Debt and Deception: Review Essay on John Perkins, Confessions of an Economic Hit Man (San Francisco: Berrett-Koehler, 2004) and Noreena Hertz, The Debt Threat: How Debt is Destroying the Developed World . . . and Threatening Us All (New York: HarperCollins 2004) for Business Ethics Quarterly

These are two interesting, controversial, complementary books. The authors are of different generations. John Perkins is sixty (2005). He was a college student during the Vietnam War who came to oppose the war, then joined the Peace Corp to avoid the draft. Noreena Hertz is thirty-six. She is an academic/activist, a professor of political economy who was tear-gassed at the massive Global Justice protest in Genoa (2001) at which hundreds were beaten by the Italian police and one protestor killed.

Their backgrounds are different. Perkins is an American who grew up in rural New Hampshire and attended the Tilton School, a prep school at which both his parents taught. Finding himself between two worlds, the "townies" with whom he had attended grade school and the children of affluence who were his high school cohorts, he compensated (he tells us) by excelling at everything: athletics, academics, school politics. He was offered an athletic scholar to Brown and an academic scholarship to Middlebury College. At his parent's insistence, he chose the latter--then rebelled, dropped out, moved to Boston. He eventually got an undergraduate degree from Boston University. Hertz is British, the daughter of fashion designer and feminist activist Leah Hertz. (Hertz describes her mother as "a cross between Mother Theresa, Superwoman and Cher."[1]) She was precocious--school at three, A levels at sixteen, a graduate of University College London at nineteen.

Their careers too have been different. Having obtained a B. A. in Business

Administration and served in the Peace Corp in Ecuador with his wife, Perkins was hired by the international consulting firm Chas. T. Main. Within a year, at age 27, he was promoted to chief economist. He worked for MAIN for ten years, becoming increasingly disillusioned and morally troubled--but captivated by the pay, power and glamour of the work. Finally, after much soul-searching, he quit. He created his own business, which succeeded spectacularly--due to a little help from his friends. At age forty-five he sold the company and retired. He began a "tell-all" book, but was offered a lucrative consulting retainer requiring minimal work on condition that he not write such a book. (He entitles the chapter in which he discusses these matters "I Take a Bribe.") He developed an alternative life, guiding small groups of people into the Amazon to spend time with the native peoples there, then organizing a non-profit motivational institute, Dream Change Coalition. But then, shaken by 9/11, he returned to his manuscript, now published and under review.

Like Perkins, Hertz experienced life in the international-consulting fast lane early on. At age twenty-three, having earned an MBA at Wharton, she went off to Russia, just after the collapse of the Soviet Union, to advise the Russians on economic reforms. (She was part of a World Bank team.) Like Perkins, she became disillusioned, she by the arrogance, ineptitude and political calculations of "the Washington big shots" who oversaw her work.

> "This is about politics," I was explicitly told. "The whole point of the privatization process is to take state assets out of state hands so that the Communist Party never returns." "And what about the people?" I asked. "The market will sort them out." (93)[2]

She went back to school, to Cambridge University, where she earned a Ph.D. in economics. In 2001 she published The Silent Takeover: Global Capitalism and the Death of Democracy, which soon became one of the central texts of the anti-globalization movement. The book was highly praised by George Soros, the Financial Times and The Observer (London), the latter labeling her "one of the world's leading young thinkers." Three years later she published The Debt Threat: How Debt is Destroying the Developing World . . . and Threatening Us All. (In the U.K. it was released as I.O.U.: The Debt Threat and Why We Must Defuse It.) She is now Associate Director of the Centre for International Business at Cambridge, and a professor of Political Economy at the University of Utrecht.

Both books under review have attracted widespread attention. Within a few weeks of its release Confessions of an Economic Hit Man made the New York Times best seller list, then those of USA Today, the Wall Street Journal and the Washington Post. It has been published in nine languages around the world. The Debt Threat has been praised by, among others, Nobel laureate Archbishop Desmond Tutu, U2's Bono, and rock impresario Bob Geldof.

Both authors have become public figures. Perkins has been interviewed by Amy Goodman on Democracy Now, and has appeared on CSPAN's Book TV and on PBS's Now with David Brancaccio. Hertz, too, was interviewed by Amy Goodman, and also by Bill Moyers, The London Times, Mother Jones and the U2 Blog, @U2. She has contributed Op Ed pieces to San Francisco Chronicle, and The Observer. She was the keynote speaker in January 2005 at Public Eye on Davos, the counterpoint conference to the World Economic Forum held each year in Davos, Switzerland. (The previous keynote speaker had been Mary Robinson, former U.N. High Commissioner for Human Rights.)

Both books are page-turners, written with passion. Perkins tells us that his manuscript was rejected by one publisher, who recommended that it be re-written as fiction. "We could market you in the mold of John Le Carré or Graham Greene." The recommendation is understandable. A political thriller might well open the way this book opens:

> Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the U.S. Agency for International Development (USAID), and other foreign "aid" organizations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet's natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalization.
>
> I should know. I was an EHM. (ix)

The Debt Threat opens with a rock star. Hertz recounts indefatigable lobbying effort by U2's lead singer, Bono, on behalf of the Jubilee 2000 movement, to convince the U.S. Congress to pass debt relief legislation. She describes his meetings with Paul Volcker (former chairman of the Federal Reserve), James Wolfenson (then head of the World Bank), David Rockefeller (former chair of Chase Manhattan), Robert Rubin (Treasury Secretary at the time), Lawrence Summers (soon-to-be Treasury Secretary), Arnold Schwarzenegger, Billy Graham, Jesse Helms, and many others. It is an exhilarating account with a happy ending--Congress agreed to provide $435 million in debt relief, the entire amount the campaigners had hoped for.

A trained economist, Hertz is very good at marshaling facts and figures, and at explaining how the international financial institutions work. But her prose is not that of your conventional economist. She begins her ferocious chapter on the IMF and World Bank, "Gray Men in Gray

Suits" with this epigraph:

> Imagine
> your bank
> manager said to you,
> "I will lend to you, but
> only if you jump up and
> down on one spot 100
> times, wear a haircloth
> shirt, and suck my dick."

Both these books are wild rides indeed!

Are they credible? With Hertz there is no question. Her command of the issues and numbers is impressive. Economists Lawrence Summers (now President of Harvard University), Jeffrey Sacks, Robert Wade and many others are thanked for their input. David Held is credited with being "the best intellectual sounding board I could have ever hoped for" (ix). Her conclusions and recommendations are controversial, but her expertise can scarcely be doubted.

Perkins is a more complicated case. He has his detractors, the most prominent being journalist Geoff Davidson, who has posted "Confessions of a Professional Liar" on several websites. A version of this piece, "Junk Library Science: Confessions of an Economic Hit Man," has been included in Peter Philip, ed. Censored 2006 (Seven Stories Press, 2005), a compilation of under-reported news stories from 2004 and 2005 that includes articles by Greg Palast, Norman Solomon and Dahr Jamail, all well-respected journalists.

But a close reading of Davidson's piece will disappoint those seeking hard evidence against Perkins. Davidson concludes that "[Perkins] wrote a book so unbelievable that it cannot be used to incite serious, scholarly debate."[3]

Why "unbelievable"? Davidson acknowledges that "the historical politics in Hit Man are well documented." And he can't show anything that Perkins claimed to be true to be false. (Not a single instance is cited!) It's just that he can't find any documentation in the public record for any of the personal stories that Perkins relates. ("None of the writer's claims that were not previously known could be independently verified.") It seems not to have occurred to Davidson that the same could be said about most autobiographies of non-famous people.

He does cite a statement by Einar Greve, the man who hired Perkins at Chas. T. Main, asserting that "the basic theory is wrong. Developing countries were not purposely put into hock." I tried to check Davidson's on-line source, but came up empty. However, I did find an interview with Einar Greve in the Tucson Citizen, where Greve is quoted as follows:

> I would say that, allowing for some author discretion, basically his story is true. What John's book says is, there was a conspiracy to put all these countries on the hook, and that happened. Whether or not it was some sinister plot or not is up to interpretation, but many of these countries are still over the barrel and have never been able to repay the loans. . . . I knew of projects that were financed by USAID and the World Bank that should never have been built. There was nobody who believed some of these projects would help their economies. . . . [4]

Speaking personally, I have to say that Perkins's account has for me the feel of truth.

Perkins and I are close in age. Like him I grew up intensely patriotic. Like him I came to oppose the war in Vietnam. Like him I was able to take advantage of deferments to avoid the draft. Like him I had extended conversations in the 1970s with young radicals from Third World countries (in my case in the Philippines) that profoundly altered my consciousness. Our paths then diverged. Perkins rose rapidly though the ranks at Chas. T. Main, while I wrote a couple of dissertations, then worked to get tenure. But the moral sensibility that has haunted him, the evasions, rationalizations, and various crises of conscience he describes, his desire for redemption, to make amends, to change the world--all this feels authentic, consistent with a moral ethos characteristic of many of our generation.

## The Debt Threat

The Debt Threat opens, as noted, with an inspiring account of Bono's attempt to get the U.S. Congress to sign onto the Jubilee 2000 agenda and provide nearly half a billion dollars in debt relief to very poor countries. It's an up-close-and-personal look at how Washington works: who wields the power and how. (Leslie Gelb, Chairman of the Council on Foreign Relations, gives Bono a list of names--Rockefeller, Rubin, Volcker, various key Republicans--and tells him that any one of these "could basically stop this thing from getting off the ground."(2)) Bono has to do a lot of lobbying. His name gives him access to Washington's power elite, but many, many people have to be persuaded. On October 25, 2000, with Billy Graham and, as a result, arch-conservative Jesse Helms, on board, the debt relief package passes.

$435 million is not pocket change, but the number needs to be put into perspective. Recently auditors of the Defense Contract Audit Agency have identified over $1.4 billion in "unreasonable and unsupportable" charges by the multinational construction firm Halliburton, (Dick Cheney's old firm), for work supposedly done in Iraq. That is to say, one company's "unreasonable and unsupportable charges" comes to three times the debt relief promised the world's thirty-three poorest countries. The current wars in Afghanistan and Iraq have cost (when the latest Pentagon requests are added in) nearly $500 billion, i.e., a thousand times the debt relief package.

"Was the $435 million the start of a renewed commitment on the part of the United States and other countries to funding development?" Hertz asks. "Or were the difficulties in securing it a warning of how hard it would continue to be to raise money domestically for foreign aid?" Before attempting an answer to this question, she lays out some background. How, pray tell, did these poor countries get into such a fix?

Hertz gives us a short history of Third World debt, complete with data, institutional analysis, and telling quotes from various players. She begins her story with the Cold War. In the aftermath of World War Two an intense ideological struggle took place, the United States and the Soviet Union vying with one another for influence among recently decolonized nations. Financial assistance--grants and loans--was an important part of the game. The United States was not particularly concerned with the character of the rulers they supported or with what they did with the money, so long as they were ruthlessly anti-Communist. She quotes President Kennedy:

> Aid is a means by which the United States maintains a position of influence and control around the world, and sustains a good many countries around the world which would definitely collapse or pass into the Communist bloc (27).

Then came the OPEC oil embargo of 1973. Oil prices skyrocketed. Huge amounts of money flowed into the coffers of the oil-producing states, which were promptly deposited in Western banks. Banks, of course, must loan this money out to stay in business--so they began pushing loans as never before. Countries were urged to take out loans, not only by the banks, but also by the International Monetary Fund and World Bank, who began preaching "the doctrine of debt as a path toward accelerated development"(61).

But aren't there risks here, you ask? Don't the projects have to be carefully scrutinized? Bankers are a hard-headed lot, are they not?

In this case no. For two reasons. First, there was the presumption that loaning to countries--as opposed to private businesses--is utterly safe. "Sovereign nations do not go bankrupt," said Walter Wriston, former president of Citibank, and "this maxim became the rallying cry for a whole generation of bankers" (64). All the better if the rulers are "authoritarian" (the euphemism current in those days for anti-communist dictators or military juntas), since they could be counted on, as democratic regimes perhaps could not be, to squeeze their people as necessary to pay the interest on the loans.

Secondly, most of the loans to poor countries were guaranteed by rich-country governments. Hertz highlights the role played by the rarely scrutinized "export credit agencies"--governmental agencies (like the U.S. Export-Import Bank, the British Export Credit Guarantee Department, etc.) that guarantee loans made by corporations or banks based in their countries to foreign governments or businesses willing to purchase domestically produced goods or services. She quotes a British bank executive, explaining to her how the system works:

> You see, before we advance monies to a company, we always insist on funds being covered by the government's Export Credit Guarantee Department. . . . We can't lose. If after 90 days they haven't coughed up, the company gets paid instead by the British government. Either way we recover our loan, plus interest, of course--it's beautiful (45).

Notice, this is a situation in which everybody wins. Bankers are happy--risk-free loans that pay interest. Corporations are happy--above all arms dealers and big construction firms, whose products comprise the bulk of the loan guarantees. Their workers are happy, as are the communities in which these companies are located. The rulers of the countries receiving the loans are happy, since there is plenty of money coming in with which to line their pockets, to build monuments to their power, and, if there is any left over, to help their own people.

Which there was for a while--until the Reagan Administration, in order to deal with the high inflation of this period, decided to engineer a sharp recession, which quickly spread to the world economy as a whole. Suddenly real interest rates (which had been low or even negative during the late 1970s) shot up, while at the same time the demand for poor country exports--which are used to pay those interest charges--collapsed. The Third-World debt crisis, still with us today, abruptly took shape.

Hertz calls our attention to an additional development that began during the Reagan years and gained strength in the 90s. With the West winning the Cold War, Third World counties lost their leverage. Western financial institutions could now impose "conditions" on their loans--and impose them they did, especially the IMF and World Bank. A "Washington Consensus" emerged, demanding "structural adjustments" on the part of recipient countries. We won the Cold War. Capitalism had triumphed over communism. We had a winning formula: counties must privatize their state-owned assets, deregulate their economies, remove all barriers to foreign imports and foreign capital, and keep inflation low by keeping government expenses down. (If this latter requirement entailed laying off government workers and cutting social services, so be it.)

As we all know now, these policies didn't work--if by "work," we mean "improve the lot of the citizenry," or even "generate substantial economic growth." (They have given rich-country multinationals greater access than ever before to poor country markets, natural resources and cheap labor--so in that sense they "worked.")

The debt burden remains. Huge amounts of money continue to flow from poor countries to rich countries, interest payments on their debts, money that could be used to address the catastrophic poverty in which so many of these countries are mired. Although many fine promises have been made by rich-country governments, and some small steps have been taken, Hertz insists that "there is no cause for jubilation."

> The promised Jubilee never took place. The $100 billion in debt relief, so triumphantly promise in Cologne [in 1999] never materialized; only a third has so far been delivered. . . . The U. S. commitment to provide 100% bilateral debt cancellation to thirty-three countries has not yet been realized. . . . At the time of this writing the world's poorest countries owe $458 billion, and nineteen of the twenty-seven countries currently receiving some level of debt relief still sink more than 10 percent of government revenue into debt repayment. (117,124)[5]

This situation, says Hertz, threatens us all--not just the far-away poor. This claim is the focus of the penultimate section of her book. Her list of dire consequences is straightforward enough, but chilling nonetheless.

- Financial deregulation, plus the growing sense among poor countries that they have nothing left to lose, make country-defaults ever more likely, thus increasing global financial instability as well as immigration flows—and predictably ugly backlash politics.
- Without access to basic health care, or in many cases even soap and clean water, poverty-related diseases will continue to ravage poor countries, some of them spreading rich countries. "There will never be enough rosaries that the developed world can say," she remarks, "to absolve it of its blatant negligence toward the developing world's predicament" (153).
- Poverty leads to environmental degradation. Countries must use whatever resources they have to generate the foreign exchange required for debt servicing. They cannot afford to be environmentally conscious. They cannot afford to think long-term.
- Poverty fuels resource wars and exacerbates ethnic tensions to a murderous degree. Unemployed Hutu youth, following an IMF "structural adjustment" in Rwanda, flocked to the militias, then slaughtered their Tutsi compatriots. Most of the violence remains localized—but not all of it.

> I will never forget Owens Wiwa (the brother of the late Nigerian activist Ken Saro-Wiwa, who was murdered by the Nigerian authorities for speaking out against their practices in Ogoniland) telling me what it was like growing up. "And then we got television. And we saw that other people had fancy apartments and drove expensive cars. And then we

got angry." (161)

Hertz reminds us that there are around 870 million 'global desperados' whose lives are worse today that any time over the past two decades, in no small measure to the impact of national debt. Increasing numbers join militant sects that provide them with food, clothing, shelter—and a purpose in life. "We will never be able to build walls high enough," she tells us, "to keep angry beggar armies out." (174)

Hertz ends her book with a concrete proposal--or rather several interrelated proposals. Like Jeffrey Sacks, Joseph Stiglitz, Gordon Brown, Kofi Annan and others, she calls for the creation of a uniform set of bankruptcy procedures for nation-states. Incorporated into these procedures would be the forgiveness of two kinds of debt. All "illegitimate" loans should be forgiven. (To be "illegitimate," three conditions need be met: the government to whom the loan was made was not democratic; the funds loaned were squandered, and the lenders had good reason to believe that they would be.) Also to be forgiven are those loans to very poor countries that render the countries incapable of meeting the basic needs of its citizens.

Since it can scarcely be denied that poor country governments are often corrupt, care must be taken to insure that the funds freed up by debt cancellation are actually used to satisfy the basic needs of the country. To this end Hertz proposes the establishment of National Regeneration Trusts, which will receive and dispense the funds that would otherwise go to debt servicing (196).[6] Hertz is admirably sensitive to a large issue here: rich country experts telling poor countries how to manage their affairs. To avoid this problem, she proposes that the majority of the members of a NRT be from the country itself, although only a minority appointed by that country's government.

In addition to these new institutions, Hertz calls for "new principles for borrowers and lenders" (200) that include greater transparency, more control over cross-border capital flows, and a revamping of export credit agencies as well as the IMF and World Bank.

She concludes by reminding us that "a better, safer, more just and more equitable world for all of us is possible." She doesn't expect her reform proposal to be the last word, however: "Discuss it. Refine it. Improve upon it. But don't ignore it. You can't afford to" (204).

Confessions of An Economic Hit Man

Like The Debt Threat, Confessions also ends with an exhortation:

> The hour is ours. It is now time for each and every one of us to step up to the battle line, to ask important questions, to search our souls for our own answers, and to take action. The coincidences of your life, and the choices you have made in response to them, have brought you to this final point. (225)

It begins with Claudine. The Preface introduces the reader to his teacher at MAIN, who is brutally frank:

> My assignment is to mold you into an economic hit man. No one can know about your involvement, not even your wife. . . [Your job will be] to encourage world leaders to become part of a vast network that promotes U.S. commercial interests. In the end, those leaders become ensnared in a web of debt that ensures their loyalty. We can draw on

them whenever we desire--to satisfy our political, economic or military needs. In turn they bolster their political position by bringing industrial parks, power plants and airports to their people. The owners of U.S. engineering/construction companies become fabulously wealthy."(xi)

Why does Perkins buy in? We get the fuller story later. He's twenty-six. Claudine has soft green eyes. She's a "special consultant" for Chas. T. Main. They meet for lessons in her apartment. "Her approach, a combination of physical seduction and verbal manipulation. . . . She knew from the start that I would not jeopardize my marriage by disclosing our clandestine meetings" (15).

His basic job: to convince foreign governments to embark on large projects. These are "intended to create large profits for the contractors, and to make a handful of wealthy and influential families in the receiving countries very happy, while assuring the long-term financial dependence and therefore the political loyalty of governments around the world. The larger the loan, the better"(16).

How do you convince them? In general it's not hard. You do it by making very optimistic forecasts as to the GNP growth that will result from implementing the project. Perkins's specialty quickly became power plants and electrification grids. He had no academic training in this area, but that didn't matter. The engineers on his team would do the designing. "Your job," Claudine tells him," is to predict the future. Your forecasts determine the magnitude of the systems they design -- and the size of the loans. You see, you're the key"(17).

How does one predict the future? You can't--so you make up the numbers, taking care that they be high. As his first project manager tells him, "Better to err on the high side than to underestimate. You don't want the blood of Indonesian children--or our own--on your hands. You don't want them to live under the hammer and sickle or the Red flag of China!" (25).

How does one fend off the bank experts who, says Perkins, questioned him "intensively and mercilessly"? Claudine has a ready answer: "Who can see twenty-five years into the future? Your guess is as good as theirs. Confidence is everything"(54). (Reading Confessions in light of Debt Threat, one suspects that the questioning wasn't all that merciless, at least not for long. Perkins's first major forecast was made in 1971, just two years before the petro-dollar flood makes banks more than eager to lend.)

Confessions is an autobiography. Perkins takes us back to rural New Hampshire, then through his college experiences, his stint in the Peace Corp, then his rapid rise at MAIN. The details are fascinating. He delineates the early experiences and character traits that drew him into his career. He takes us through his assignments in Indonesia, Panama, Saudi Arabia, Colombia, and Iran. He details his unsettling contacts with students and other critics in foreign lands, including a long interview with Panamanian president Omar Torrijos and his occasional meetings with Jaime Roldós, who was elected president of Ecuador in 1979.

Perkins quit MAIN in 1980, having worked for them for ten years. Shortly thereafter two of his heroes die, Torrijos and Roldós, both in fiery air crashes,. Both were hated by the newly elected Reagan Administration, Torrijos for taking control of the Panama Canal, Roldós for his Hydrocarbons Policy, which was bitterly opposed by the oil companies. Both were populists, not Marxists, but far too radical for the new administration. Perkins is convinced that both were killed by "the jackals," CIA operatives who take over when other means of control fail.[7] (Venezuela's Hugo Chávez is, of course, acutely aware of what happened to these men.)

Confessions traces Perkins' life forward to the present, as he struggles with his conscience as to whether or not to write this book. It also fills in the political background against which his life has been lived, referencing authoritative accounts of U.S. dealings with the countries in which he worked: Kermit Roosevelt's engineering the overthrow of Iran's democratically elected president, Mohammad Mossadegh, our security arrangements with the corrupt regime in Saudi Arabia, our invasion of Panama to oust Manuel Noriega, and more.  Not a pretty picture.[8]

## Business Ethics and the Question of Poor-Country Debt

What's all this to do with business ethics?  Business ethicists have not written much about the debt question.[9]  Yet there are straightforward ethical issues raised here that are worth pondering, among them,

- the morality of lending to odious regimes;
- the morality of lending when it is obvious that large portions of the funds will be spent in ways that in no way benefit the underlying population, upon whom the repayment obligation will fall;
- the existence (or not) of an obligation on the part of subsequent governments to repay debts contracted by odious predecessors, or to repay debts in face of far more pressing needs;
- the existence (or not) of an obligation to repay debts that governments took on as a result of to do so by lending institutions and consultants painting unrealistic scenarios.

There are also deeper economic and philosophical issues to be considered.  The debt question is part of a larger ethical issue, namely, the moral obligations, if any, of rich countries to poor countries. First of all, there is the question of normative foundation. Why, apart from self-interest, might rich countries be obligated to help poor countries? Is a utilitarian calculus applicable? Peter Singer has argued that

> the argument from efficiency, understood as gaining maximum utility for each available dollar, far from being an argument for special duties toward our compatriots, provides grounds for holding that any such duties are overwhelmed by the much greater good that we can do abroad.[10]

Thomas Pogge is uncomfortable with the utilitarian blurring of the distinction between negative and positive duties. He argues for an ethic of human rights that regards the duty to help as less compelling than the duty to do no harm. However, he thinks that the current structures of international trade and finance, put in place by rich countries, do cause harm. Hence we are obliged to work for structural change.[11]

There is also Robert Nozick's neo-Lockean ethic, which is based on the principles of just initial acquisition and voluntary exchange, but allows for a principle of rectification that "uses historical information about previous situations and injustices . . . and the actual course of events that flowed from these injustices, until the present."[12] This principle would seem to justify reparations for the effects of conquest and colonialism in amounts that might well exceed current poor-country debt.

We observe that the various normative foundations suggest different remedies. The utilitarian approach is forward looking, calling for both redistribution and structural change aimed at maximizing global happiness. The human-rights approach urges structural change to end current exploitation. The neo-Lockean approach looks back, and demands a (perhaps massive) redistribution of wealth, regardless of the consequences.

All of these normative foundations suggest, rather abstractly, that rich countries have a moral obligation to do something about global poverty generally and the debt crisis in particular. But what exactly? Hertz raises the question poignantly with a quote from a novel by the South African Nobel laureate J. M. Coetzee:

> We are all sorry when we are found out. The question is, what lesson have we learned? The question is, what are we going to do now that we are sorry?[13]

This question is not an easy one, certainly not for philosophers, but not easy even for the "aid experts." Consider David Ellerman's profound critique of efforts so far, particularly those emanating from the major institutions. Ellerman, a philosopher and economist, served for a number of years as an economic advisor and speech-writer for the World Bank's chief economist (and later Nobel laureate) Joseph Stiglitz. He has observed the aid establishment up close. His disillusionment the World Bank and IMF is near total:

> Agencies such as the World Bank and the IMF are now almost entirely motivated by big power politics and their own internal organizational imperatives. Much of their energy consumed in doing whatever is necessary to perpetuate their global status. Intellectual and political energies spent trying to "reform" these agencies are largely a waste of time.[14]

In part the problem lies in what Ellerman holds to be deep truth about developmental assistance: money is not the answer.

> The availability of large amounts of money to developing countries overrides their other motivations and redirects their attention to playing whatever game is necessary to get the money. Money is the magnet that sets all compasses wrong; it is the root of much unhelpful help. Decades of experience in Africa and elsewhere have made it crystal clear that money is not the key missing ingredient in institutional development.[15]

Ellerman calls for "an alternative philosophy of developmental assistance." Business ethicists, some of us anyway, might want to lend a hand.[16]

In a business ethics course The Debt Threat could be used to investigate the normative and empirical dimensions of international lending. Confessions of an Economic Hit Man might be employed for a different purpose. "Narrative ethics," which has been widely discussed and applied in the field of medical ethics, is beginning to make its appearance in the business ethics literature. Laura Nash, in her charmingly-titled essay, "Intensive Care for Everyone's Least Favorite Oxymoron: Narrative in Business Ethics," argues that

> the field of business ethics needs to explore and develop modes of story both in their familiar and new forms. . . . How else to understand the existence of Mexican slave labor in the middle of Brooklyn? Who could not learn from the inner life of the state college

> basketball coach who recently confessed to having paid a player's family $15,000 a year for two years despite the continued emphasis by the NCAA on its code of conduct? Why would a company with multi-million-dollar penalties and loss of business due to unethical sales practices continue to be discovered repeatedly breaking the law four years later? Neither pure business incompetence nor unbridled greed will explain away any of these occurrences. We need to know the story. A complex set of worldviews, multiple events, individual morality, cultural practices and legal enforcement measures must be narrated in their full interrelation.[17]

Perkins's book fills the bill. It might be useful for students to see the kinds of ethical issues a bright young man, when not much older than they are now, had to grapple on entering "the real world." Of course things are different now. The system is more institutionalized. There is no need anymore for Claudines. Perkins insists, however, that his counterparts--in different guises--"play similar roles and are more abundant now. They have more euphemistic titles, and they walk the corridors of Monsanto, General Electric, Nike, General Motors, Wal-Mart and nearly every other major corporation in the world" (xiii).

How does one become so morally compromised? Perkins invokes the image of a soldier:

> In the beginning he is naïve. He may question the morality of killing other people, but mostly he has to deal with his own fear, has to focus on survival. After he kills his first enemy, he is overwhelmed with emotions. He may wonder about the family of the dead man and feel a sense of remorse. But as time goes on and he participates in more battles, kills more people, he becomes hardened. He is transformed into a professional soldier

180).

There are echoes of this process in many of Hertz's interviews. She talks to a former employee of First Chicago who had made, at age 26, a $1.4 billion loan to Nigeria, and asks about the corruption: "It worried some of us more than others, . . . but I was on a high. It was enormously exciting. . . . We were young guys with the world at our feet" (58).

She interviews an emerging-market bond trader: "How did you feel when Argentina was crashing "? Did you worry about what your selling was doing to exacerbate the situation? The panic it was creating . . . the impact it would have on the Argentine population?"

"Do you mean did I ever feel guilty? Hmmm. No. A trader can't feel guilt, he has to be unemotional. We're not here for charity, after all" (75).

She interviews a "debt vulture," a person working for a company that buys up poor-country debt then takes the country to court to get full repayment. "I feel bad when I think of poor people, but I can't save the world" (89).

Perkins and Hertz want to convince you that, in concert with others, you can.

Notes

[1] London Times interview, September 18, 2004.

[2] Numbers in parenthesis in the text are the page numbers of the two books under review. It will be obvious from the context which book is being cited.

[3] "Junk Library Science" is posted at ShorewoodVillage.com.

[4] C. T. Revere, "Tsunami Aid May Line U.S. Pockets," The Tucson Citizen, January 17, 2005. Perkins's publisher has responded to the questioning of Perkins's veracity with a lengthy rebuttal, posted on the Berrett-Koehler website, dated March 7, 2005.

[5] At the G8 meeting in Gleneagles, Scotland in July 2005, provisions were made to cancel all debts for eighteen countries, and to provide $50b more in aid. See www.50years.org for recent updates on the debt cancellation movements, and critical analysis of the Gleneagles resolutions.

[6] The channeling debt reduction savings through an agency charged with seeing that they are well-spent has been proposed by others as well. See, for example, Lodewijk Berlage, Danny Cassimon, Jacque Dreze, and Paul Reding. "Prospective Aid and Indebtedness Relief: A Proposal." World Development; 31 (10) 2003, 1635-1654.

[7] Perkins cites novelist Graham Greene's memoir, Conversations with the General, in support of his view regarding Torrijos. Greene, whom Perkins had met, was a good friend of Torrijos. Greene tells of a phone call he received from Torrijos's bodyguard shortly after the President's death. "There was a bomb on that plane. I know there was a bomb on that plane, but I can't tell you why over the telephone." (159) (When the jackals fail, says Perkins, the military are called in--as they were in Panama later, to remove Manuel Noriega, and most recently in Iraq, to eliminate Saddam Hussein.)

[8] For corroboration of these events and many others, see Drexel political scientist Michael Sullivan's sobering study, American Adventurism Abroad: 30 Invasions, Interventions and Regime Changes since World War II (London: Praeger, 2004).

[9] One important, sophisticated article that does treat the question is Bernhard Emunds, "The Integration of Developing Countries into International Financial Markets: Remarks from the Perspective of an Economic Ethics." Business Ethics Quarterly (July 2003: 337-58).

[10] Peter Singer, One World: The Ethics of Globalization (New Haven: Yale University Press, 2002), p. 172.

[11] See Thomas Pogge, World Poverty and Human Rights (Cambridge: Polity Press, 2002), especially Chapters One and Eight.

[12] Robert Nozick, Anarchy, State and Utopia (New York: Basic Books, 1974), p. 152.

[13] Isaac's accepting Lurie's apology in Disgrace. Cited by Hertz, p. 177.

[14] David Ellerman, Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance (Ann Arbor: University of Michigan Press, 2005), p. 246.

[15] Ibid. p. 244.

[16] Ellerman argues--in contrast to virtually all philosophers who have addressed the question of global justice--that "the first step toward a new strategy is a radical reduction in developmental assistance" (Ibid. p. 248). His argument must be taken seriously. But if money is not the answer, we must think carefully about what it is that poor countries might need from rich countries. (What do we do, now that we are sorry?) We must think carefully about, among other things, the meaning of "development," the normative and economic foundations of "intellectual

property," the possibility that "fair trade" is something different than "free trade," the moral implications of "foreign direct investment" and "export-led growth" as developmental strategies, and the role rich-country educational institutions might play in fostering human flourishing in poor countries. (It should be noted that debt forgiveness is not aid. Debt forgiveness simply stops the flow of scarce financial resources from poor countries to rich countries.)

[17] Business Ethics Quarterly, Jan 2000: 283.