



Now to Defund Wasteful Global Institutions

By Richard W. Rahn

GOOD INTENTIONS ARE NO EXCUSE FOR HARMFUL RESULTS

A positive side effect of President Obama's duplicity with the anti-Israeli United Nations vote was the attention it brought to what the U.N. is actually doing and how it is wasting taxpayer dollars and undermining liberty. If the U.S. Congress had it to do all over again with the knowledge of what the U.N., the International Monetary Fund (IMF), the World Bank and the Organization for Economic Cooperation and Development would actually do — in contrast with their promises — would it have ever agreed to their creation, let alone provide taxpayer dollars to support them? The answer is clearly “no.” That's despite the widespread belief that problems can be solved by setting up governmental and international organizations, staffed by experts who will make things much better — as if the mere statement of good intentions solves everything.

The U.N. was formed in 1945 at the end of World War II as an international organization largely to prevent another conflict. In addition to the objective of “maintaining world peace and security,” it has also taken on the roles of promoting economic development, protecting the environment, providing humanitarian aid, and protecting human rights, including gender equality. It has 193 members, and membership is open to all “peace-loving states that accept the obligations contained in the Charter and are able and willing to carry out these obligations.”

Its intent is wonderful, but has little to do with reality. In fact, the U.N. has been a forum for authoritarian, human rights and economic freedom-denying countries that bash the U.S. and other

free-market, liberty-loving democracies. U.S. taxpayers are responsible for 22 percent of the U.N.'s general budget (Russia pays 3 percent) and for about 28 percent of the much-larger “peacekeeping budget.” Over the years, the U.N. has been mired in endless mismanagement and corruption scandals (such as the Iraqi Oil-for-Food program). Other than the fact that the U.N. has been ineffective, inept, corrupt and hypocritical, it is a fine organization.

The International Monetary Fund was formed in 1945 and now has 189 members “working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.” Wow, but why no mention of motherhood and apple pie? It was formed on the ideas of Harry Dexter White (an aide to President Franklin D. Roosevelt, who was later found to be a communist, covertly working for Stalin) and John Maynard Keynes.

The IMF is funded by a quota system (U.S. taxpayers are responsible for 18 percent) where funds are put into a pool to be lent to countries in distress. The IMF directors and staff have persistently exhibited a certain smugness and arrogance when disseminating advice (which has often later proved to be wrong) and requirements in exchange for aid. The mere existence of the IMF adds to global systemic financial risk, because countries know they can get an IMF bailout rather than clean up their own acts. Giving loans to countries (or individuals or businesses) that have been proved incapable of behaving responsibly in the past is not a good business model.

The World Bank Group is a family of five major international organizations, of which the major ones are the International Bank for Reconstruction and Development formed in 1944, and the International Development Association, whose main mission is to eliminate global poverty. It borrows money from developed country governments (the U.S. being the largest) at interest rates near what the governments pay on their own bonds, and uses the proceeds largely to fund primarily government or government-sponsored projects in poor countries. The rationale for the World Bank is to provide countries with

low-cost loans that would not be provided by the private sector.

The basic flaw in the World Bank model is that if governments in poorer nations establish the rule of law and strong protections of private property rights, as well as a stable currency and reasonable tax rates and regulations, they will be able to attract all the private capital they need for productive uses, and without those protections, investment funds are likely to be stolen or wasted. The reason poor countries remain poor is because they embrace socialistic policies or have corrupt or incompetent leadership. World Bank funds are normally only dispersed with the agreement of a country's leadership, which all too often results in cronyism and theft or misallocation of the funds. The tragedy is not only that the loans are misspent, but then the citizens of the countries are stuck with the bill to pay them back with interest.

The Paris-based Organization for Economic Cooperation and Development members are the developed market-economy democracies. Its initial mission was to foster policies that would stimulate economic progress and trade — all well and good. Unfortunately, it has morphed into an organization that promotes higher taxes and attempts to penalize jurisdictions that have low or no corporate income taxes — contrary to its founding mission.

These organizations now exist primarily to serve the interests of their staffs (who have tax-exempt salaries), politicians, government bureaucrats and journalists who love the fully paid foreign junkets they receive in exchange for their support. If the Republican Congress and Trump administration are serious about “draining the swamp,” a good place to begin is the defunding of the above-described organizations.

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