Faith & Credit: The World Bank's Secular Empire

by Susan George and Fabrizio Sabelli

Westview Press • 1994 • 282 pages • $63.50 cloth; $16.95 paperback

Reviewed by Ken S. Ewert

Someone once put forth the aphorism: "the enemy of my enemy is my friend." Presumably if you're against something and I'm against that same thing, we are allies in a common cause. Believers in limited government and free markets have long criticized the World Bank. It props up corrupt Third World governments and subsidizes the statist policies that keep poor people poor, and plays a "reverse Robin-Hood" role in transferring resources from middle-class taxpayers in the West to politically connected elites in the Third World. The authors of *Faith & Credit: The World Bank's Secular Empire*, Greenpeace board member Susan George and University of Geneva professor Fabrizio Sabelli, are also against the World Bank. In their view, the World Bank funds projects that disrupt the environment, restrict the social programs and inflationary schemes of Third World governments, and promotes downsizing of public employment and bureaucracy. Clearly in this case, the opponent of our opponent is neither our ally nor a friend to freedom.

The authors believe that "the market" cannot help the poor because it cannot hear their voices. George and Sabelli more or less ignore the amazing cases of market-oriented countries such as Taiwan or South Korea that have moved from poverty to relative wealth in a very short time. Their comment on the free-market success of such countries is: "150 countries cannot become Asian dragons (if only because the planet would collapse)." Their answer to Third World poverty is stronger and more interventionist Third World governments. Currency restrictions and artificial exchange rates, heavy state involvement in the economy, and protectionism (the early use of which they believe explains the later economic success of Korea and Taiwan!) are all good. Apparently what the Third World needs is more government control.

Forgive my impatience, but after laboring through many, many tiresome pages of this book I have to ask: Where have these people been for the past 50 years? After failure upon failure of these policies, in country after country, what hope is there that these interventions might still be made to work? Has it not been adequately demonstrated for all to see that there are things called economic laws that operate regardless of one's desire otherwise? Is reality optional?

This book is another (not particularly interesting) example of the close link between statism's old guard and its new: Reds (socialists) and Greens (radical environmentalists). Both groups share a hatred of economic freedom. Only the Left's rationale has changed with time: the Reds argued that capitalism couldn't lift the poor out of their condition, the Greens believe that capitalism is in fact too efficacious—what we need is not *that* kind of development, but rather "sustainable development."

In the chapter on the World Bank and the environment the authors warn us that the Bank's future depends on whether or not it recognizes "the environment as the inescapable partner in all its development endeavours." This is noble-sounding rhetoric, but what does it mean? Should the environment carry as much, or perhaps more, weight than the needs of the world's poor? It is clear that the authors see a fundamental clash between people acting to improve their economic condition and the environment.

Is the authors' critique of the World Bank on behalf of the World's poor, or on behalf of the environment? This query gets to the schizophrenic heart of the new Left. One has the sneaking suspicion that while much lip service is devoted to "helping poor people," it is the latter rationale, an antidevelopment and antihuman philosophy of exalting nature over man, that motivates the New Left.

Free-market advocates unashamedly assert that people have priority over creatures. (I believe the only adequate basis for this premise is that God has created man in His image, and has given him dominion over all other created things.) However, unlike the Left, we see no contradiction between economic freedom and environmental protection. Recognizing and consistently upholding private property rights will both lift the poor from their poverty and protect the environment by making each individual responsible for his "piece" of the environment (his property) and by protecting him from invasion by others who may seek to pollute or abuse his property.

The World Bank must be abolished. Not because it promotes economic freedom and property rights, but because it is inherently opposed to them. □

Mr. Ewert is the editor of U-Turn, *a quarterly publication addressing theological, political, economic, and social issues from a biblical perspective.*

Oil, Gas, & Government, 2 Volumes

by Robert L. Bradley, Jr.

Rowman & Littlefield • 1996 • 1,997 pages • $195.00

Reviewed by Richard W. Fulmer

Untold damage has been done by governments that restrict human action in attempts to correct perceived "market failures." Like a pebble dropped in a pond, each government action ripples through the economy in ever-widening circles, yielding unforeseen consequences that create demands for additional government intrusion. Ironically, when the "market failure" that provided the excuse for the initial intervention is closely examined, it usually either vanishes or turns out to have been a failure of government instead. Robert Bradley's new book, *Oil, Gas, & Government*, takes a critical look at the supposed "market failures" of the petroleum industry, and at the confusing swirl of regulations that our government spewed out to deal with them.

Many such regulations stemmed from attempts to deal with problems created by the rule of capture, by which oil is owned by whoever pumps it out of the ground—regardless of under whose land the oil was originally located. This rule created an incentive for oil producers owning or leasing adjacent pieces of land lying atop the same reservoir to pump out the oil as fast as possible despite any reservoir damage that such rapid production might entail. In addition to the loss of recoverable oil, economic losses were considerable, as producers drilled more wells than would have been needed simply to recover the oil. Bradley points out how a "homestead" approach to the ownership of oil would have avoided the destructive competition to be the first to drain the reservoir. Under Bradley's scheme, ownership of an entire reservoir would go to the individual or company that first discovered or "homesteaded" it, and not necessarily to the owner of the surface rights.

Even with the court-imposed rule of capture, however, oil producers could still have solved the problem of overdrilling and too-rapid production on their own, had government left them free to act. Free companies would almost certainly have sought to reduce drilling costs by "unitizing" their fields, i.e., letting one of their number control production, while all shared in costs and profits according to a negotiated formula. Antitrust laws, however, prevented such cooperation for decades.

During both World Wars, federal government attempts to control oil production to ensure a steady and affordable fuel supply for the military backfired. First, the government inflated the money supply to help finance the wars, then responded to the resulting rise in oil prices with price freezes. By keeping the price of fuel below its market-clearing price, regulators encouraged consumption and discouraged production—the precise opposite of what was desired. After each war, these emergency controls were dropped. In both cases, decontrol was followed by a boom in production and a drop in prices—clearly revealing the counterproductive nature of the government's intervention.

To finance the war in Vietnam and the "War on Poverty," President Lyndon Johnson again inflated America's currency. Johnson's successor, Richard Nixon, attempted to treat the inevitable symptoms by "freezing" wages and prices. These controls, coming during the driving season and before winter, locked in seasonally high gasoline prices and low fuel-oil prices. Refiners were thereby encouraged to substitute gasoline production for fuel-oil yields. With the coming of cold weather, oil supplies became tight and the government had to loosen its policies. The "Energy Crisis," along with mandatory allocation and conservation, was already well under way before OPEC announced production cutbacks on October 17, 1973, to protest U.S. policy in the Middle East. Clearly, the real cause of the oil shortage in the seventies was U.S. government policy, and not the Arab oil embargo.

Oil, Gas, & Government fills an important niche. It documents every federal oil and gas regulation since 1861, their rationales, and their results. Extensive footnotes, three indexes (by name, subject, and legal case), and a good appendix provide easy access to the information contained in the book's two volumes and nearly 2,000 pages. By filling this niche with a work solidly based in free-market economics, Dr. Bradley's book is well positioned to have a far-reaching impact. His lead is one that other free-market economists would do well to follow. Industries, such as shipping and railroading, also offer both compelling histories, and heavy legacies of destructive government meddling. Similar works documenting these areas would provide powerful support in the drive toward economic freedom. □

Mr. Fulmer is a systems analyst in Houston, Texas.