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# World community building through international banking : the creation of an international committee on world banking and world community

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## Abstract

**WORLD COMMUNITY BUILDING THROUGH INTERNATIONAL BANKING: THE CREATION OF AN INTERNATIONAL COMMITTEE ON WORLD BANKING AND WORLD COMMUNITY**, by Peter Ward McCabe, B.A., University of Richmond, 1986. A thesis submitted to the Graduate Faculty of the University of Richmond in Candidacy for the degree of Master of Arts in Political Science. Presented January 1992, under the direction of Dr. John W. Outland.

The Thesis proposes a means by which a world community may eventually be built. The problems facing the development of a world community are many; they include cultural differences, politics, religion, fear and greed, only to name a few. The point of this thesis is to argue that the best possible option available to the world for building a world community can be found in economics. An economic solution is thus offered.

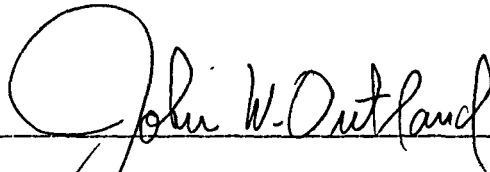
The proposal is for the creation of an International Committee on World Banking and World Community. It would direct the world's economic resources for the more productive use of all resources, both human and natural, in moving the world towards integration and community. The structure and operation of this Committee are presented.

The historical and case study methods are employed for building the strength of the economic argument and for promoting the viability of the Committee (the International

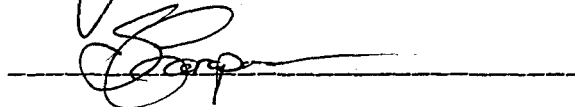
Banking Community, IBC, the Committee's descriptive yet short name). This method allows for the formulation of the argument, the plan, and the theoretical advantages of the proposal. The conclusion of the thesis is that the best chance of creating a world community can be achieved through an international committee on world banking.

Approval Page

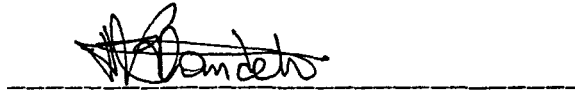
I certify that I have read this thesis and find that, in scope and quality, it satisfies the requirements for the degree of Master of Arts.

A handwritten signature in cursive script, reading "John W. Outland", written over a horizontal line.

Dr. John W. Outland, Thesis Advisor

A handwritten signature in cursive script, reading "Sheila H. Carapico", written over a horizontal line.

Dr. Sheila H. Carapico

A handwritten signature in cursive script, reading "Jimmy D. Kandeh", written over a horizontal line.

Dr. Jimmy D. Kandeh

It is in appreciation that a thank you goes to Dr. John W. Outland for his guidance and patience throughout this process.

WORLD COMMUNITY BUILDING THROUGH INTERNATIONAL BANKING  
THE CREATION OF AN INTERNATIONAL COMMITTEE  
ON WORLD BANKING AND WORLD COMMUNITY

By

PETER W McCABE

B.A., University of Richmond, 1986

A Thesis

Submitted to the Graduate Faculty

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for the degree of

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## Introduction

How is it possible to create a World Community? This is a question which many political thinkers, politicians, historians, economists, theologians, philosophers, and common persons have pondered. Is it possible? That may be the better question.

Most would agree that with the passage of time and with further developments in science and technology, people will evolve past the divisions which now serve to separate us. Through this development, the artificial barriers, such as race, religion, national allegiance, economic status, and geographical lines, will be broken down and replaced by a world community. Technology, speed of travel, and education will eventually bring this about, that is unless we allow our divisions to destroy us first.

Reaching this desirable world community is a race with time. The development of this world community does not mean the eradication of cultural differences, different religious beliefs, or personal idiosyncrasies. Quite the contrary. This world community can only be realized by recognizing the diversities which the world offers. If the world community were built on oneness, it would be weak and intolerant of change, and would falter over time. As such, it looks as if a paradox exists. Differences have kept us from realizing a world community, yet these differences are essential to having one.

What is needed is a medium by which we may arrive at world community. Over time humankind has tried to reach this ideal, although on a more limited spatial basis, by using mediums such as religion, political ideology, and strict cultural and social similarities and beliefs. Sometimes these attempts at uniting have been through the use of force, through fear and mind control, and sometimes out of mutual necessity or benefit, either for the short or long term. This latter reason is what motivates this paper, both in its proposal and its conclusion.

Mutual necessity and benefit is the driving force which can lead the world to community. This can be achieved through economic cooperation. The benefits derived through economic cooperation and economic growth on a worldwide scale are ones which almost everyone would find agreeable. Through the proper direction and management of the world's economic resources, which would be inclusive of the world's natural and human resources (in that through the development and use of natural resources and the human initiative which would be sparked and needed to achieve such ends), the benefits derived by all would be shared by all. This system would and can work as long as the common good is the genuine intent.

The "common good" of course, has always been the stumbling block to all attempts at building a world community. So a "realist" or pessimist might end this thesis here, doubting that, regardless of good intentions or idealist blinders, any proposal, as the world stands today,



would or could net the goal of a world community. In spite of these sobering words, we will proceed.

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What is meant by world community? By world community, I mean a world of countries acting for the local and global good. As the citizens of these countries are also citizens of the world, their actions are reflective of this spirit of global community and worldwide common good. When the world is viewed as one diverse yet harmonious neighborhood, where its inhabitants feel a common sense of belonging, world community will exist.

How will economic cooperation lead us to a world community? From this prospective it is rather clear. The most important economic institutions, even before the multinational corporations, are the banks. The banks hold this position simply because they hold the money, the capital, which all other corporations and nation-states must have to implement their policies and actions. They are the conduit through which most all money and promissory notes must ultimately clear. Whatever individual, financier, or government agency attains money or credit must deal through a banking institution.

This puts the banks in an unique situation. The banks are approached with ideas, requests, proposals from individuals, corporations, municipalities, nation-states,

organizations, and many other sources which require credit. Thus the banks have the ability to foster projects or ideas they feel will do well and benefit the community as well as the borrower. This is just as true on the international scale as it is on the local. This is why a truly unbiased committee on international banking, representing the community of banks on both the international and regional level, could contribute to building a world community. Ideally, a value neutral means by which to create a world community serves not only to better the common good of humanity, but also to create new business and profits for the banks which lend and for the borrowers. This in turn can foster a much higher standard of living and harmony for all the citizens of the world.

As always, some would resist change and even progress, but through the careful orchestration and concern for what will truly advance and benefit humanity, this banking committee could move us towards world community. Let us now look back over history and see how early economic developments and institutions, and most importantly, economic interactions, lend strength to this argument.

## Chapter One

Very early economic activity was based primarily on barter. This early economic cooperation between people, often members of the same tribe or residents of the same village, took the form of equitable exchanges of goods, often food, animals, or services. The mutual exchange of goods and/or services created a very basic system of supply and demand, a primitive economic system. The barter system of economic trade soon spilled over into trade between tribes and cultures.

Basic economic systems of barter later gave way to systems consisting of money or coin. This coin was issued by the rulers, merchants, the precursors of banks, and was often only accepted or deemed of value within small limited groups. It was not until the birth of empires, feudal systems of state, and most recently the nation-state, that regulated and "state" backed money arose. Along with the development of controlled coin and currency came the need to borrow and save, giving rise to the creation of banks. Through a study of the history and development of financial systems and banking over the many years, a case can be made for the importance of financial institutions on an international level. This will serve well in demonstrating that through an international committee of banking, the economies of the world can be merged into one and regulated in such a way as to create a world community. By breaking down the barriers

which serve to divide us for one reason or another and taking action only for the common good, this world community can be built.

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In tracing the history of financial systems, the following definition by Raymond W. Goldsmith is useful:

A financial system is the connected universe of financial instruments, financial institutions, and financial markets operating in a given place at a given time, that is, it is the financial superstructure of the economy. [...] Financial systems of different places or dates therefore differ from or resemble each other in the number, character, method of operation, and size of their instruments, institutions, and markets. 1

Financial institutions were rare during most of the premodern period. It was not until the second half of the eighteenth century, in pre-industrialized England, that the advent of the modern financial system can be discerned. In the view of Goldsmith, "the primary function of [such] a financial system, is to facilitate the exchange of goods, services, and physical and financial assets and thereby to assist, and possibly to permit, economic development and to foster economic welfare." 2

In the ancient near east, including Mesopotamia and Egypt, from the third to the middle of the first millennium B.C., there existed an essentially nonmoney financial "system." The population lived on and from the land. Their rents and taxes were paid in commodities or in labor. This

system of barter served them well in both "interlocal domestic trade and [in] foreign trade." 3

In the great empires of Mesopotamia, there existed both villages and cities; thus there was some degree of urbanization. The citizens of Mesopotamia traded slaves and used slave labor. Barley and silver served as means of payment and served as a standard of value. 4 "Temples, royal treasuries, and private landowners and merchants were the main sources of loans, which have been attested since the third millennium." 5 Pharaonic Egypt did not have a financial superstructure at this time.

Periclean Athens, around 400 B.C., experienced a great level of art, literature, and science, but suffered from a low standard of living economically. There was a low level of primitive industry in existence and a primitive level of agricultural and financial technology available. The wealth, as such, was primarily held by the citizens who owned all of the real estate and controlled the political arena. The rest of the population was made up of the resident foreigners, who did not own land or participate in the politics of the land. The citizens were the ones who dominated both domestic and foreign trade and finance, while the resident foreigners, who were non Greek, were the slaves.

Wealth in Periclean Athens was determined not only by land, but also by grain, livestock, and buildings. This wealth found organization in the financial institutions of Athens. There were both money changers and bankers who

directed the use of and housed the money of the society. The money standard was based on silver, and interest rates ran from twelve percent to eighteen percent. It was not until 428 B.C., that direct taxes were imposed upon the citizens of Athens. 6

Augustan Rome is the next society to look at in this discussion of the development of financial institutions. According to Goldsmith, "Augustan Rome, as it has been asserted of the whole Graeco-Roman world, had no fiduciary money, no credit creation, no negotiable instruments, no business loans except bottomry loans (though consumer or political loans were common), and no long-term partnerships or corporations." 7 The financial instruments which did exist consisted of mortgage loans on agricultural land, consumer loans, and also the tenant debts owed to the landowners. In terms of financial institutions existing in Augustan Rome, there were the money changers, the money lenders, the bankers, and the tax farmers. There also was kept at this time a national balance sheet for the Roman Empire. 8

In the Arab world, around 800 A.D., in Abbasid Caliphate, the financial system was based on the exchange and use of other countries' legal tender. The Arabs used the coins of occupied territories to buy, sell, and trade in currencies. Their money changers and assayers, profited by charging a commission of one percent for their services. They were the financial clearinghouses of that time. Trade credit was the financial instrument which they used and which

created and fed their financial system.

Around 1530 A.D., in the Ottoman Empire, a more sophisticated monetary system started to develop. Like in Abbasid Caliphate, the exchange and trade of different currencies accounted for a good part of the financial system in existence. "Silver and gold coins of domestic and foreign origin [were] being accepted at varying rates." 9 The commissions from this trade, fee income, generated profits and capital which fed the other financial needs of the economy. This was a fairly organized and well directed monetary system. The state was involved to a considerable degree, especially in terms of tax revenue. The Ottoman Empire placed a head tax on all Non-Muslims to help finance their empire and to achieve their goals.

Practically isolated from the rest of the world was Tokugawa Japan. In 1600 A.D., Tokugawa Japan, was a self contained economic system. Because of its strong separation and feelings of exclusivity, based primarily on race and culture, it did not interact with the rest of the world financially except in very limited fashion. There did exist, however, large banking houses to serve their own economic endeavors and financial system. 10

In great contrast to the closed financial system of Tokugawa Japan, was Medici Florence, from 1427 A.D. to the 1500s A.D. This was a vast and complex financial system operating on a interstate and intrastate level. The city of Florence was "the financial capital of Western Europe [...]"

and the Medici Bank was the dominant factor in [Western Europe's] banking system.'" 11 At the heart of Medici Florence and its economy was banking, and to a lesser but still important degree, textiles and commerce. This commerce was largely international and complex in structure. It was motivated by profit more than by political power and gain. This is not to say that political power did not result from and increase as a result of these practices, but simply that most of the factors which made the Medici so powerful were the result of their vast wealth and resultant economic power.

The most powerful banker in Medici Florence and Rome was Filippo Strozzi. He was the papal banker, the Depositor General of the Apostolic Chamber, the leader of the Venetian banking system and manager of the great monies from the Catholic Church. These monies often included the Vatican Bank funds as such, as well as monies belonging to the Church and from the leaders of the Church. The Medici placed great trust in Filippo Strozzi's abilities. "Just as in their other appointments, the Medici chose their bankers from among their relatives and political allies, and in papal finance, just as in Florentine public finances, they advanced their friends." 12

The only real competition to Medici Florence, and which did not come until 1500 A.D., was from Elizabethan England. Here domestic handicrafts and trades were about to lead to a critical change in the financial systems of the world, including international banking.



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International banking, as we would term it today, started in the late 1700s. The birth of this era was marked by the development of privately held banks, as well as by national banks set up by the nation-states' governments. The change in the currency and monetary base from silver and bimetal currency to the gold standard was a tremendous development. It served as a standardization for many currencies and allowed for a better regulated and stable exchange between different currencies, creating a more inviting climate for international trade and exchange. Also during this period the bank note was introduced as legal tender. 13 The United States was moving towards a Federal Reserve system in the late 1700s. Alexander Hamilton created the First Bank of the United States in 1791, which, after some organizational troubles and less than enthusiastic response, was replaced by the Second Bank of the United States in 1816.

Later, in 1913, the Federal Reserve Act created the Federal Reserve System. This act allowed for the existence of both state regulated banks and federally regulated national banks, the later of which had to become member banks of the Federal Reserve System. Later, in chapter four, we will discuss how the committee of international banking that is proposed, would reflect some of the same characteristics

which the Federal Reserve System in the United States possesses. For now, let us look at the developments of the nineteenth century.

Banks and banking from the early phase of industrialization to the middle of the nineteenth century, grew and changed dramatically from what they had been. This change could be seen in many nations. The marked change was their great increase in wealth and size, reflective of the great boom in wealth and need for capital spawned by the industrial revolution. The need for capital and for a place to safely keep great wealth and to earn interest, fed this growth in the banking industry. Also, the great rise of the middle class and the birth of a consumer economy created for the first time a need for banks to serve individuals of moderate income levels. Savings and consumer loans were greatly on the increase. The need for different types of commercial and business loans were also felt by the banks, which developed revolving notes and term loans to meet these needs. Because of the more technical requirements of these new services and of national regulations, most banks were disclosing the interest rates and terms of the loans they gave. This was also in part due to competition between the banks. This competition was nothing like what the banks face now. Today's consumers are much better educated and informed on the economic issues which affect them, and thus they shop around for the best deal. This greater awareness on the part of consumers caused banks to standardize their practices.

Across the world these changes were taking place. In Europe and America there were certain individuals or banking institutions setting the course for that area, and consequently affecting banking on an international scale. In Germany, the Barings were setting the pace. In Frankfurt especially, the merchant bankers, notably the Bethmann Brothers, the House of B. Metzler Seel, and Sohn & Co., were very successful and productive. 14 In France, the Rothschild and the Huguenot banking firms were setting the pace.

According to Born the House of Rothschild "might be called the first large multinational company." 15 The House of Rothschild to this day controls vast sums of money. The Huguenot banking firms were also powerful players during the nineteenth century. Isaac Mallet of the firm of De La Rive & Mallet moved to the forefront as an international banker. Later the firm which he led was to become Mallet Freres & Cie. 16 Under his leadership these banking firms grew to great wealth and power and also helped to stimulate domestic and foreign ventures which benefited the collective economies in which these ventures operated. Unfortunately, the home nation often benefited more than the host nation in terms of businesses operations, because most of the profits were brought back to the home nation and reinvested there, stimulating that economy. This is one issue on which the committee on international banking suggested here will have to keep a watchful eye, so that one area or people will not

benefit at the expense of another; equitability must be maintained.

Besides these joint-stock banks, like the House of Rothschild and the Huguenot banking firms in France, there existed the Central Issuing Bank and the Banque De France. The Banque De France was heavily regulated and the bank for the nation. This was the bank of the French nation-state, the official bank where the national treasury was kept. It also was the bank with which individuals could deal and feel more secure in the process. In some regulatory ways it acted, and still does, similar to the United States' Federal Reserve System. It also acts as a bank for individuals, not just as the bank for and regulator of other banks. France, more specifically Paris, was also the home of the Jewish banking house of Worms & Cie, which later became Mallet Freres & Cie.

At this point it should be mentioned that a source of controversy which has always revolved around banking is racism. The fact that many banks are and were controlled by Jewish families, has fostered resentment and hatred on the part of many toward their business practices. Because they provide a source of capital, credit, and a safe place in which to house money, many people resent the power which these "keepers" of the wealth possess. This is the type and source of tension and conflict that a committee on banking, consisting of persons of all nationalities and religious beliefs, can diffuse, thus contributing to harmony, progress,

and the goal of a world community.

There also existed many other national banks. These state banks, or public banks, existed in part to serve the interest of the nation, both economically and politically. They were also regulated so that they were deemed safer for the individuals borrowing from and investing in them. Examples of these public banks were the Banco di San Giorgio, the Bank of England, and the Bank of Scotland, to name a few of the larger. These institutions served the political purposes of the state and also as private bankers for commercial and individual customers. They financed railway construction and much of the early industrial revolution in Western Europe.

In the United States, great joint-stock and privately held banks existed. J. P. Morgan & Co. was one of the first great banks in the United States, and still is to this day. It helped to feed, but also fed off of, the industrial revolution in the United States. It was a model for other banks, such as the Bank of America, and other more modern banks such as CitiCorp. There also existed in the United States smaller more specialized institutions offering banking like services. Such organizations were found across the country specializing in meeting the specific needs of the area in which they operated. In heavily agricultural areas there existed agricultural credit institutions. In large cities, as well as small towns, there were mortgage banks, savings or thrift banks, and credit co-operatives. These

last three were, by the 1950s, being combined into savings and loan institutions, which are now being replaced or merged into full service national banks.

These banks, and the financial system in which they belonged and operated, also served to finance American investment and operations elsewhere around the world. They loaned to industry the capital needed to produce and trade goods overseas. This act served to produce profit for American companies through trade and also served to foster international relations between the United States and other nations of the world.

In an earlier time international relations were marked primarily by political exchanges between nations. These exchanges were sometimes friendly but often were not, occurring usually when one nation wanted something the other had, usually territory or natural resources. Now, however, relations were also economic. The purpose may still have been to access some natural resource needed to produce some good, but the method to obtain it had become more subtle. Instead of aggression, cooperation, even if sometimes exploitive, ensued. The motivation was now profit, one which almost all could agree on, not just outright power or conquest. Taking was costly and a hassle. As history has taught us, trying to rule another people who did not want to be ruled was almost assured of failure. By approaching the matter as businessman and investors, by letting contracts and rewarding financially, the other nation was much more

receptive. Both sides would benefit. Even though time has shown us that the great majority of the profits are returned to the home nation and not enjoyed by the host nation, the host nation does benefit some in terms of employment, salaries, and income into their economy. Also the sharing of technology often is a benefit, as well as the exchange of ideas and cultures. What the proposed committee on international banking would do is to insure that first the investment into a country or community would in fact benefit that area, and second, that it would be truly fair in terms of deriving benefits and profits.

The age of international and domestic banking which we have been discussing helped to spread the industrial revolution as well as helped to maintain the age of imperialism and allow it to grow until its culmination around the turn of the Twentieth Century. Large international business projects, such as the Baghdad Railway and the Suez Canal, were examples of international cooperation for economic purposes; namely to ease and improve transportation and the flow of goods and services.

The use of international banking to foster imperialism or to at least aid in that climate, is reflected by what was happening in the financial systems in the various countries. In Britain, the banking system consisted of the Bank of England and also joint-stock banks, merchant banks, overseas and colonial banks, savings banks, and post-office banks. Of these, the merchant banks and the overseas and colonial banks

served the foreign ventures. These banks provided import/export monies and served as locations for citizens living and working abroad in English territories and colonies to deposit and conduct their banking business.

France, with the Banque De France, also had joint-stock, private banks which served trade and foreign business needs, needs which included business from the many French companies operating throughout their colonies. France's neighbor, Germany, had a multitude of financial and banking institutions. At that time, however, there existed a desire and movement towards a universal bank which would serve all of Germany's needs. Japan, in similar fashion, had banks which specialized in serving the business needs of their trade interests and foreign ventures, including structuring for the financing of the First World War. 17

The global economic cooperation which seemed to be developing ended with the onset of World War I. Many of the financial ties and institutions came crashing down. The idealistic assumption of the day, that economic cooperation would tie the world into a single community, quickly lost favor among political scientists, politicians, and the common man. It was not until after the Second World War that the degree of financial mixing between the nations of the world started to make a comeback and reach pre World War I levels. The years between the two World Wars were marked by isolationism and the concentration by nations on rebuilding, not expanding outside of their own borders or existing



territories, except for the revisionist axis states.

After World War II, everything changed. With the Bretton Woods Agreement of 1944, the creation of the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (the World Bank), a global financial system was given birth. The subsequent period has been marked by what Davis calls "a massive and sustained growth in overseas trade and investment [which] has brought forth a new generation of international financial institutions..." 18

"This intensified and institutionalized cooperation [among international banking groups and institutions] on a global scale probably represents the most significant change in recent decades which in the long run is also likely to have the most far-reaching consequences." 19 By using both what these quasi-governmental institutions have learned and the progress made through the private financial institutions in the world economy, the committee on international banking will have a starting place and cadre of existing institutions from which to direct its efforts. Upon this foundation a world community can eventually be built, a thought echoed throughout much of the existing community-building literature. Obviously economic institutions are not the sole path or method available for community-building, yet a fairly persuasive case can be built on their behalf, as reflected throughout the literature written over the past fifteen years.

## Endnotes

- 1 Raymond W. Goldsmith, Premodern Financial Systems: A Historical Comparative Study (Cambridge: Cambridge University Press, 1987), p. 1.
- 2 Ibid., p. 5.
- 3 Ibid., p. 10.
- 4 Ibid., p. 12.
- 5 Ibid., p. 13.
- 6 Ibid., pp. 15-28.
- 7 Ibid., p. 36.
- 8 Ibid., pp. 41-67.
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- 10 Ibid., p. 140.
- 11 Ibid., p. 157.
- 12 Melissa Meriam Bullard, Filippo Strozzi and the Medici: Favor and Finance in Sixteenth-Century Florence and Rome (Cambridge: Cambridge University Press, 1980), p. 22.
- 13 Karl Erich Born, International Banking in the 19th and 20th Centuries (New York: St. Martin's Press, 1983), P. 5.
- 14 Ibid., p. 24.
- 15 Ibid., p. 54.
- 16 Ibid., p. 22.
- 17 Ibid., p. 27.
- 18 Steven I. Davis, The Euro-Bank: Its Origins, Management and Outlook, 2nd edn. (New York: John Wiley &

Sons, 1980), p. 26.

19 Born, International Banking in the 19th and 20th Centuries, p. 314.

## Chapter Two

In 1944, at the United Nations Monetary and Financial Conference, in Bretton Woods, New Hampshire, the World Bank was conceived. Officially it is known as the International Bank for Reconstruction and Development. According to Alec Cairncross, writing in 1959, fifteen years after IBRD's creation,

The purpose of the Bank is implicit in its title. This emphasizes an immediate and temporary function: that of assisting the restoration and reconstruction of productive capacity destroyed during the war. It also underlines a continuing and longer-range function: that of contributing to the development of economic resources and the growth of productive power and standards of living, particularly in backward or under-developed countries. 1

Of course to do this, it takes considerable capital and investments from the Bank as well as the member nations.

As an international institution, the prime task of the Bank is to stimulate and support foreign investment. So far as this involves the use of the Bank's own resources, it must be able to mobilize capital from a variety of capital-exporting countries and lend the capital so mobilized to a variety of capital-importing countries. 2

The funds which the Bank takes in from these capital-exporting countries is raised through the sale of bonds. The Bank will periodically look at the projects it is thinking about funding and then correspondingly execute a bond issue to raise the required funds to help meet these funding needs. The funds raised by the sale of bonds, combined with the subscriptions, or dues, from the member nations, support the lending and funding needs of the Bank. "The principal sources of funds have been, in roughly equal measure, members' subscriptions and bond issues." 3

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What the World Bank does with its funds can best be described by looking at the sectorial programs and policies of the Bank. Bank operations are divided into broad program areas to facilitate need identification and thus to distribute funds in accordance with requests which fit within each sector of operation. In the seventies these sectors were identified by the World Bank as: Agriculture, Industry, Transportation, Telecommunication, Electric Power, Water Supply and Sewerage, Education, Population Planning, Tourism, and Urbanization. In order to understand later what it is that an international committee on banking could achieve, a discussion of each of these sectorial programs is required. Because the committee on banking would also focus its efforts along these same areas of development, a look at these

policies and the logic behind them will facilitate a better view of just what the proper economic direction can mean in the movement towards a harmonious world community.

The first, and in some ways most basic sectorial program, centers around Agriculture. Agriculture is very important to low income countries as well as industrialized nations. The World Bank lends money for irrigation and agricultural education, which leads to the expansion in the scope of projects especially aimed at producing food crops, livestock, and fish for local consumption. As production goes up, so does employment. Also food related markets have to increase to handle the increases in marketable surpluses of food products. So there is a domino effect of sorts. As techniques improve, production increases, which requires more workers who earn and spend money, money which ends up being put back into the economy improving the standard of living for the whole community.

Industrialization/Industry, the next sectorial program, is critical, according to the 1972 logic of the Bank:

Industrialization is a key factor in the economic development of most countries. It offers prospects of a growing availability of manufactured goods, increased employment, improved balance of payments, and greater efficiency and modernization throughout the economy. Industrialization is characterized by technological innovation, the development of managerial and entrepreneurial talent, and

improvements in technical skills, which lead to rising productivity. Improvements in living standards create a growing and highly elastic demand for manufactured goods. 4

All of this occurs through stages of industrialization which the Bank had some years ago classified as: Non-Industrial, Industrializing, Semi-Industrialized, and Industrialized. Non-industrialized countries are just that, countries which have very little or no industrial base. Industrializing countries are those which have assembly and finishing operations and some production of consumer goods. Semi-Industrialized countries consist of levels of industry in which most product groups are represented in production and which also produce a good number of capital goods. Finally, industrialized countries, are those who have high levels of productivity consisting of capital goods, consumer goods, heavy and durable goods, as well as highly specialized, technical, and innovative goods.

There are many obstacles to industrialization with which the Bank must deal. In many countries to which the Bank considers loaning funds, there is a shortage of skilled labor, management, and entrepreneurship. Because of this, the Bank's other sectorial programs, such as education, affect industrialization and its chances for success. All of the sectorial programs need to work in harmony in order for any one of them to be fully successful.

In 1972 the Bank noted other obstacles to

industrialization including the shortage of capital resources, inadequate domestic markets, balance of payments difficulties, and limited access to markets. 5 The social aspects of industrialization also affect the Bank's actions. These consist of such factors as education, employment, and income distribution. 6 Once again, it is easy to see that all of these factors affect one another. This is why the Bank created the sectorial programs. The Bank realizes the importance of each. The proposal for the international banking committee would be to consolidate these same sectors into one decision making process focused on a common good.

The third sectorial program for the World Bank focuses on Transportation. The Bank's funding of transportation projects takes many of the requesting countries' domestic factors into consideration, as well as the many different types of transportation projects possible throughout the world.

Transportation needs can be met by any one or combination of the following modes: aviation, inland waterway, coastal and ocean shipping, pipeline, port, rail or road services. The extent and modal structure of a transport system reflects many influences, including the country's geography, terrain, the structure of its economy, and the history of its growth and development. 7

It is obvious that transportation is a primary sector of attention in terms of the goal for building a world



community. Facilitating the ease of movement throughout the world diminishes geographic constraints both on a local and global scale, thus removing barriers to commonalty.

Somewhat paralleling transportation, a medium in which to facilitate contact both locally and globally, is the next sector program for the World Bank, Telecommunication. The focus of Bank operations in this area is to further finance, research, technical assistance, and procurement in the field of telecommunications. By advancing the development of sophisticated telecommunication systems, the resources and knowledge of the world may one day become readily available to all the nations and peoples of the world.

The development of Electric Power is another sector of interest for the Bank. The electrification of villages and the development of nuclear power are of great concern. Without the availability of electricity, the likelihood of technological development, industrial development, and even general economic development is almost impossible. Other sector program developments in telecommunication, transportation, and urbanization would also be greatly restricted without a well developed electrical power system.

Closely following the Bank's attention to the funding and development of electric power is the Bank's focus on developing Water and Sewerage systems. These systems are especially important in the development of urban areas. In fact, urbanization is the next major sector program.

The World Bank devotes a lot of attention to the development of urban areas, Urbanization, and the problems and solutions associated with urban development and life. The "speed of urban growth and shortage of resources, human as well as financial," are obstacles which the Bank is trying to overcome and alleviate by targeting its financial resources. 8

Problems of urban poverty and unemployment, of inadequacy of housing and urban infrastructure, have been recorded throughout history. What most distinguishes the current urban problems of the developing countries is their scale and intensity. [...] The proliferation of squatter settlements and slums, and the rising backlog in urban services, have been accompanied by growing recognition that 'development' implies much more than just expansion of output. 9

The Bank looks for answers in terms of what it can do with its funding policies to promote better and more controlled urbanization. A successful urbanization project is based on many factors. Obviously a good transportation system is a key ingredient. The efficient use of land, zoning, and planning are equally important; as is the development of urban housing, certain levels of urban services, and continuing research on urban problems and their solutions.

The ability to conduct research implies a certain level

of education within the society. Education is thus the next sector program for which the Bank has policies and guidelines.

Education, unfortunately, is one area of life and one role of society which we often do not take seriously enough. Education, whether it be for the first time or for continuing learning, is mandatory for any society to advance. In any field, technical or manual, professional or trade, white collar or blue collar, there are always advances in operations or techniques for which people must be trained and educated in order that those advances might be implemented. For this reason the Bank pays particular attention to loaning monies which will foster projects which, as either a prerequisite or a direct result, will require the further education and training of those involved. The Bank also directly funds non-formal education and training, educational radio and television, programmed learning, and provides teaching materials and equipment, business administration and management seminars, and the management of education systems. 10

The Bank places particular emphasis on the education of managers and administrators and on academic research in this area. "It was this desire to train the top administrators in under-developed countries that induced the Bank to set up the Economic Development Institute in 1955." 11 The influence of education spills over into the next sectorial program of the Bank, which is population planning.

Many of the hardships existing in different nations are the result of poor population planning. There may be either too many people causing over crowding and shortages of necessary goods, or there may not be enough people, creating a shortage in the labor supply stifling growth and progress. In the former case, the Bank, through education and the funding of specific programs, tries to teach the people of the particular area birth control measures and family planning concepts. In the later situation the Bank may fund better nutrition in order to increase general health and fertility in the area. One thing which happens in the development cycle of a nation is that during great growth, especially industrial, the population tends to grow in order to provide the necessary labor needed. This was especially true during the mid-to-late 19th and early 20th centuries. Now technology and automation has curbed this trend. As the society becomes more advanced and more technical, the standard of living increases, human labor is less needed, and the society experiences a decline or leveling out in the birth rate.

Another factor affecting the Bank's attention to population planning is the improvement of medical science. Strides in the prevention, treatment, and cure of diseases and ailments, have increased the life expectancy for people throughout the world. Of course it is greater in those first world developed nations, but, by funding programs which will spread this medical know-how, the goal of improving the

physical/medical quality of life throughout the world will vastly benefit. The World Bank is but one of many organizations, such as the World Health Organization, trying to achieve results in this area. If the idea of creating a world community were orchestrated and managed through one organization, such as the international committee on banking, the benefits in this area as well as in others could be achieved faster. Because all activity would be channeled through only one organization, management of resources could be more efficient and response time quicker and more effective in meeting specific and diverse needs.

Diversity in many forms is an important factor which the Bank faces in its operations and interactions with the nations of the world. Because of this ethnic, religious, and programmatic diversity, interest in different people and areas of the world is a common condition. Thus the Bank tries to stimulate this interest through its final sectorial program which is Tourism. Tourism as defined by the Bank includes vacation and leisure travel and business travel. In 1972, business travel accounted for sixty to ninety percent of travel in most areas, and vacation travel from twenty to sixty percent in others. 12 Culture, tradition, climate, natural wonders, and the political and business situation affect tourism. Tourism, as the Bank well knows, benefits the nation or area which experiences it. Tourism, on a global level, as a form of foreign exchange, impacts the employment situation and the general economic good. Many

local residents should find jobs in the service industries which support the tourist industry itself. Hotels and restaurants need be constructed and staffed, food provided, tours guided, and other services provided, all as a direct result of tourism and all directly stimulating the economy.

These are the sectorial programs of the World Bank. It is easy to see that they all are interrelated. A well developed transportation system is needed if there is going to be successful urbanization of an area. You need an appropriate population level to supply the workers needed for the nation's particular level of industrialization. These workers must also possess the levels of technical skill and education needed and must be directed by those with correct managerial skills and specific knowledge. You must also possess the ability to effectively communicate, telecommunicate, with the rest of the world, so that they know what you have to offer and you know what they have to offer, facilitating trade and also tourism. It is obvious that these sectorial programs and the policies which serve them are interrelated. The Bank has done a respectable job in defining these areas and in promoting policies which through education, direct funding, and lending, have effected numerous desired ends. Even the Bank itself will acknowledge some problems in its original approach, such as neglect of the environment, yet overall it has done well in achieving its objectives.

What the World Bank has done and what there is for it to

do provides an example of the types of activities, focus, and direction the international committee on banking might take. The World Bank, in its much more limited scope, is a model for the creation of this banking committee. Speaking during the 1970's Lewis and Kapur noted that:

The International Bank for Reconstruction and Development has become the largest, and perhaps the most dynamic, external agency in the overseas development field. Observers' mounting interest, however, in the Bank is based on more than just its size or importance. There is also fascination with the ambivalent role in which the Bank has been cast and is casting itself. 13

The Bank has one great advantage, one which was stated at the beginning of this paper. That advantage is that its purpose is to foster economic growth and development by funding programs which can aid in the successful overall development of an area and its people. This is economics, and is more readily accepted as good, and welcomed more openly than cultural, political, religious, or ethnic contact and exchanges. In many developing countries, where the recipient governments share in its overall control and management, the Bank appears more professional and seems less suspect of political motives, less foreign, more local in nature than many bilateral aid programs. 14 The Bank has been accused of being highly political and has admitted to failures and criticism in this respect, but this does not

diminish its potential or its example. This is why an international committee on banking, subordinating political motives to professionalism, directing the financial sources of the world, would stand the best chance of any type of organization in fostering what would lead to world community.

In terms of the comparative capacities of the various agencies on the multilateral development scene - [the Bank's] analytic, programming, and negotiational capacities as well as the resources they command - it is hard to imagine any promising evolution of international development strategies in the near future in which the Bank will not play a key role. 15

As the fourth and final chapter of this paper will deal specifically with the theory and ideas behind the formation and implementation of the international committee on world banking, only a few more words will be offered at this juncture. As demonstrated, the World Bank has shown levels of success in its programs which other international organizations have not been able to duplicate. This is because the World Bank is seen by many individuals, politicians, and governments alike, as relatively apolitical. It is considered a business as such. A highly professional and well managed "company," it presumably operates for its own growth and survival, as well as the benefit and development of programs it lends for and funds. It does its research before acting and generally considers the possible



ramifications of its actions. Due to this fact, most political leaders and others in positions of power and influence, tend to be less suspicious of the Bank's motives. The professionalism of its actions, its track record, and its very nature, often make it less politically suspect and thus more apt to be accepted. In this respect, the World Bank serves well as a model of activity, as well as a model in theory, for the international committee on banking. For it shows that economic intentions can be more readily tolerated and welcomed throughout the world, and that a well directed and managed organization with a well developed purpose is acceptable as a world bellwether.

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One of the divisions of the World Bank Group is the International Finance Corporation (IFC). The IFC serves and follows the policies and sectorial programs of the World Bank, but differs in that it involves itself with private enterprise, not in governmental or government backed projects. It focuses on the next level down, so to speak, from direct governmental involvement.

The IFC was conceived as part of the World Bank Group in 1944, at Bretton Woods. The U.N. Monetary and Financial Conference saw a need for funding at this level as key to its overall objectives. They realized at the conference that sometimes private enterprise may be ahead of the government

in seeing development possibilities and wanting to pursue them. For this reason the IFC was created within the World Bank to respond to these requests and needs in order that progress, growth, and development might have a better chance of occurring. In 1968 James Baker noted that the "IFC is the only world wide international financial institution which finances private enterprise projects in member countries without government guarantees. In addition, the IFC also is empowered to take an equity position in companies which it finances." 16

Another factor in the creation of the IFC was related to the climate in which it and the greater World Bank Group were created. The Second World War was coming to an end and the first and most important order of business would be the reconstruction of war torn areas. Because the main focus and resources of the World Bank would be directed towards these objectives for the first decade or so, another organization would then have to focus on requests for funds for other objectives. The Bank would work with governments to rebuild their nations, and then continue to work with governments for further development. The IFC would work with private enterprise to continue the rebuilding process and develop this sector on a more limited and specific scale. In 1956, the IFC was put into action.

Since that time "the trend of foreign economic assistance has changed from reconstruction of war-torn countries to the development of low-income nations." 17 The

IFC, especially during the Reagan years, has been a part of this change. Because it was already involved in smaller non-governmental projects, it has been able to respond efficiently to the private sector requests for development of industry and trade in these third world, low-income nations. The change in emphasis has also been shown in the larger operations of the Bank itself.

The World Bank Group has made some changes in industry emphasis during the period since the War. Its direction has been on lending for electric power and transportation but in recent years, more World Bank emphasis has been toward development of agriculture, industry, and education. 18

These are areas to which the IFC has been paying attention and making loans for most of its existence. The IFC has set the pace for the greater Bank in many instances. The IFC has invested in areas such as food processing, distribution services, public utilities and tourism. 19 Most of the IFC's attention in these and other areas is directed to the Less Developed Nations (LDCs) or Low Income Countries (LICs).

The LDCs suffer from a lack of adequacy on most if not all of the sectorial programs of the Bank. They need help with education, transportation, telecommunication, agriculture, industry, population, and so on. Dealing with the governments is not always the answer in this case. The government policies and programs often only benefit the strong arm politicians in these countries and do not achieve

the desired goals; thus the intentions of the funded projects, intentions of benefiting the country and its people as a whole, are not realized. The IFC has been more successful in this area because it lends to private industry whose main initiative and purpose is profit. Because profit can only be realized if the project is completed and is successfully implemented, the resultant benefit to the society is potentially substantial. Jobs are created, capital invested, goods and or products produced, services rendered, or natural resources gathered for further refinement.

In 1968, the IFC said it wanted to

continue the trend to channeling more aid to the private enterprise sector of LDC's. Private enterprise in the LDC's can be the dynamic and catalytic agent for initiating change. The entrepreneurial capacity of the LDC's is quite limited; thus, development of this sector through world aid may lead to dynamic changes greatly beneficial to the LDC's. 20

This type of lending, along with what the multinational corporations of the first world invest and develop in the LDC's, will most probably achieve greater results than the channeling of monies through government programs and projects.

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Equally significant, the International Development Association (IDA), has administered loans and projects through governments with considerable success. The IDA began operations in 1961, as the soft-loan, government backed affiliate of the IBRD. By 1991, the IDA had

made some 3,094 development loans and credits for a total of more than \$92 billion. Of these, the overwhelming majority, over 90 percent, have been for specific projects such as schools, crop production programs, hydroelectric power dams, roads, and fertilizer plants. 21

The IDA follows a set of operational policies for each program with which it involves the Bank. These operational procedures are referred to as a policy cycle. The cycle's first phase is to identify projects having a high priority, that appear appropriate for Bank support, and that the Bank, the government, and the borrower have an interest in pursuing. 22 Once the projects are identified, they are incorporated into the Bank's lending program which it has set up for each country. 23

Once a project has been incorporated into the Bank's lending program, an extended period of close collaboration between the Bank and the eventual borrower begins. This period of time could range from one to two years. 24 The formal responsibility for the preparation and presentation of the project is the task of the borrower. Preparation and presentation must cover all aspects of the project's

objectives. This would include institutional, technical, and economic conditions which would affect the project. All of this obviously requires considerable time, thus the Bank is often criticized for taking too long to make a loan. 25

As the preparation phase of the project nears completion, the next step for the project is its appraisal. "Appraisal, perhaps the best known phase of project work, provides a comprehensive review of all aspects of the project and lays the foundation for implementing the project and evaluating it when completed." 26 This appraisal process is strictly the responsibility of the Bank, and covers what the Bank and IDA consider the four major aspects of a project. These are the technical, institutional, economic, and financial aspects. 27

In the technical aspect of a project, "the Bank has to ensure that projects are soundly designed, appropriately engineered, and follow accepted agronomic, educational, or other standards." 28 With the institutional aspect of a project, the Bank is looking at the entire organization which would result from the project. This would include not only the "institution" and its operational organization which would be created, but also the government policies needed and their, as well as the institution's, effect on the environment in which it would operate. 29

The economic aspect is less objective than the institutional. "Through cost-benefit analysis of alternative project designs, the one that contributes most to the

development objectives of the country may be selected." 30  
Closely related to this aspect is the financial appraisal of the project. First, the Bank/IDA needs to be sure that there are sufficient funds available to implement the project. "For a revenue-producing enterprise, financial appraisal is also concerned with financial viability. Will it be able to meet all its financial obligations, including debt service to the Bank?" 31

After the appraisal stage comes the actual negotiation and Board presentation stage. The negotiation stage is where the Bank and the borrower agree on the terms of the loan. These agreements are then written into the loan documentation, which form the legal obligation between the Bank/IDA/IFC and the borrower/government/debtor. At this point, the appraisal report, the President's report, and the loan documents are presented to the Bank's Board of Executive Directors for final approval. 32

After the preceding the project is implemented and its construction and subsequent operation begins. This is followed by constant evaluation by the Bank and all parties involved in the project. Through this process of evaluation, important information is gained which benefits both this project and others which may follow. 33

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With the population growing quickly in the LDC's and

LIC's, the need for better nutrition is of basic and great importance. Without a well fed and healthy population, it is impossible for much positive change to occur. As James Baker indicated in 1968, "agribusiness -- an old industry with a modern name -- must be greatly expanded if the world's vastly increasing population is to be fed." 34 After first dealing with this basic problem, the IFC, IDA, and greater World Bank can then go on to finance other projects which meet the needs of other sectorial programs. As these other programs start to take off, the economy of the LDC/LIC will grow and it may look to interaction with other LDC's/LIC's and developed nations on a global scale. When this happens the economy of the country will take off and if properly managed and planned, will successfully feed off of itself, growing larger and more expansive. Production and efficiency will increase and thus the benefits both to society and to the economy will continue. Over a long period of time, the LDC may break out of that classification and move into the company of the developed industrialized nations. The dependency school rejects this general line of reasoning. It argues that only when the parasitic system as a whole is changed can real development be expected. Others argue that this view is too biased and holds little validity. According to Baker, the IFC realizes this and conducts its activity accordingly.

The IFC continually pushes and prods, by suggestion and action in its lending policies, to achieve these ends. This can be shown in the following quote: "World aid must be



channeled to those service industries in LDC's which will generate not only foreign exchange savings but which will also earn foreign exchange. Such an industry is tourism." 35 Tourism, as outlined before, is a sectorial program of the World Bank. It is an industry which, without a whole lot of capital outlay in relation to income and profit, can greatly benefit a LDC/LIC, or any country or locality for that matter. But obviously it is not as easy and simple as it would seem. Both the greater World Bank and the IFC have many obstacles and critics to overcome in promoting their policies and programs. Many projects and lending opportunities are missed or blocked.

Baker notes that there are many groups which oppose the actions of the IFC and the World Bank. A great preponderance of opposition stems from the industrialized nations' legislators who as a result of political pressure from their constituencies try to block the appropriation of funds to support the World Bank activities. "The United Nations goal [through the World Bank] of one percent of industrialized nations GNP as an annual official appropriation to the LDC's," is ambitious. 36 This goal can only be reached if the industrialized nations come through with their funding of the Bank. These funds along with the bond issues from the Bank, and interest earned, are all that the Bank has to lend. If there is not support within the industrialized nations for the Bank's activities, then there is unlikely to be adequate financial support either. "Attitudes must change toward

foreign economic assistance among the peoples of the industrialized nations of the world, and especially among legislators." 37

It is a political reality that legislators are under pressure to respond to the needs in their own area or nation first. After all, the electorate puts them in office and can remove them. In many nations, especially in the United States, global considerations are rarely on the minds of the people. The problems at home are first and foremost in their thoughts. Unfortunately, because of this, there is relative apathy towards the needs of the world as a whole. People do not realize that by assisting on the international scene improvements and benefits can eventually be felt at home. By supporting economic development and growth, profits, goods and services, technological developments, increased knowledge, and so on, can be felt by all. It is unfortunate that people are so close minded or simply ignorant of the importance of working for global as well as local objectives.

Organizations such as the World Bank and the IFC can achieve great strides towards world harmony and development if given proper consideration and support. The problems which they run up against are ignorance, cultural pride (when used to exclude or prosecute those outside of the culture, or when it prohibits understanding and appreciation of other groups), governmental restrictions and policies, inadequate personnel, cost overruns, technical problems, inadequacy of feasible projects, and missed opportunities.

The IFC [and the World Bank in similar fashion] was established for the following general purpose, as stated in the Articles of Agreement: 'the purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development.' 38

To achieve these ends, there must exist a better and more global understanding of needs at all levels of society.

The IFC must then seek "to bring together investment opportunities, domestic and foreign private capital, and experienced management" to develop and support programs which will produce positive results and foster further development. 39 It must also seek "to stimulate, and to help create conditions conducive to the flow of private capital, domestic and foreign, into productive investment in member countries." 40 This can only be achieved through cooperation.

This sentiment was reiterated and updated by the World Bank's current President, Lewis T. Preston, in his 1991 address to the Bank's Board of Governors. His remarks indicate a slight change in the focus of the Bank's activities and the direction of its programs. Reflecting, in his speech, on the changes in Eastern Europe and the former U.S.S.R., he states that "the implications of these changes

are truly global. I want to discuss how we can take advantage of the opportunities and deal with the challenges before us, so that we can make progress toward our ultimate objective - the reduction of poverty." 41

Preston lists five developments/changes in the past decade which require the Bank to adjust its role and the direction of its policies and programs. First, he believes that the industrial economies are poised for a long period of growth which will remain relatively stable, unlike the early 1980s and before. Second, he believes that the world economy is much more integrated now than in the past. Third, the debt of low and middle income countries has been better managed over the past ten years. Forth, is the change created by the end of the Cold War and relaxation of tensions between the two superpowers over the past decade and especially the past two years. As a direct result, the countries of Eastern Europe are now ready to slowly integrate into the global economy, creating a stronger world community. The fifth, and the final development which Preston cites, deals with the changes in attitudes which can now be found on the international stage. He believes that ideological conflict has been superseded by the overall and fundamental agreement on the subject of development. Development occurring locally with eyes to a greater global framework. 42

Preston believes that this "development is most likely to succeed when there is an appropriate balance between the role of government and the role of the private sector." 43

"The poorest countries, of course, cannot borrow on commercial terms. For these countries, a substantial replenishment of the International Development Association (IDA) is crucial to sustain reform programs and reduce poverty." 44 Thus he sees a need for both the IDA and the IFC in the future of Bank activity. The IDA, with its soft-loan policies, should work closely with the governments of LIC's, and likewise the IFC with the private sector of many countries in diverse stages of economic development.

Preston summarizes his speech by stating the Bank's overall task and objective. His view of the role of the Bank runs directly parallel to that of the proposed committee on world banking, that is building a world community by fostering positive development and stimulating the world's economy. "We live in a complex, rapidly changing, and highly competitive world. We must help our members use scarce domestic and external resources as effectively as possible to accelerate development, stimulate employment, and, thus, reduce poverty. Poverty reduction [...], remains the World Bank Group's overarching objective." 45

Cooperation is the key for any attempt at global community. The proposal for a international banking committee can only work if there exists cooperation at all levels of society, locally and internationally. Because the U.N., basically a political creation of the great powers existing after World War Two, is seen as a political organization, its agencies such as the World Bank are also

seen as political. As a result of this fact, its activities and motives are often suspect despite its professionalism and best efforts to remain apolitical. The proposed committee on banking will not have its roots in any political or nation-state based organization; rather, its base will be global. It will, by its very nature and structure, be a global organization to start with, without particular allegiance to anything but successful operation, return on investment, and the building of community through its work.

## Endnotes

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41 Lewis T. Preston, "Address to the Board of  
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### Chapter Three

In its quest for a stable and peaceful world, humanity today finds itself confronted with a number of political problems, many of which are seemingly intransigent, whose sources lie in conflicting national, ethnic, linguistic and racial claims arising out of historical experiences. Some of these problems are headline material almost daily, others are less visible but consistently aggravating, while still others have been temporarily submerged, but only await the appropriate moment to reappear to further disturb the worldwide quest for peace. The just resolution of these problems is essential if local and world peace is to be attained on the basis of some approximation of justice, yet in none of these cases is justice a simple matter; hence the conflicting claims of the parties involved have not proved amenable to the usual forms of political compromise. In essence, new forms for resolving those problems are desperately needed, for the sake of the parties involved at least as much as for the sake of the world as a whole. 1

The above quote, by Daniel J. Elazar, in his introduction to Federalism and Political Integration, is a cry for help.

In addition to the international committee on world banking, which will be discussed in chapter four, and the World Bank which we have already discussed, another example of international cooperation in response to this need is the integrative activity taking place in Europe. Europe is becoming a community. But before we look closely at this milestone, it is important to understand the logic and theory on which a developing community is based. This will include a brief overview of some of the important events during the past two centuries in Europe.

Elazar argues the political/structural model on which

this European community is loosely based is federalism.

"Federalism, understood on its own terms, offers an alternative to the center-periphery model, for political integration as for other things political." 2 In the long history of Europe, often there has been one dominating power, or a few, from which political, military, and directional power emanated. The center of power was often located in the city or area which in the ruler or ruling body was located. This was true whether in relation to an individual state, an empire, or a feudal territory.

The essence of federalism is "a communications network which establishes the linkages that create the whole." 3 Federalism, although seemingly similar to the preexisting political structures in Europe, differs from them in important respects, as well as in intent. According to Elazar, "in the first place, the measure of political integration is not the strength of the center as opposed to the peripheries; rather the strength of the framework. Thus both the whole and the parts can gain in strength simultaneously and, indeed, must do so on an interdependent basis." 4 Federal principles are concerned with the dynamics found in the combination of self-rule and shared rule. In matter-of-course, federalism involves the union of individuals, groups, and polities/politicians, in such a way as to provide for the stalwart pursuit of the common good while maintaining the respective esteem of all the groups represented. 5 Elazar argues that

Federalism has emerged as a means of accommodating the spreading desire of people to preserve or revive the intimacy of small societies, and the growing necessity for larger combinations to better mobilize the utilization of common resources. Consequently, federal arrangements have been widely applied, on one hand, to integrate new polities while preserving legitimate internal diversities and, on the other, to link established polities for economic advantage and greater security. 6

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The world economy is comprised of many different nations with diverse economic structures. These economies differ in their level of development, rate of growth, and structure. It is very hard to bring different economies together for positive collective interaction. In Europe, the vision of an economic community was and is one of great promise, but also one of logistical problems and obstacles. An organization, committee, would need to be created to stabilize the relations between the different countries and their distinct economies. "Without such an authority, we should not be surprised that instability is the hallmark of the international community and money markets, and disruption one of the most-used words in discussions of [international] trade." 7

International integration has been long debated in economic circles and recently has acquired revived popularity due to new theoretical research and to applicatory policy changes such as the establishment of the European Internal Market. 8 The point is that through this new approach, integration offers group benefits for all of the countries participating while maintaining individual incentives. 9 The analysis of integration looks into a wide range of topics, these include: the removal of trade barriers, the establishment of co-ordination rules, and the implementation of processes of co-operation. 10

Following in this logic, and earlier precedent, the European Monetary System (EMS) was founded in 1979. Since its inception, the most important achievement of the organization has been the enhanced stability produced by the bilateral exchange. The EMS by its very nature and day-to-day operation, requires from participating countries a level of monetary and political cooperation which has seldom previously been found.

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The European Community began under the Treaty of Rome, in 1957, as a plan for economic integration. "The European Community was founded to deal with the changing political and economic world and has advanced quite far along the federal road towards a European Union, which is its explicit

objective." 11 "It has been found that a common market, [or community], without the harmonization of policies between members can create problems, especially with production, employment, and investment decisions that respond to differential monetary and fiscal policies." 12

What brought Europe to the point that it realized the need for economic community and cooperation can be understood by looking at some of the historical background and development of the area. For years, Europe operated economically under what is called mercantilism. In such an economic environment, where the state is the base for the economy, policies are structured in such a way as to benefit and strengthen the economy of that state. "Adam Smith's Wealth of Nations (1776) was the most famous, if hardly the first, attack on these ideas. The shift of emphasis from the state to the individual [...] meant that free trade was the superior method to serve consumer sovereignty." 13 In 1860, the Cobden-Chevalier Treaty between Britain and France marked a significant step toward free trade. Despite the reluctance at the time of the Treaty's passage, greater European integration took place as a result. About this same time, in Germany, another step towards integration was taking place. The German Zollverein, or literally, 'customs union,' was created. Unfortunately, the 1880s marked an era of increased protectionism which continued until 1914. During this time there was a slowdown in the progress towards economic integration.

After World War I, there existed strict national controls over all international trade and financial/economic arrangements. The United States' Great Depression of 1929 caused further European independence instead of cooperation and integration. In direct contrast, after World War II, there was a serious spirit of cooperation felt among the nations of western Europe and the U.S. as a result of the disastrous lessons learned from the earlier period. This fresh feeling of cooperation and desire for integration could be seen in the events which were taking place. In 1951, the establishment of a European Coal and Steel Community (ECSC) was an important step towards integration. Then, in 1957, the establishment of the European Economic Community (EEC), further demonstrated the strong intent with which European leaders viewed eventual economic integration. The year 1960 marked the creation of the European Free Trade Association. In 1967, the EEC and the ECSC merged into the European Community (EC).

Before discussing the structure of the EC, it is important to note two points. The Europeans use the word community in the title of many of their organizations. This shows their intent, not just for association or cooperation, but for community; a more harmonious and lasting relationship. Also, and very important to the point and argument of this paper, they primarily have and are approaching the integration and building of their community by economic means. The approach and method that they are

using is not based on politics, religion, race, or culture, it is based on economics. Economic policy and development is the least controversial and least offensive approach to integration. For this reason the Europeans have chosen this method. The logic which this paper uses in proposing the successful integration and building of a world community, through economic means, follows the similar logic on which the EC is based.

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The EC is led by its main executive arm, the Commission, consisting of fourteen members. According to Overturf

The role of the Commission was intended to be that of a driving force behind the Community. It was to administer the treaties and other commercial policies of the EC, as well as institute new policies that would serve the original intent of bringing Europe into greater economic and political union. 14

Along with the Commission, the EC has other structural components. The Council of Ministers, is the institution which coordinates direct interaction between the member governments. The Council is composed of one representative from each government.

The European Parliament, or Assembly, is a directly elected body. Its structure is based on a quota system per



member state. The Parliament differs from most other parliaments in that it is basically consultative and not legislative. It was hoped that the members would not view their role as one of representing their home nations and governments, but rather the EC. The Parliament has not been too successful in this respect. 15

The Court of Justice is another institution of the EC. It "is composed of a member from each country. It acts on the legality of actions (or lack of actions) of the Commission and Council, by interpreting, applying, and enforcing Community treaties. Its conclusions have the force of law within the Community, and [are to] take precedence over national laws." 16 Under the EC, countries retain their sovereignty and thus their ability to agree or not to agree with EC policies and solutions to problems and issues.

Many positive things have resulted from the creation of the EC. The free flow of labor within the Common Market, as provided for in Article 48 of the Treaty of Rome, has been a real success. Only ID cards are needed to cross national boundaries and work permits are chattels of the past. Even residence permits automatically renew every five years.

Industrial policy of the EC was originally intended to keep competition within the Community to a minimum. The problem is that by doing so, development would be stifled and resources would be diverted from their most efficient use. Now the EC promotes fair and beneficial competition.

The Common Agricultural Policy of the Community (CAP),

has been a very successful program and one which continues to grow in scope to the great dismay of outsiders such as the U.S. This has helped inhibit the growth of a larger "community" going beyond Europe. Internally, the Common Agricultural Policy has many objectives, some of which include: providing food to consumers at low prices, maintaining and encouraging a liberal trade policy, and encouraging transition to a productive and efficient agricultural sector. 17 "Other goals include achieving a high standard of living for farmers, self-sufficiency, adequate supply and price stability in agriculture, and a mechanism by which to reward Community members for acquiescing to overall policy goals." 18

Trade policy is of major importance in the EC.

The trade relations of the EC with developing economies (LDCs) around the world have generally consisted of the EC providing aid or preferential trading arrangements to specific groups of countries, but always with an eye on the cost of such aid and with consideration of any potential impact on protected industries within the Community. 19

Trade relations with the more highly developed nations have primarily centered around tariff negotiations under the General Agreement on Tariffs and Trade (GATT) auspices.

The EC also focuses on regional policy. Here the Community acts on issues of more limited scope, but with

great regional significance. Assistance in this area can be of a technical nature or rudimentary. Regional policy flows over into social policy in some instances.

Under the auspices of social policy,

the Commission is charged with promoting 'close collaboration between Member States in the social field, particularly in matters relating to: employment; labour legislation and working conditions; occupation and continuation training; social security; protection against occupational accidents and diseases; industrial hygiene; the law as to trade unions; and collective bargaining between employers and workers.' 20

Also under social policy, such issues as health, housing, education, labor mobility, wage equalization, and poverty are dealt with by the EC. All of these areas require economic cooperation and would be potential beneficiaries of integration.

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The European Monetary System (EMS), formally adopted by the European Council in Brussels in 1978, was a dramatic step forward for European integration. "There are three main elements of the EMS: (1) an adjustable peg system for most EC currencies; (2) an extension of credit facilities through the European Monetary Cooperation Fund; and (3) the

introduction of a European Currency Unit." 21 The adoption of a common currency and monetary policy, a monetary union, would be tantamount to the adoption of a full economic union. Neither will be easily achieved.

"The basis for the management of cooperation, the harmonization of public policy across national frontiers, and the existence of regional interdependence is the differential distribution of needs, aspirations, and capabilities of states and their people." 22 In Europe you have a diversity which is in some ways easy to amalgamate, and in other ways so divergent that integration may not be complete for many years. Another factor which has complicated the formation and implementation of common policies is the spirit of nationalism which seems to have reappeared in the member states. This phenomenon tends to accentuate the concept of national interest, thus leading sentiment away from integration and towards separation. This is a trend which has been particularly pronounced during 1992.

Another complicating factor which adds to the problem of successful integration is the sentiment and actions of the civil service within each member country. They obviously have something to lose if successful integration is achieved, namely their jobs. Because of this, they are not always cooperative with respect to EC policies and programs. In their actions, or lack of actions, they can retard the progress and goals of the EC. In the opinion of Werner Feld, "the views and attitudes of the national civil service in the

member states concerned with Community affairs have a significant bearing on the effectiveness of external policymaking in the EC." 23 Obviously, the views and attitudes of the civil service "play a role in shaping the policies of those who wield political power in a state." 24

Despite these obstacles, the EC has still achieved many victories in terms of cooperation and integration. There has, for instance, been much success in Aerspatial Cooperation. In this area there exists: the European Launcher Development Organization (ELDO); the European Space Research Organization (ESRO), which has worked with NASA on many occasions; La Commission Preparatoire Europeenne de Recherche Spatiale (COPERS); and the European Space Conference (ESC). There has also been much success in the fields of telecommunication, a European response to terrorism, and recruitment to the Higher Civil Service of the European Community.

Other cooperative efforts include: the Organization for Economic Cooperation and Development (OECD); the Council of Europe, which focuses on education, cultural affairs, as well as science and research; the European Molecular Biology Organization (EMBO); The European Southern Observatory (ESO); and NATO's Science Fellowship Program.

Still other areas of interest are the regulation of multinational enterprises, which still reflect preferential treatment of the home nation's own national firms; the establishment of the single internal market; and the

expansion of the European Export Bank's activities. There is also talk of creating a European Bill of Rights. Even though there already exists a European Court of Human Rights, this idea of creating a Bill of Rights is being pursued cautiously. There is much apprehension towards establishing a human rights platform. The platform, in order to survive attack, must be carefully and solidly based in a strong jurisprudential foundation.

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"In December 1990, EC international conferences agreed on an ambitious timetable for creating a common currency and a single central bank, or Eurofed." 25 Many leaders agree that only with a common currency will Europe be able to maintain its standing in the world economic community and successfully compete with the United States and Japan. As it would seem, "the desire to stay competitive in a fast-moving world was the motivation for 1992, the specific target was Japan; cynically put, Europeans hoped to prevent Japan from doing to Europe what it had done to the United States." 26 But the road to creating a common currency, a monetary union, is not free of obstacles.

One obstacle is the British who are not in favor of a common currency. The British do not want integration to the extreme; that is, to the degree where there would be a loss of independence and sovereignty. They do not wish to see a

United States of Europe, where each former nation-state would become a mere state in the union. The British want a European Community based on willing and active cooperation between independent and sovereign states.

Another recent obstacle to integration and the creation of a common currency, is the democratization and changes occurring in Eastern Europe. According to Gregory Treverton, this process presents six major obstacles for the successful integration of Europe.

-First, the postcommunist states in eastern Europe will have to undergo a dual transition - that is, they will have to change their political and economic systems at the same time.

-Second, the countries in eastern Europe lack the advantage of strong democratic experience and traditions.

-Third, the enormous economic problems that the regimes in eastern Europe face impose an important constraint on the ability of the new elites to successfully complete the democratic transitions recently initiated.

-Fourth, ethnic nationalism presents a threat to long-term stability in the region.

-Fifth, is the problem of political institutionalization.

-A final obstacle is posed by the danger of public apathy and disillusionment. 27

These obstacles will be hard to overcome. There were enough obstacles when just the western European countries were attempting integration, but now that the eastern European countries are also going to become part of the process, the variables and complexities are even more numerous.

As this case study of the EC and its attempt towards integration demonstrate, achieving this process on a worldwide level will be an awesome challenge. What European integration shows us is twofold. The first is what the very process of integration looks like: its advantages and disadvantages, successes and failures, methods and procedures. The second is the fact that the primary vehicle in this process of integration is economics. The fact that an economic process was chosen demonstrates that it is in many ways uniquely qualified to harmonize and bring together divergent nations and peoples, governments and cultures. This development parallels and supports the argument of this paper: that through economic means, a committee on international banking can coordinate the world's economy, and, in time, a world community can be built.

So as to summarize the happenings in Europe, a few observations need to be made. One is that there has been great progress made, but there are many obstacles still to overcome. A second is that many people have had time to think about the process of integration and that has had some contradictory effects. There are, of course, people who just do not care what is happening; there are others who were from



the outset for the process and who are now against the idea of integration, and vice versa; and there are those who have felt strongly one way or another from the outset. "The evolution of a reunified but highly heterogeneous Europe, and of its relations with the two great powers that had divided and dominated it [the U.S. and the Soviet Union], continues to baffle commentators. The year of euphoria is over. The era of confusion and complexity is not." 28

Many speculate about the possibility of a United States of Europe. At the present time it seems a remote and distant prospect. "The United States of Europe will never become a full reality until all its inhabitants feel themselves to be its citizens with a sense of belonging and a sense of loyalty towards it that is no weaker than that which they feel towards their nation, region or local community." 29

The time has come to plan for a world federation with a common government that would work for the well-being and greater prosperity of the whole of mankind. For this grand design the United States of Europe and the federations in other continents could provide the necessary blueprint. 30

With this said, let us now look at the proposal for an international committee on banking and how it could lead us to this objective of a world community and perhaps, as alluded to above, an eventual common government. Observation of the events in Europe over the last couple of years would seem to diminish the prospects for world community, at least

in the short run, yet, for the long run, a more positive outcome may exist. These events in Europe reflect the "widening vs deepening" dilemma which has global connotations. The widening of global interactions, on all levels, often creates within a country a deepening of nationalistic feelings and isolationist policies that are in direct conflict with the actions taken to create world community.

## Endnotes

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16 Ibid., p. 17.

17 Ibid., p. 75.

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25 Gregory F. Treverton, The Shape of the New Europe (New York: Council on Foreign Relations Press, 1992), p. 5.

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30 Ibid., p. 147.

## Chapter Four

So how do we build a world community? As we have seen, it seems that two of the most successful attempts thus far have taken the economic approach. Both the International Bank for Reconstruction and Development and the European Community are based on policies and programs founded on well tested economic theories and practices. As this paper has shown, their efforts have been highly successful considering the obstacles faced in such undertakings.

History has proven that political or military attempts at bringing the world together, usually in the form of aggression and armed conquest, ultimately fail. Dictators, and others, have tried to build larger and larger empires, often under the guise of improving the world by harmonizing it under their own superior beliefs. The attitude that, whether due to divine inspiration or just greater knowledge, their way is best, their solutions the right ones, allows them to impose their ways on others. The flaw in this practice has always been the failure to suppress other ideas, with the consequence frequently being rebellion. Also, the imposition of these ways often means that the imposing power derives all of the benefits of the forced union, while the area under conquest derives nothing but sorrow, hardship, and oppression. Eventually there is rebellion or prolonged submission.

This scenario holds true for political, religious, and

cultural imposition of ideas and beliefs. Integration of different countries and peoples along these lines has never been successful unless voluntarily agreed to. Even within different societies there are subcultures which may think a different way than the rest, or norm, of their own societies. These groups may parallel the thoughts and opinions found in other societies in terms of political beliefs, social behavior, or religions. They might be considered outcasts because of this.

The point is that people have minds of their own, even in the most regulated and oppressed of societies. Because of this, integration or harmonization of the world can only occur on a level that most all of society can agree upon. Economics, and economic rewards, offer the best chance of agreement of the options available at this time. Not everyone will agree that economic means are the answer, but more people will than will not. Most people are selfish enough, whether or not they will admit it, to be willing to confess a desire for economic prosperity as well as for possessions. A lot of people will say that happiness cannot be bought, and that is ultimately true, but most will take all of the money and material objects which they can get. So if we know this to be true, then this is the route which we should take in building a world community, that is, to appeal to their economic self-interest.

This route is not clothed in idealism, but rather in realism. It is not an elaborate egalitarian socially and

politically correct theory; it is a working, roll-up your sleeves, common sense approach to achieving a much needed and well overdue move towards integration of the economies, nations, and cultures of the world.

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As our examples of the World Bank and the past and present achievements of the European Community show, success can be achieved through beneficial economic means. As the World Bank and the EC coordinate their respective undertakings, there must be a greater organization to achieve the same on a world wide level. Throughout the world, in all countries, there exist banks. These banks have the necessary capital, when properly used, to stimulate industry and development of the economies in which they operate. They can, with the proper management, guide the development of societies and the use of resources in such a way as to bring the world to a more harmonious level of development.

An international organization coordinating and directing the joint collaboration of the banks of the world is the best medium by which to achieve this world community building. The organization can direct the largest banks one way and the smaller regional banks another. Each would either alone or in coordination with others, concentrate on promoting an economic program of growth and development best suited for the particular area, keeping in mind that area's ability to

contribute and interact on the international scene. Almost any area can contribute either directly or indirectly to both local and global development.

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My proposal is that the International Committee on World Banking and World Community (ICWBWC), or International Banking Community (IBC) for short, be created as the organization needed to achieve these goals. The IBC would consist of nineteen members. These individuals would be bank chairmen from throughout the world, elected for six year terms, nominated by their peer group, bank boards of directors, and elected at large. The international community of bank boards of directors, would nominate a field of twenty five persons, based on the number of votes each individual received from these boards, and then these nominees would face a worldwide general election in which the thirteen receiving the greatest vote, of a two-part ballot, would win a term on the IBC.

The remaining six positions would be filled by an American, a Englishman, a German, a Japanese, a Chinese, and a Russian. These would be nominated and elected in the same manner. The bank boards of directors from all over the world, would nominate a field of eighteen persons, three from each nation noted above, from which the nominee of each country receiving the most votes in the general election



would win a place on the IBC. The latter would be done out of respect for the level of economic/technical development found in these countries, as they would initially be looked to as the leaders in the development of the IBC.

Terms of office would be limited to two, and a Chairperson would be elected by the IBC. This Chairperson would be basically a spokesperson for the IBC and would not hold any greater power than any of the other committee members. The IBC should at this date and time be located in New York City, for the reason that New York is still the financial capital of the world and offers the support services needed to make the IBC work.

The IBC would coordinate the activities of all the world's banks through its organization. It would effectively make the economies of the world one. For some time different currencies would still exist, that is until the world community reached a point that national identities were no longer needed or useful, and at such a time the rate of exchange and use of funds would be set by the IBC. When and where the banks loaned money would be set by the IBC so that the proceeds of such loans would meet IBC objectives.

Obviously this means that the IBC will wield a great amount of power. It would become an intensely political body because of its activities and the power that it would possess. By directing the activities and monies of the world's banks for projects it sees as appropriate and beneficial, the IBC would have a power greater than the

governments of the individual countries. Hopefully over time, the individual governments of the world would respond by giving-up economic sovereignty to this greater experiment at world community and its benefits.

The IBC will have many areas in which to concentrate its efforts. It will, like the World Bank, have policy areas, sectorial programs, which will concentrate on specific areas of attention. These areas will serve both local and world purposes. They will be designed in such a way that by benefiting the local area in a specific project, it will also produce a benefit which will spill over into the plan for developing a world community. By advancing a specific area in such a way as to make it more apt or able to interact on a regional or even international level, progress will be achieved towards the ultimate intent of the IBC. There are many areas in which the IBC will need to concentrate in order to achieve this world community.

The IBC can promote and succeed in these areas because of the great capital which it can control. Obviously it will only work if the IBC's actions are well thought-out and are in the true best interest of creating a harmonious world community and that this great power is not used for personal greed or advancement. In a rather idealistic way, it is the hope of this paper that this can be achieved.

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The IBC will concentrate its efforts according to

certain program sectors. These sectors are designed to focus the Committee's attention and resources to specific policy areas which need attention in order to foster development which will set the stage for the building of a world community. By bringing the world closer together through offering technical, managerial, and economic assistance as well as certain levels of standardization in terms of the standard of living and the quality of life, the IBC will be setting the foundation for integrating the world into a community.

One of the first and most basic programs which the IBC must fund and promote is further research, development, and sharing of knowledge and techniques with respect to agriculture. There are certain areas of the world which still cannot produce enough food to sustain their populations. By loaning the money necessary to train and develop techniques needed to increase production, as well as the funds needed for equipment, soon all areas of the world could produce all that is within their means to do. What is needed above and beyond this can be bought from other producers in a truly free trade environment. This efficiency and improvement in agriculture would also mean a better nourished and healthier world. Nutrition should be a sub-policy area for the IBC's actions.

The next area in which the IBC would concentrate its policies would be industry. Not all areas of the world are densely enough populated to foster industry, but there are

many types and sizes of industry requiring skilled and unskilled labor, certain resources, and geographic traits. Because of this, almost any area of the world is a possible location for some form of industry to locate. With the ease of transportation increasing everyday, barriers as to location are diminishing. Transportation, communication, education, labor, and geography are all factors in industrial development. It is the job of the IBC to develop all of these areas in order that each may foster advances in the others. That is the key. There is not one road to take; all aspects of society and modern life must be expanded and developed by the IBC's programs and policies. Its actions must be unbiased and supersede those which are not, and which are rooted in politics or national interests.

As noted in talking about agriculture and industry, transportation is a key factor in the eventual success of both. Transportation thus should also be a particular program of the IBC. Modern, fast, safe transportation is a must. This must include both mass and individual modes of transportation. This international system of transportation must deliver access to all areas of the world and be regular and reliable. The IBC should finance advancement in transportation techniques as well as construction of these methods. Every type of access which is geographically feasible to a certain area should be available. This would include air, water, ground, and underground transportation.

Complementing advances in transportation are similar

advances in telecommunications. The IBC must loan funds at all levels to those companies which will improve, develop, and build advanced telecommunication systems throughout the entire world, allowing for immediate and diverse forms of communication between all people. Being able to effectively and easily communicate is one of the greatest harmonizing and integrating forces available. The only barrier then is understanding. The lack of understanding can also be overcome, primarily through education and the development of a primary world language. This also falls back to the area of transportation. With fast and readily available transportation, people will have the ability to travel and meet other people and to see different areas of the world, thus further breaking down the barriers.

Breaking down barriers is what education is all about. The IBC, by funding educational programs and building educational centers, can spread knowledge throughout the world. Shared knowledge, technology, manufacturing and management techniques, all promote an increased understanding of the world and the people living in it. It makes the world seem smaller and people from different areas less different. A world community, to be truly successful, must be a literate one.

The IBC should pay special attention to breaking down language barriers. The promotion of one world language should be considered. If the fear of not understanding what those speaking different languages are saying could be

eradicated, then greater understanding and communication could take place. This in turn would lead to a more productive universal exchange of ideas, greater social communication, and even create friendships never before probable. The best option for the one language to be used is English or French, either of which already enjoys broad international acceptance and use.

The IBC should also give attention to population planning by funding programs, groups, and industry which will educate and provide forms of population control. Birth control devises should be improved upon whether chemical or material. Prenatal care should be improved and broadened through the building of healthcare facilities throughout all of the world.

Adequate housing, nutrition, and medical care should be available to all. By expanding these services, there would also be more jobs created. These facilities would need to be built and maintained, as well as staffed once completed. Often the development of such facilities are not provided because of the prohibitive cost or lack of investment capital needed to build them. The IBC can channel the necessary funds to plan and complete such projects, thus stimulating the economy of the area even further. To staff such facilities, namely hospitals/clinics, highly trained professional people are needed. This would spawn other industry and service industries, both professional and nonprofessional.

What is so important with the IBC is that by getting the necessary capital to the areas, industry, and programs needed, through its loans, it starts a chain reaction. Once development of one sort or another takes off, progress begins to feed off of itself. New industry, new jobs, new skills, growth and progress result.

The IBC will loan on the local, regional, and global level depending on the size of the project and the amount of funds needed. If the bank/banks in a particular area have the resources to lend for the project, then it/they will be instructed to do so by the IBC. Interest rates for the loan will be at the high end of rates normally charged for similar types of loans in the area. The reason that the rates will be on the high side, is to allow the bank a greater return, thus making-up for the greater risk involved in these loans. The IBC will only recommend loans for projects which it believes to be economically viable, but obviously that cannot be a guarantee for their success.

LDC's are loaded down with debt. Their government and private sector debts are high. The IBC loans are designed so that the projects which they fund will in the long term pay them off. IBC loans are for income producing ventures, even though it may take a long time for income to be realized. The type of projects which have been discussed can be such ventures. The IBC needs to be sure that the projects are set-up so that they are in fact profitable businesses. This is by no means impossible. By structuring the loans, and

thus the debt, in such a manner, debt is not just warehoused but in fact paid off. This activity will lead to expanding economies in these countries, greater and increasing gross national products, and will allow them to pay down their existing debt.

Whether the area is in the western world and already highly developed, or in the underdeveloped or undeveloped parts of the world, if done correctly, there would be few of these undeveloped or underdeveloped areas to be found in the world of the future. Certainly there will be areas that for geographical reasons will not be built-up into urban areas. There will always be the need for areas of scarcely populated rural composition, but these areas will, unlike they are today, function as a part of the larger developed world. Although they may be seemingly out of the mainstream, they will nevertheless be integral partners with the developed world.

These areas may be the tourist areas where people from all areas may travel to relax. They may be the areas which reflect the awesome natural beauty of this planet. Whatever the case, there exists another sector for IBC funding here. Tourism is important industry. Loaning capital for the development of this industry creates income, jobs, construction, services, and recreational activities. For some areas of the world, this may in fact be their best chance for making their economies grow, their people grow, and to interact with the rest of the world. The product they



are selling is their unique attractions, their hospitality, and an escape, a break from the mundane.

Interrelated to all of these other areas is urbanization and housing. The IBC must in both urban areas, as well as those non-urban areas, loan money to build adequate housing for the population. In urban areas, and rural areas, there must be planning for effective growth. Studies must be made so as to forecast future needs due to growth and expansion, progress and change.

The IBC would plan ahead for effective management of the economic resources it would control. By directing the activities of the different banks at local, regional, and international levels, a planned economy would result. This planned economy would not be so rigged as to not be able to respond to new developments and needs, but would direct the financial resources in such a way as to foster continuous development in needed and beneficial areas. To reiterate, the IBC will be run to make a profit for the banks. Unless a project is economically viable, some over an extended period of time, it is a drain/strain on the economy and people of the area and it will not benefit them. The IBC's purpose is to direct and orchestrate the formation of a world community through economic means, while still focusing on profitable business practices. Its objective is to make money for the banks, to make money for the businesses and individuals borrowing for these undertakings, and, by so doing, to stimulate all aspects of economic activity.

Its intent is to build a world community, to integrate the economies and people of the world, and to diminish if not eliminate conflict and differences which now cause us to separate ourselves by national, cultural, racial, political, or religious labels. The intent is not to eradicate cultural, ethnic, or religious differences, but to build a world in which these different approaches to life can exist harmoniously. Through economic integration, cooperation, and the improvement and meshing of the world, a community can be built to the benefit and advancement of all.

The IBC would also sponsor grants and endowments based on merit. These funds would come from the one percent up-front fee charged on all loans which goes directly to the IBC for administrative costs. Such awards would go to the arts, cultural events, academic research with social relevance, as well as other promising ventures which would or could lead to the beneficial creation or fostering of community building and the improvement in the quality of life. But as with all idealistic theory, there are certain obstacles and realities which will be hard to overcome and at best will be hard to circumvent.

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The creation of the IBC involves many logistical issues and problems. It will involve quite a commitment from the banks around the world. Getting them to give up some of

their autonomy as independent businesses will not be easy. The IBC will not take them over, for they will still be owned by their stockholders and run by their boards of directors, but they will be expected to use their resources locally and globally, depending on their size, to make loans to applicants the IBC sees as promoting the overall good of the people and moving the world to community. Those programs which meet the criteria for increased growth and development, which will stimulate the economy by more than just direct means, which is to say will indirectly stimulate a domino effect of positive development, are the ones which the IBC will bring to the attention of the lenders. It will help in a technical and advisory manner to improve the chances for the venture to succeed. The IBC is not there to lose money for the banks. The banks are free to refuse any request for which they feel they will not be able to be repaid. The IBC will not guarantee repayment, but, it will not recommend a project which it does not believe to be economically viable.

There are other problems which will also arise for the IBC and its attempt to build a world community. One obvious problem is that of existing nation-states who may feel that their sovereignty is threatened by the existence of an international committee which will consider adherence to international law and respect for human rights as part of their decision criteria.

There are many obvious problems with the long term goal of building a world community, many of which can be found in

the community building literature. One problem is that not everyone would agree that a world community is needed or that it would necessarily be a good thing. Another is that even if the majority of people saw world community as the route to take, there are many different opinions as to the method which should be used to arrive at this community, the structure and/or vehicle for the community, and its ultimate purpose. The literature also reflects the wide differences of opinion as to the scope and powers which such a community should possess. Would the nation-states which now exist give up their self-rule and sovereignty to the greater world community and its government, or would the community exist as a voluntary association with no real powers except for those derived through/granted by the nation-states which were its members? These questions cannot be answered in the absolute. There are many different views and opinions, methods, courses of action, and proposed solutions. This paper offers yet another proposal for arriving at world community.

Groups that are likely to feel threatened by the notion of a world community, and possibly therefore by an international banking committee such as proposed here, might include the bureaucracies of the different nations whose civil servants could ultimately find themselves working for a global government, military establishments which would serve no real purpose in a world without hostilities, and those who would always promote hostility and elitism for self gain.

Changes in political and economic systems might also

occur at the same time. Democratic principles and traditions could be felt by those for which they would be new, alien, strange, and totally different from all they know and have experienced. Different cultural practices and ethnic differences would remain intact for they lend strength to a community. Different religious beliefs might become tolerated and over time understood; probably not ever approved by all, but differences, once again, strengthen the community in which they exist.

This is not always the case however. As we know, there are often problems, arguments, and even violence between different religious or ethnic groups within a community. This is not the way it has to be. Often these problems are the result of misunderstanding those who are different from your own group. Sometimes it is due to the fact that one group may be economically or politically advantaged while one group is disadvantaged. It might be fear that is the cause of the problem, fear caused by lack of understanding or misunderstanding. The IBC, through expanding and developing means and facilities for education, could eliminate much of the fear which causes misunderstanding and hatred. Unfortunately, even the educated can still advocate hate. By developing the economies in all areas of the world to the extent possible, and thus putting people to work and improving the standard of living across the world, the IBC would give people less to be hostile about and would lessen the need to look for scapegoats upon whom to vent

hostilities.

With the changes in western and eastern Europe, the general feeling of lowering tensions around the world, and the general agreement on the benefits of world trade and cooperation, this plan might not be as far from reality as it may at first seem. It is hard to believe that people around the world could be so different as to not want to live in a peaceful, harmonious, productive, comfortable world. How fanaticism can so cloud a person's or nation's thoughts and judgements as to create fear, hate, and alienation towards others is hard to understand. Unfortunately, this type of behavior is a reality. It even can be found in the more "enlightened" western world. This author would place the blame on those which have undue influence over the thoughts and minds of those oppressed, suppressed, downtrodden, or just plain stupid. That is the unfortunate reality of the situation. Because of this, people can be manipulated towards hatred and fear. Education may or may not alleviate this problem. The answer is to educate those who can be and to prevent those who would use others for their own means from doing so. The IBC cannot do this alone, but it can provide assistance towards achieving this goal through the types of projects discussed in this paper.

If the world is to advance, there must logically be a step towards integration and community. Someone or some group must set the example. The world is full of followers. If an organization such as the IBC can be created and take

the lead towards the building of a world community, the amount of positive support which it receives may impress those who may have reservations. We know that the economic path is the way to go and that the banks are the backbone of the world's economies. Because of this, an organization like the IBC would be, if not the perfect one, an answer for moving the world to its next logical step.

Throughout time the world has developed from little groups of people, families, to tribal communities, villages, towns, cities, feudal territories, counties/districts, nation-states, and empires. As technology and travel have developed, and the ease of communication has become almost instantaneous, the world, figuratively speaking, has shrunk.

As this is the case, there is less and less room for the existence of differences amongst people and regions. Unfortunately the world over the past few years seems to have become even more divided. Despite the fact that through technology the world has been brought closer together, there are two simultaneous but divergent trends at work. The western world is becoming more integrated, while its relationship with the rest of the world, except for China, Australia, and a few other countries, is becoming less cohesive.

In addition to the IBC, there will be the need for local and regional "government" to administer civil law and regulate policies which effectively maintain order and

compliance to regulations and law. Courts, police, schools, utilities, and other services would be maintained. There would still exist a civil service to serve both the immediate area in which that service operates, as well as the larger global community.

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The ICWBWC, and possible later evolution toward a world government, is a viable response to a very complicated and complex set of problems. What is being proposed here is a fundamental restructuring of the world's financial system from what exists today. In offering such a proposal, even at a broad level of generality, a theoretical proposal of sorts, without a specific and technical plan of operation and structural procedure, a good sense of its worth can be determined. The events of the world are taking us towards such a time where world community will be the next logical step in our social contract, our system of governing. Technology alone, through its progression and the journey which it is taking us on, is enough to eventually unite us as a world community or to destroy us through our own opposition, greed, or stupidity. As stated before, whether we like it or not the world is becoming smaller and smaller through international trade and telecommunication, the ease and speed of travel, and other technological developments. We now even regularly travel into space and back. As we



become closer, we must decide whether we are going to do so in an orderly and productive manner, or whether we are going to succumb kicking and screaming.

The IBC offers a plan, or at least a proposal, from which to start. It is a starting place which for now would offer the least resistance and objection, due to its foundation in economic policy and actions. There does not exist a plan for world community building which will not find opposition by someone or some group. This one may find less than others.

The time has come for serious attention to be focused on the task of building a world community. Right here, right now, the world is at relative peace. Hostilities are low. Genuine integration seems possible in Europe. This may be a good time to start serious discussions about ways and means for further integrating the world and building a world community. A window has recently opened and we need to look through. If we take advantage of this opportunity, then possibly a door will be found which we may open and cross through.

As we have learned, things can change rapidly in the world. The fact that the state of the world now is conducive to talk and reform should not go unnoticed, for tomorrow all could change. Tomorrow some event might happen which would cause the defenses, national barriers, fears, suspicions, hostilities, protectionism, and alienation which have so dominated the history of the world to reassert themselves.

This cannot be allowed to happen if at all possible. We must maintain our sensibilities and resist the events which would move us backwards. It would not take much to take us back to a time of fear and alienation. Look at what one man, Hitler, or one nation, Japan, was able to do in World War II. This could happen again.

Acting now is the answer. In theory an organization such as the IBC is worthy of consideration, as a model or concept, if nothing else. Even if world community is not achieved, the benefits derived would certainly improve the condition of human kind. That, in-and-of itself, would be a great accomplishment: the general and beneficial improvement in the way we live.

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