

## **Duty of accounting and democratic deficiency**

Presentation to the seminar « Right to complain. International Financial Institutions and accountability » of the Bankwatch Network

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November 30, 2006

I thank the Bankwatch Network which invited me to this round table about « Duty of accounting, in the context of democratic deficiency ».

Very often, the crisis of democratic representation is associated to globalization which would "hollow out" democracy. Yes, democracy operates inside the national framework, but the decisions it can take are hindered by the free circulation of commodities and capitals, which may reverse the democratic decisions, by the pressure of competition and blackmail on employment. I think this is part of the problem, but it is not the whole problem. States themselves, more or less democratic, are a part of the problem.

Following the line of the usual « liberalization explanation »: when the European Parliament, for the first time, took the initiative to monitor what the EIB was doing, (I have been in charge of the first report on EIB in 2000, and again in 2005), some leaders of EIB used to say: « Our bank is accountable only to the market ». At the time, this thesis was dominant, without serious resistance from the political institutions of European Union. Yet, from the origin, the EIB have been created as a financial support to the policies of the European Economic Community.

*Accountable*, what does it mean? We have a problem of complementarities between the French and English languages about the word *accountability*. When you translate *democratic accountability* into French, you have something like *responsabilité démocratique*, *democratic responsibility*. *Responsabilité* comes from the word *répondre*, which is *answering*. You have to answer somebody who asks a question. Some thinkers, about *responsibility*, *accountability*, have already noticed that the first question in The Bible was precisely the question Adam and Eve addressed to their son Cain: « What did you do with your brother ? » And he answered: "Am I responsible for my brother ?" From the origins, there is a strong connection between the words *accountability* or *responsibility*, and *brotherhood* or *fraternity*. You speak of *responsibility* when you ask *What did you* or *What are you doing to others ?*: To other persons you are supposed to have duties to.

This is a different question from the one on democracy. *Democracy* means « What are we going to do together ? » Talking about *accountability* or *responsibility* is talking about something which is already done or in order to be done. Talking about *democracy* is talking about common projects. Talking about *responsibility* is talking about one agent who decides for the others. Talking about *democracy* is talking about the construction of a collective agent. The question of this roundtable, in this seminary on "Right to appeal", refers precisely to that point: while we are not able to build a democratic subject able to take decisions, it is necessary to question institutions like the International Financial Institutions which take decisions. We ask them the question *What did you?* because we have not been able to tell them what they had to do.

Why is it so difficult, for us, to take collective decisions? Like it was said before, one reason is simply that the spaces where democracy exercises, the nation-states, are caught off their guard by globalization. In front of globalization, the capacity of the State erodes itself, and therefore the collective capacity of citizens to take decisions also erodes itself. One of my critiques on the European construction, since Unique Act, treaties of Maastricht, Amsterdam and Nice, is that we have generalized the free circulation of commodities and capitals on a continental scale, while democratic political decision remains on a national scope. And that makes the nation more and more powerless. The Treaty establishing a Constitution for Europe aimed to reinforce the rules to take democratic decisions on a European scope, but it has been rejected.

But it is not the only explanation. There are real problems even inside a classical democracy. First, the disagreements, the conflicts between representatives within democracy. One example: we (the European Union) have decided to create a guarantee fund for the loans of the European Investment Bank to the developing countries, to Latin America among others. Well, there were MEPs to say that this fund, with the privilege of the European guarantee, would be less costly for the benefiting countries, and thus, these countries would have to reimburse the difference so as to reestablish equality with the private banks! Other MEPs, with the Greens, said exactly the contrary: that these low cost loans had to be granted in exchange for the observance of the aims of the European Union, like respect for human rights, for gender equality, for social and environmental international agreements, etc. So there was a debate, between the ones in favour of sticking to the rules of competition, and others saying that democracy could establish norms diverging from pure competition, in view of human progress. This second point of view finally prevailed.

But then it is necessary to face a partner who aims at the same goals, that is to say a State ready in turn to implement these superior political and ethic norms. Now, it is not always the case. I give you an example, from my visit to Peru a few days ago. The government of Peru is strongly in favour of the development of mining activities. And the people of Peru are usually strongly against. The Peruvian State evidently tries to take the maximum advantage of the increasing price of primary goods, and it is true that this prices-boom, pulled up by the expansion of China, has increased the Peruvian national income by 50% in five years. This replaces Peru in its long tradition, since the conquistadores: "The country is rich, but the Peruvians are poor".

When I went to Peru with a delegation of the European Parliament, we visited a region where the population stands up against the opening of a mine which would be particularly polluting. It would destroy the ecosystem of the "páramo" in the mountain, but it would also, downstream, jeopardize agricultural endogenous development projects and realizations, because the "páramo" is a very important ecosystem which retains and dispatches waters. This endogenous agricultural development has been praised by Albert Hirschman in a report for the UN.

Therefore, all the organizations of the civil society, including the church, stand up against this European mining project which is supported by the Peruvian State. Facing this resistance of the NGO, the State is trying to pass a law, placing the NGO under the control of the State, so that they would be in line with the "strategic priorities defined by the State". As may be seen, globalization has nothing to do with that. It is a conflict between the State and a part of the civil society... I insist that it is not simply because the Peruvian State would be totalitarian

and would ignore the requests of the civil society. The Peruvian State is democratic, the president and the dominant parties in the Congress have been regularly elected a few months ago. But they have an old, biased and contested representation of what progress is. This idea of progress has once been shared by 80% of the world population, including leaders considered as progressive. Stalin and his successors, Mao Zedong, the Pundit Nehru, or Gamal Abdel Nasser, considered, and many people still consider, that the opening of a mine, or the construction of a steel plant or a gigantic paper plant, very close to a stream or a sea, are magnificent examples of progress. Today, we are more subtle, we take into account ecological constraints, the feelings of indigenous populations and local communities...

That is why the representatives of non-governmental organizations, defending these Peruvian communities, came to see us here, in Brussels, to warn us: "Your funds are going to destroy our environment, our life." They have simply exercised a requirement of account, and a right to appeal to those who contribute to finance projects that attack the heart of their existence.

That is why I consider that the duty to account and the right to appeal will necessary remain as long as we will not be able to really construct democracy, neither on a national scope, nor on an international scope.