society,* 13:3 (1999).

[132] Lacher, 'Embedded Liberalism', p. 345.

[133] Julian Saurin, 'The Global Organisation of Disaster Triumphant: The Unintended Consequences of Enlightenment'. A discussion paper presented at the ISA Convention, Chicago 20–24 February 2001, p. 16 (original emphasis).

[134] Saurin, 'The Global Organisation of Disaster Triumphant', p. 2.

[135] Julian Saurin, 'Organizing Hunger: The Global Organization of Famines and Feasts', in Caroline Thomas and Peter Wilkin, *Globalization and the South* (London: Macmillan, 1997), p. 108 [Saurin quotes here, J. Peck and A. Tickell, 'Jungle Law Breaks Out: Neo-Liberalism and Global-Local Disorder', *Area,* 26:4, p. 318].

[136] Microcredit and poverty reduction situated in the broader context of 'financial disembedding' must be understood in relation to the 'limits of the possible' within this logic. As Altvater argues 'the disembedded financial sphere has certainly not become irrelevant to the functioning of the real economy or society. On the contrary, globally formed interest rates on financial assets require matching real growth rates and in this way exert a severe pressure on the real economy'. This he argues 'sets new *economic* limits to growth'. See Altvater, 'The Growth Obsession', pp. 76–7.

first movement are advanced whilst disciplining and preframing the politics of the second. There is cause for concern. The way in which the post-Washington Consensus policy framework is consolidated means that it actually aims at de-legitimating the politics of the second movement. This is tantamount to an attempt at 'social closure'.[137] Genuine political struggle—asserted through political contestation—for *development* is undermined. The emerging GDA has no space or option to accommodate contending political conceptions of development or contending routes to development. Thus, the politics of the post-Washington Consensus may be seen as an attempt to *impose* the GDA in a manner that seeks to consolidate its inherent contradictions by pre-defining the 'limits of the possible' of political and social action not only, but also through legal positivism.[138]

Although it projects a normative—emancipatory—response to the concerns of the second movement, the *post*-Washington Consensus poverty reduction agenda reveals a more complex structural reconfiguration of global political economy: it seeks to constitutionally consolidate the key norms of the Washington Consensus on a global scale. In this sense, the emerging GDA falls within the broader global structural reconfiguration of what Gill defines as 'new constitutionalism'.[139] But it is more than this: it also seeks to confer *legitimacy* for the unification movement against the backdrop of a poverty reduction discourse. What is meant here, is that the normative discourse seeks to legitimate actual practices of discipline and domination which are extended through the poverty reduction strategies. This discourse speaks primarily to the concerns and interests of the dominant classes as they are 'generally required to normatively justify to themselves and the other members of society the existing social order from which they receive their privileges'.[140] At the same time, the actual practices aim at undermining the articulation of the 'consciousness of injustice' of the dominated. Preserving the democratic provision is important, as is closer scrutiny of the poverty and inequality implications of the post-Washington Consensus. This is important, as without it, as Altvater has argued through a succinct engagement with the logic of growth, 'the illusory faith in "growth triumphant" is bound to live on . . . while failing to overcome the crisis. . . . and the poor will remain poor and grow even more numerous'.[141] At least for now, the poverty reduction agenda of the post-Washington Consensus is committed to restaging the 'modern tragedy'.[142]

[137] See Ronen Palen, 'Global Governance and Social Closure or Who Is to Be Governed in an Era of Global Governance', in Martin Hewson and Timothy J. Sinclair (eds.), *Approaches to Global Governance Theory* (Albany: SUNY Press, 1999).

[138] The PRSPs are illustrative of this. See Weber, 'The Poverty Reduction Strategy Papers and "New Constitutionalism"'.

[139] Gill, 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism', see pp. 412–15.

[140] Axel Honneth, *The Fragmented World of the Social: Essays in Social and Political Philosophy* (Albany, NY: SUNY Press, 1995), p. 210. In the context of this discussion Honneth provides a sophisticated account of how the articulation by the dominated, of their 'consciousness of injustice' (a concept he draws from Barrington Moore) is undermined through processes which aim at what he calls 'desymbolization' and 'the individualization of class-specific consciousness of injustice' (p. 213).

[141] Altvater, 'The Growth Obsession', pp. 87–8.

[142] Saurin, 'The Global Organisation of Disaster Triumphant', p. 3.