



ADVENTURES IN JOURNALISM

11:51 a.m. November 15, 2013

The Extraordinary Pierre Omidyar

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"We ought to be looking at business as a force for good." - **Pierre Omidyar**

"Like eBay, Omidyar Network harnesses the power of markets to enable people to tap their true potential." - **Omidyar Network, "Frequently Asked Questions"**

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The world knows very little about the political motivations of Pierre Omidyar, the eBay billionaire who is founding (and funding) a quarter-billion-dollar journalism venture with Glenn Greenwald, Laura Poitras and Jeremy Scahill. What we do know is this: Pierre Omidyar is a very special kind of technology billionaire.

We know this because America's sharpest journalism critics have told us.

In a piece headlined "[The Extraordinary Promise of the New Greenwald-Omidyar Venture](#)", The Columbia Journalism Review gushed over the announcement of Omidyar's project. And just in case their point wasn't clear, they added the amazing subhead, "Adversarial muckrakers + civic-minded billionaire = a whole new world."

Ah yes, the fabled "civic-minded billionaire"—you'll find him two doors down from the tooth fairy.

But seriously folks, CJR really, really wants you to know that Omidyar is a breed apart: nothing like the Randian Silicon Valley libertarian we've become used to seeing.

"...billionaires don't tend to like the kind of authority-questioning journalism that upsets the status quo. Billionaires tend to have a finger in every pie: powerful friends they don't want annoyed and business interests they don't want looked at.

"By hiring Greenwald & Co., Omidyar is making a clear statement that he's the billionaire exception....It's like Izzy Stone running into a civic-minded plastics billionaire determined to take I.F. Stone's Weekly large back in the day."

Later, the CJR "UPDATED" the piece with this missing bit of "oops":

"(UPDATE: I should disclose that the Omidyar Network helps fund CJR, something I didn't know until shortly after I published this post.)"

No biggie. Honest mistake. And anyway, plenty of others rushed to agree with CJR's assessment. Media critic Jack Shafer at Reuters [described](#) Omidyar's politics and ideology as "close to being a clean slate," repeatedly praising the journalism venture's and Omidyar's "idealism." The "NewCo" venture with Greenwald "harkens back to the techno-idealism of the 1980s and 1990s, when the first impulse of computer scientists, programmers, and other techies was to change the world, not make more money," Shafer wrote, ending his piece:

"As welcome as Omidyar's money is, his commitment to the investigative form and an open society is what I'm grateful for this afternoon. You can never uphold the correct verdict too often."

What all of these orgasmic accounts of Omidyar's "idealism" have in common is a total absence of skepticism. America's smartest media minds simply assume that Omidyar is an "exceptional" billionaire, a "civic-minded billionaire" driven by "idealism" rather than by profits. The evidence for this view is Pierre Omidyar's massive nonprofit venture, Omidyar Network, which has distributed hundreds of millions of dollars to causes all across the world.

And yet what no one seems able to specify is exactly what ideology Omidyar Network promotes. What does Omidyar's "idealism" mean in practice, and is it really so different from the non-idealism of other, presumably bad, billionaires? It's almost as if journalists can't answer those questions because they haven't bothered asking them.

So let's go ahead and do that now.

Since its founding in 2004, Omidyar Network has committed nearly \$300 million to a range of nonprofit and for-profit "charity" outfits. An examination of the ideas behind the Omidyar Network and of the investments it has made suggests that its founder is anything but a "different" sort of billionaire. Instead, what emerges is almost a caricature of neoliberal ideology, complete with the trail of destruction that ensues when that ideology is put into practice. The generous support of the Omidyar Network goes toward "fighting poverty" through micro-lending, reducing third-world illiteracy rates by privatizing education and protecting human rights by expanding property titles ("private property rights") into slums and villages across the developing world.

In short, Omidyar Network's philanthropy reveals Omidyar as a free-market zealot with an almost mystical faith in the power of "markets" to transform the world, end poverty, and improve lives—one micro-individual at a time.

All the neoliberal guru cant about solving the world's poverty problems by unlocking the hidden "micro-entrepreneurial" spirit of every starving Third Worlder is put into practice by Omidyar Network's investments. Charity without profit motive is considered suspect at best, subject to the laws of unintended consequences; good can only come from markets unleashed, and that translates into an ideology inherently hostile to government, democracy, public politics, redistribution of land and wealth, and anything smacking of social welfare or social justice.

In literature published by Omidyar Network, the assumption is that technology is an end in itself, that it naturally creates beneficial progress, and that the world's problems can be solved most effectively with for-profit business solutions.

The most charitable thing one can say about Omidyar's nonprofit network is that it reflects all the worst clichés of contemporary neoliberal faith. In reality, it's much worse than that. In many regions, Omidyar Network investments have helped fund programs that create worsening conditions for the world's underclass, widening inequalities, enhancing exploitation, pushing millions of people into crippling debt and supporting anti-poverty programs that, in some cases, resulted in

mass-suicide by the rural poor.

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Pierre Omidyar was one of the biggest early backers of the for-profit micro-lending industry. Through Omidyar Network, as well as personal gifts and investments, he has funnelled around \$200 million into various micro-lending companies and projects over the past decade, with the goal of establishing an investment-grade microfinance sector that would be plugged into Wall Street and global finance. The neoliberal theory promised to unleash billions of new micro-entrepreneurs; the stark reality is that it saddled untold numbers with crushing debt and despair.

One of his first major investments into micro-lending came in 2005, when Pierre Omidyar and his wife Pam gave Tufts University, their alma mater, \$100 million to create the "Omidyar-Tufts Microfinance Fund," a managed for-profit fund dedicated to jump-starting the growth of the micro-finance industry. At the time, Tufts [announced](#) that Omidyar's gift was the "largest private allocation of capital to microfinance by an individual or family."

With the Tufts fund, Omidyar wanted to go beyond mere charitable donations to specific micro-lending organizations that targeted the developing world's poorest. At the same time, he wanted to create a whole new environment in which for-profit micro-lending companies could be self-sustaining and generate big enough profits to attract serious global investors.

This idea was at the core of Omidyar's vision of philanthropy: he [believed](#) that microfinance would eradicate poverty faster and better if it was run on a for-profit basis, and not like a charity.

"If you want to reach global scale -- and we're talking about hundreds of millions of people who need this -- you can't do it with philanthropy capital. There's not enough charity capital out there. By connecting with an institutional investor like a university, we would like to increase the level of professional investor involvement in this sector to try to

stimulate more commercially viable investment products," Pierre Omidyar [said in an interview](#) at the time. "We ought to be looking at business as a force for good."

The idea behind micro-loans is very simple and seductive. It goes something like this: the only thing that prevents the hundreds of millions of people living in extreme poverty from achieving financial success is their lack of access to credit. Give them access to micro-loans—referred to in Silicon Valley as "seed capital"—and these would-be successful business-peasants and illiterate shantytown entrepreneurs would pluck themselves out of the muck by their own homemade sandal straps. Just think of it: hundreds of millions of peasants working as micro-individuals, taking out micro-loans, making micro-rational investments into their micro-businesses, dutifully paying their micro-loan payments on time and working in concert to harness the deregulated power of the markets to collectively lift society out of poverty. It's a grand neoliberal vision.

To that end, Omidyar has directed about a third of the Omidyar Network investment fund—or about \$100 million—to support the micro-lending industry. The foundation calls this initiative "financial inclusion."

Shockingly, micro-loans aren't all that they've cracked up to be. After years of observation and multiple studies, it turns out that the only people benefiting from micro-loans are the big global financial players: hedge funds, banks and the usual Wall Street hucksters. Meanwhile, the majority of the world's micro-debtors are either no better off or have been sucked into a morass of crippling debt and even deeper poverty, which offers no escape but death.

Take SKS Microfinance, an Omidyar-backed Indian micro-lender whose predatory lending practices and aggressive collection tactics have caused a rash of suicides across India.

Omidyar funded SKS through Unitus, a microfinance private equity fund bankrolled by the Omidyar Network to the tune of [at least \\$11.7 million](#). ON boosted SKS in its [promotional materials](#) as a micro-

lender that's "serving the rural poor in India" and that exemplifies a company that's providing "people with the means to address their needs and improve their lives."

In 2010, SKS made headlines and stirred up bitter controversy about the role that profits should play in anti-poverty initiatives when the company went public with an IPO that generated [about \\$358 million](#), giving SKS a market valuation of more than \$1.6 billion. The IPO made millions for its wealthy investors, including the Omidyar-backed Unitus fund, which earned a cool \$5 million profit from the SKS IPO, according to the [Puget Sound Business Journal](#).

Some were bothered, but others saw it as proof that the power of the markets could be harnessed to succeed where traditional charity programs supposedly hadn't. The New York Times [reported](#):

"An Indian company with rich American backers is about to raise up to \$350 million in a stock offering closely watched by philanthropists around the world, showing that big profits can be made from small helping-hand loans to poor cowherds and basket weavers."

Controversy or not, SKS embodied Omidyar's vision of philanthropy: it was a for-profit corporation that fought poverty while generating lucrative returns for its investors. Here would be proof-positive that the profit motive makes everyone a winner.

And then reality set in.

In 2012, it emerged that while the SKS IPO was making millions for its wealthy investors, hundreds of heavily indebted residents of India's Andhra Pradesh state were driven to despair and suicide by the company's cruel and aggressive debt-collection practices. The rash of suicides soared right at the peak of a large micro-lending bubble in Andhra Pradesh, in which many of the poor were taking out multiple micro-loans to cover previous loans that they could no longer pay. It

was subprime lending fraud taken to the poorest regions of the world, stripping them of what little they had to live on. It got to the point where the Chief Minister of Andhra Pradesh publicly [appealed](#) to the state's youth and young women not to commit suicide, telling them, "Your lives are valuable."

The AP conducted a stunning in-depth [investigation](#) of the SKS suicides, and their reporting needs to be quoted at length to understand just how evil this program is. The article begins:

"First they were stripped of their utensils, furniture, mobile phones, televisions, ration cards and heirloom gold jewelry. Then, some of them drank pesticide. One woman threw herself in a pond. Another jumped into a well with her children.

"Sometimes, the debt collectors watched nearby."

What prompted the AP investigation was the gulf between the reported rash of suicides linked to SKS debt collectors, and SKS's public statements denying it had knowledge of or any role in the predatory lending abuses. However, the AP got a hold of internal SKS documents that contradicted their public denials:

"More than 200 poor, debt-ridden residents of Andhra Pradesh killed themselves in late 2010, according to media reports compiled by the government of the south Indian state. The state blamed microfinance companies - which give small loans intended to lift up the very poor - for fueling a frenzy of overindebtedness and then pressuring borrowers so relentlessly that some took their own lives.

"The companies, including market leader SKS Microfinance, denied it.

"However, internal documents obtained by The Associated Press, as well as interviews with more than a dozen current and former employees, independent researchers and videotaped testimony from the families of the dead, show top SKS officials had information implicating company employees in some of the suicides."

The AP investigation and internal reports showed just how brutal the SKS microfinancing program was, how women were particularly targeted because of their heightened sense of shame and community responsibility—here is the brutal reality of financial capitalism compared to the utopian blather mouthed at Davos conferences, or in the slick pamphlets issued by the Omidyar Network:

"Both reports said SKS employees had verbally harassed over-indebted borrowers, forced them to pawn valuable items, incited other borrowers to humiliate them and orchestrated sit-ins outside their homes to publicly shame them. In some cases, the SKS staff physically harassed defaulters, according to the report commissioned by the company. Only in death would the debts be forgiven."

"The videos and reports tell stark stories:

"One woman drank pesticide and died a day after an SKS loan agent told her to prostitute her daughters to pay off her debt. She had been given 150,000 rupees (\$3,000) in loans but only made 600 rupees (\$12) a week."

"Another SKS debt collector told a delinquent borrower to drown herself in a pond if she wanted her loan waived. The next day, she did. She left behind four children."

"One agent blocked a woman from bringing her young son, weak with diarrhea, to the hospital, demanding payment first. Other borrowers, who could not get any new loans until she

paid, told her that if she wanted to die, they would bring her pesticide. An SKS staff member was there when she drank the poison. She survived.

"An 18-year-old girl, pressured until she handed over 150 rupees (\$3)—meant for a school examination fee—also drank pesticide. She left a suicide note: 'Work hard and earn money. Do not take loans.'"

As a result of the bad press this scandal caused, the Omidyar Network deleted its Unitus investment from its website—nor does Omidyar boast of its investments in SKS Microfinance any longer. Meanwhile, Unitus mysteriously dissolved itself and laid off all of its employees right around the time of the IPO, under a cloud of suspicion that Unitus insiders made huge personal profits from the venture, profits that in theory were supposed to be reinvested into expanding micro-lending for the poor.

Thus spoke the profit motive.

Curiously, in the aftermath of the SKS micro-lending scandal, Omidyar Network was dragged into another political scandal in India when it was revealed that Omidyar and the Ford Foundation were [placing](#) their own paid researchers onto the staffs of India's MPs. The program, called Legislative Assistants to MPs (LAMPs), was funded with \$1 million from Omidyar Network and \$855,000 from the Ford Foundation. It was shut down last year after India's Ministry of Home Affairs complained about foreign lobbying influencing Indian MPs, and promised to investigate how Omidyar-funded research for India's parliament may have been "colored" by an agenda.

But SKS is not the only microfinancing investment gone bad. The biggest and most reputable micro-lenders, including those funded by the Omidyar Network, have come under serious and sustained criticism for predatory interest rates and their aggressive debt-collection techniques.

Take BRAC, another big beneficiary of Omidyar's efforts to boost "financial inclusion."

Started in the early 1970s as a war relief organization, BRAC has grown into the largest non-governmental organization in the world. It employs over 100,000 people in countries across the globe. While BRAC is known mostly for its micro-lending operation activities, the outfit is a diversified nonprofit business operation. It is involved in education, healthcare and even develops its own hybrid seed varieties. Much of BRAC's operations are financed by its micro-lending activities.

Omidyar Network praises BRAC for its work to "empower the poor to improve their own lives," and has given at least [\\$8 million](#) to help BRAC set up micro-lending banking infrastructure in Liberia and Sierra Leone.

But BRAC seems to worry more about its own bottom line than it does about the well-being of its impoverished borrowers, the majority of whom are women and who pay an average annual interest rate of 40 percent.

This twisted sense of priority could be seen after one of the [worst cyclones](#) in the history of Bangladesh left thousands dead in 2007, destroying entire villages and towns in its path. In the cyclone's wake, the Omidyar-funded BRAC micro-lending debt collectors showed up at the disaster zone along with other micro-lenders, and went to work aggressively [shaking down borrowers](#), forcing some victims (mostly women) to go so far as to sell their relief/aid materials, or to take out secondary loans to pay off the first loans.

According to a [study](#) about micro-lenders in the aftermath of Cyclone Sidr:

"Sidr victims who lost almost everything in the cyclone, experienced pressure and harassment from nongovernmental

organisations (NGOs) for repayment of microcredit instalments. Such intense pressure led some of the Sidr-affected borrowers to sell out the relief materials they received from different sources. Such pressure for loan recovery came from large organisations such as BRAC, ASA and even the Nobel Prize winning organisation Grameen Bank.

"Even the most severely affected people are expected to pay back in a weekly basis, with the prevailing interest rate. No system of 'break' or 'holiday' period is available in the banks' current charter. No exceptions are made during a time of natural calamity. The harsh rules practised by the microcredit lender organisations led the disaster affected people even selling their relief assistance. Some even had to sell their leftover belongings to pay back their weekly instalments."

These tactics may be harsh, but they pay off for micro-lenders. And it's a lucrative operation: BRAC primarily targets women, offers loans with predatory interest rates and uses traditional values and close village relationships to shame and pressure borrowers into selling and doing whatever they can to make their weekly payments. It works. Loan recovery rates for the industry average between 95 and 98 percent. For BRAC, that rate was a comfy 99.3 percent.

So do predatory micro-loans really help lift the world's poorest people out of poverty? Neoliberal ideology says they do — and the Omidyar Network represents one of the purest distillations of that ideology put into practice in the poorest and most vulnerable parts of the world.

As Cambridge University economics professor Ha-Joon Chang [argued](#), saying of micro-lending:

"[It] constitutes a powerful institutional and political barrier to sustainable economic and social development, and so also to poverty reduction. Finally, we suggest that continued support

for microfinance in international development policy circles cannot be divorced from its supreme serviceability to the neoliberal/globalization agenda."

Omidyar Network has followed the same disastrous neoliberal script in other areas of investment, particularly its investments into privatizing public schools in the US and in poor regions of Africa.

One of the earliest Omidyar investments went to an online private charity website for needy public schools here in the US. As David Sirota wrote, huge billionaire foundations and corporations have been holding children hostage by starving public-school funding and replacing it with "charity" money from the likes of the Wal-Mart Foundation, Bill and Melinda Gates Foundation and Broad Foundation. We can add the Omidyar Network to this list as well.

Omidyar's foundation invested in the same idea, but with a web 2.0 crowd-source twist: DonorsChoose.org allows individuals to pledge amounts as small as \$10, and allows school teachers to get online asking for small sums to help their classrooms. The end result, of course, is that it normalizes the continued strangling of public schools and the sense that only private funding can save education.

Omidyar poured [millions](#) into DonorsChoose and organized donations from other Silicon Valley donors. At first, most public school teachers didn't see the angle; many used the resource to raise funds for their own classrooms.

It wasn't until DonorsChoose announced its partnership with the anti-public-education film "Waiting For Superman" that teachers realized they'd been [duped](#). The movie promoted the myth that education could only be saved by the likes of Tea Party-backed school "reform" advocate [Michelle Rhee](#). Teachers organized a [boycott](#) of DonorsChoose after the Omidyar-funded group announced it was essentially bribing its members with a [\\$15 gift certificate](#) to anyone who bought tickets for "Waiting for Superman."

Two years later, DonorsChoose partnered and [promoted](#) yet another right-wing teacher-bashing propaganda film, "[Won't Back Down.](#)"

Overseas, the Omidyar Network is embarking on a school privatization program that will make DonorsChoose look like Mother Theresa's handiwork. Omidyar provided seed capital for a new Africa-based for-profit private school enterprise for the poor called Bridge International. In 2009, ON gave Bridge a total of \$1.8 million; Matt Bannick, the top figure (managing partner) in the Omidyar Network, sits on Bridge International's board of directors.

Bridge International's first schools are being built in Kenya, and are slated to expand across the sub-Sahara, hoping to rope millions of poor African kids into its schools. Bridge's strategic partner is the for-profit education giant, Pearson. Diane Ravitch, former US Assistant Secretary of Education and critic of school "reform" efforts, [has warned](#) about Pearson's near-monopolistic power influencing the privatization of American education (see Ravitch's article "[The Pearsonization of the American Mind.](#)")

The idea behind Bridge International is to provide a franchised "school in a box" model under which each school teaches the exact same curriculum at the exact same time to every student. Teachers are given minimal training—they're merely required to teach according to the script given to them and read out to their students, scripts delivered through Nook tablets. Students pay \$5 a month—a lot for each student in areas as poor as sub-Saharan Africa. Currently one new Bridge International school is opening every 2.5 days around Kenya, overtaking public education—with plans to expand further.

It sounds like a good idea, but the problem is that Bridge's business model has a very narrow set of supporters, namely: free-market think-tanks, the global for-profit education industry and proponents of a neoliberal utopia who want to defund public education and replace it with private schooling. Bridge is only a few years old, but criticism of its educational model is already piling up—even from centrist pro-business thinktanks like the [Brookings Institution](#). Even at \$4 or \$5 a month, Bridge's "low cost" education is too expensive for many in the developing world, forcing children to go to work and making

families choose between buying food and paying for education. Naturally, food wins out. And that simply means that many children can't afford to go school, which only increases and reinforces stratification and inequality.

The fight against illiteracy requires free, quality education that's available to all children. What it doesn't need is a bunch of neoliberal techno-disruptors who want to turn education into a for-profit industry that provides schooling only to those who can afford it. And anyway, the very notion that you can squeeze enough profit from millions of the poorest children in the world to attract mega venture capital, while providing quality education is absurd. That profit money is extracted from the very people Bridge is supposedly trying to help.

Still think that Pierre Omidyar is a "different" type of billionaire? Still convinced he's a one-of-a-kind "civic-minded" idealist?

Then you might want to ask yourself why Omidyar is so smitten by the ideas of an economist known as "The Friedrich Hayek of Latin America." His name is Hernando de Soto and he's been adored by everyone from Milton Friedman to Margaret Thatcher to the Koch brothers. Omidyar Network poured millions of nonprofit dollars into subsidizing his ideas, helping put them into practice in poor slums around the developing world.

In February 2011, the Omidyar Network announced a hefty \$4.96 million [grant](#) to a Peru-based free-market think tank, the Institute for Liberty & Democracy (ILD).

Perhaps no single investment by Omidyar more clearly reveals his orthodox neoliberal vision for the world—and what constitutes "civic-mindedness"—than his support for the ILD and its founder and president, Hernando De Soto, whom the ON has tapped to participate in other Omidyar-sponsored events.

De Soto is a celebrity in the world of neoliberal/libertarian gurus. He and his Institute for Liberty & Democracy are credited with popularizing a free-market version of Third World land reform and

turning it into policy in city slums all across the developing world. Whereas "land reform" in countries like Peru—dominated by a tiny handful of landowning families—used to mean land redistribution, Hernando De Soto came up with a counter-idea more amenable to the Haves: give property title to the country's poor masses, so that they'd have a secure and legal title to their shanties, shacks, and whatever land they might claim to live on or own.

De Soto's pitch essentially comes down to this: Give the poor masses a legal "stake" in whatever meager property they live in, and that will "unleash" their inner entrepreneurial spirit and all the national "hidden capital" lying dormant beneath their shanty floors. De Soto claimed that if the poor living in Lima's vast shantytowns were given legal title ownership over their shacks, they could then use that legal title as collateral to take out microfinance loans, which would then be used to launch their micro-entrepreneurial careers. Newly-created property holders would also have a "stake" in the ruling political and economic system. It's the sort of cant that makes perfect sense to the Davos set (where De Soto is a star) but that has absolutely zero relevance to problems of entrenched poverty around the world.

Since the Omidyar Network names "property rights" as one of the five areas of focus, it's no surprise that Omidyar money would eventually find its way into Hernando De Soto's free-market ideas mill. In 2011, Omidyar not only gave De Soto \$5 million to advance his ideas—he also tapped De Soto to serve as a [judge](#) in an Omidyar-sponsored competition for projects focused on improving property rights for the poor. The more you know about Hernando De Soto, the harder it is to see Omidyar's financial backing as "idealistic" or "civic-minded."

For one thing, De Soto is the favorite of the very same billionaire brothers who play villains to Omidyar's supposed hero—yes, the reviled Koch brothers. In 2004, the libertarian Cato Institute (né "The Charles Koch Foundation") awarded Hernando De Soto its biannual "[Milton Friedman Prize](#)"—which comes with a hefty \$500,000 check—for "empowering the poor" and "advancing the cause of liberty." De Soto was chosen by a prize jury consisting of such notable humanitarians as former Pinochet labor minister [Jose Piñera](#), Vladimir Putin's economic advisor Andrei Illarionov, Washington Post

neoconservative columnist Anne Applebaum, FedEx CEO Fred Smith, and Milton Friedman's wife Rosie. Milton was in the audience during the awards ceremony; he heartily approved.

Indeed, Hernando De Soto is de facto royalty in the world of neoliberal-libertarian gurus—he's been called "The Friedrich von Hayek of Latin America," not least because Hayek launched De Soto's career as a guru more than three decades ago.

So who is Hernando De Soto, where do his ideas come from, and why might Pierre Omidyar think him deserving of five million dollars — ten times the amount the Koch Brothers awarded him?

De Soto was born into an elite "white European" family in Peru, who fled into exile in the West following Peru's 1948 coup—his father was the secretary to the deposed president. Hernando spent most of the next 30 years in Switzerland, getting his education at elite schools, working his way up various international institutions based in Geneva, serving as the president of a Geneva-based copper cartel outfit, the International Council of Copper Exporting Countries, and working as an official in GATT (General Agreement on Trade and Tariffs).

De Soto didn't return to live in Peru until the end of the 1970s, to oversee a new gold placer mining company he'd formed with a group of foreign investors. The mining company's profits suffered due to Peru's weak property laws and almost non-existent cultural appreciation of property title, especially among the country's poor masses—De Soto's investors pulled out of the mining venture after visiting the company's gold mines and seeing hundreds of peasants panning on the company's concessions. That experience inspired De Soto to change Peruvians' political assumptions regarding property rights. Rather than start off by trying to convince them that foreign mining firms should have exclusive rights to gold from traditionally communal Peruvian lands, De Soto came up with a clever end-around idea: giving property title to the masses of Peru's poor living in the vast shanties and shacks in the slums of Lima and cities beyond. It was a long-term strategy to alter cultural expectations about property and ownership, thereby improving the investment climate for mining companies and other investors. The point was to align the masses'

assumptions about property ownership with those of the banana republic's handful of rich landowning families.

In 1979, De Soto organized a conference in Peru's capital Lima, featuring Milton Friedman and Friedrich von Hayek as speakers and guests. At the time, both Friedman and Hayek were serving as key advisors to General Augusto Pinochet's "shock therapy" program in nearby Chile, an economic experiment that combined libertarian market policies with concentration camp terror.

Two years after De Soto's successful conference in Lima, in 1981, Hayek helped De Soto set up his own free-market think tank in Lima, the "Institute for Liberty and Democracy" (ILD). The ILD became the first of a large international network of right-wing neoliberal think tanks connected to the Mother Ships—Cato Institute, Heritage Foundation, and Britain's [Institute for Economic Affairs](#), [Margaret Thatcher's go-to think tank](#). By 1983, De Soto's Institute was also receiving heavy funding from Reagan's Cold War front group, the National Endowment for Democracy, which promoted free-market think tanks and programs around the world, and by the end of Reagan decade, De Soto produced his first manifesto, "The Other Path"—a play on the name of Peru's Maoist guerrilla group, Shining Path, then fighting a bloody war for power. But whereas the Shining Path's political program called for nationalizing and redistributing property, most of which was in the hands of a few rich families, De Soto's "Other Path" called for maintaining property distribution as it was, and legalizing its current structure by democratizing property titles, the pieces of paper with the stamps. Everyone would become a micro-oligarch and micro-landowner under this scheme...

With help and funding from US and international institutions, De Soto quickly became a powerful political force behind the scenes. In 1990, De Soto insinuated himself into the inner circle of newly-elected president Alberto Fujimori, who quickly turned into a brutal dictator, and is currently serving a 25-year prison sentence for crimes against humanity, murder, kidnapping, and illegal wiretapping.

Under De Soto's influence, Fujimori's politics suddenly changed; almost overnight, the populist Keynesian candidate became the

free-market authoritarian "Chinochet" he governed as. As Fujimori's top advisor, Hernando De Soto was the architect of so-called "Fujishock" therapy applied to Peru's economy. Officially, De Soto served as Fujimori's drug czar from 1990-1992, an unusual role for an economist given the fact that Peru's army was fighting a brutal war with Peru's powerful cocaine drug lords. At the time Peru was the world's largest cocaine producer; as drug czar, Hernando De Soto therefore positioned himself as the point-man between Peru's military and security services, America's DEA and drug czar under the first President Bush, and Peru's president Alberto Fujimori. It's the sort of position that you'd want to have if you wanted "deep state" power rather than mere ministerial power.

During those first two years when De Soto served under Fujimori, human rights abuses were rampant. Fujimori death squads—with names like the "Grupo Colina"—targeted labor unions and government critics and their families. Two of the worst massacres committed under Fujimori's reign, and for which he was later jailed, took place while De Soto served as his advisor and drug czar.

The harsh free-market shock-therapy program that De Soto convinced Fujimori to implement resulted in mass misery for Peru. During the two years De Soto served as Fujimori's advisor, real wages plunged 40%, the poverty rate rose to over 54% of the population, and the percentage of the workforce that was either unemployed or underemployed soared to 87.3%.

But while the country suffered, De Soto's Institute for Liberty and Democracy—the outfit that Omidyar gave \$5 million to in 2011—thrived: its staff grew to over 100 as funds poured in. A World Bank staffer who worked with the ILD described it as,

"a kind of school for the country. Most of the important ministers, lawyers, journalists, and economists in Peru are ILD alumni."

In 1992, Fujimori orchestrated a constitutional coup, disbanding Peru's Congress and its courts, and imposing emergency rule-by-decree. It was another variation of the same Pinochet blueprint.

Just before Fujimori's coup, De Soto indemnified himself by officially resigning from the cabinet. However in the weeks and months after the coup, De Soto provided crucial PR cover, downplaying the coup to the foreign press. For instance, De Soto told the [Los Angeles Times](#) that the public should temper their judgment of Fujimori's coup:

"You've got to see this as the trial and error of a president who's trying to find his way."

In the [New York Times](#), De Soto spun the coup as willed by the people, the ultimate democratic politics:

"People are fed up, fed up...[Fujimori] has attacked two hated institutions at just the right time. There is an enormous need to believe in him."

Years later, Fujimori's notorious spy chief Vladimiro Montesinos testified to Peru's Congress that De Soto helped [mastermind](#) the 1992 coup. De Soto denied involvement; but in 2011, two years after Fujimori was jailed for [crimes against humanity](#), De Soto joined the presidential campaign for Keiko Fujimori, the jailed dictator's daughter and leader of Fujimori's right-wing party. Keiko Fujimori ran on a platform promising to free her father from prison if she won; De Soto spent much of the campaign red-baiting her opponent as a Communist. That led Peru's Nobel Prize-winning author Mario Vargas Llosa to denounce De Soto as a ["fujimontesenista"](#) with "few democratic credentials."

So in the same year that De Soto was trying to put the daughter of Peru's Pinochet in power and to spring the dictator from prison,

Omidyar Network awarded him \$5 million.

It was during Fujimori's dictatorial emergency rule, from 1992-94, that De Soto rolled out a property-title pilot program in Lima, in which 200,000 households were given formal title. In 1996, Fujimori implemented De Soto's property-titling program on a national scale, with help from the World Bank and a new government property agency staffed by people from De Soto's Institute for Liberty and Democracy. By 2000, the magical promise of an explosion in bank credits to all the new micro-property owners never materialized; in fact, there was no noticeable difference in bank lending to the poor whatsoever, whether they had property title or not.

The World Bank and the project's neoliberal supporters led by Hernando De Soto were not happy with data showing no uptick in lending, which threatened to unravel the entire happy theory behind property titling as the answer to Third World poverty. De Soto was in the process of peddling the same property-titling program to countries around the world; data was needed to justify the program. So the World Bank funded a new study in Peru in the early 2000s, and discovered something startling: In homes that had formal property titles, the parents in those homes spent up to 40% more time outside of their homes than they did before they were given title. De Soto took that statistic and argued that it was a good thing because it proved giving property title to homeowners made them feel secure enough to leave their shanties and shacks. The assumption was that in the dark days before shanty dwellers had legal titles, they were too scared to leave their shacks lest some other savage steal it from them while they were out shopping.

No one ever conclusively explained why shanty parents were spending so much more time outside of their homes, but the important thing was that it made everyone forget the utter failure of the property title program's core promise—that property titles would ignite micro-lending thanks to the collateral of the micro-entrepreneur's micro-shack as collateral. Thanks to De Soto's salesmanship and the backing of the world's neoliberal nomenklatura — Bill Clinton called De Soto "[the world's greatest living economist](#)" and he was praised by everyone from Milton Friedman to Vladimir Putin to Margaret Thatcher.

The disappointing results in Peru were ignored, and De Soto's program was extended to developing countries around the world including Egypt, Cambodia, the Philippines, Indonesia and elsewhere. And in nearly every case, De Soto's Institute for Liberty and Democracy has taken the lead in advising governments and selling the dream of turning titled slum-dwellers into micro-entrepreneurs.

The real change brought by De Soto's property-titling program has ranged from [nil](#) to nightmarish.

In Cambodia, where the World Bank implemented De Soto's land-titling program in 2001, poor and vulnerable people in the capital Phnom Penh have suffered at the hands of land developers and speculators who've used arson, police corruption and violence to forcibly evict [roughly 10% of the city's population](#) from their homes in more valuable districts, relocating them to the city outskirts.

An article in Slate titled "[The De Soto Delusion](#)" described what happened in Cambodia when the land-titling program was first implemented:

"In the nine months or so leading up to the project kickoff, a devastating series of slum fires and forced evictions purged 23,000 squatters from tracts of untitled land in the heart of Phnom Penh. These squatters were then plopped onto dusty relocation sites several miles outside of the city, where there were no jobs and where the price of commuting to and from central Phnom Penh (about \$2 per day) surpassed whatever daily wage they had been earning in town before the fires. Meanwhile, the burned-out inner city land passed immediately to some of the wealthiest property developers in the country."

De Soto and his Institute for Liberty and Democracy have advised property-title programs elsewhere too—Haiti, Dominican Republic, Panama, Russia—again with results ranging from nil to bad. Even where it doesn't lead to mass evictions and violence, it has the effect

of shifting a greater tax burden onto the poor, who end up paying more in property taxes, and of forcing them to pony up for costly filing fees to gain title, fees that they often cannot afford. Property title in and of itself—without a whole range of reforms in governance, corruption, education, income, wealth distribution and so on—is clearly no panacea. But it does provide an alternative to programs that give money to the poor and redistribute wealth, and that alone is a good thing, if you're the type smitten by Hernando De Soto—as Omidyar clearly is.

Studies of property-titling programs in the slums of Brazil and Manila revealed that it created a new bitterly competitive culture and bifurcation, in which a small handful of titled slum dwellers quickly learn to benefit by turning into micro-slumlords renting out dwellings to lesser slum dwellers, who subsequently find themselves forced to pay monthly fees for their shanty rooms—creating an underclass within the underclass. De Soto has described these slums as "acres of diamonds"—wealth waiting to be unlocked by property titling—and his acolytes even coined a new acronym for slums: "Strategic Low-income Urban Management Systems."

All of which begs the obvious question: If De Soto's property-title program is such a proven failure in case after case, why is it so popular among the world's political and business elites?

The answer is rather obvious: It offers a simple, low-cost, technocratic market solution to the problem of global poverty—a complex and costly problem that can only be alleviated by dedicating huge amounts of resources and a very different politics from the one that tells us that markets are god, markets can solve everything. Even before Omidyar committed \$5 million to the dark plutocratic "idealism" De Soto represents, he was [Tweeting](#) his admiration for De Soto:

"Brilliant dinner with Hernando de Soto. Property rights underlie and enable everything."

Indeed, property rights underlie and enable everything Omidyar wants to hear—but distract and divert from what the targets of those programs might actually need or be asking for.

Which brings us back to the wonderful words written about Pierre Omidyar last month: Where is the proof that he's a "civic-minded" billionaire, a "different" billionaire, an "idealistic" billionaire who's in it for ideals and not for profit? How is Omidyar any different from any other billionaire—when he is funding the same programs and pushing the same vision for the world backed by the Kochs, Soros, Gates, and every other neoliberal billionaire?

When you scratch the surface of his investments and get a sense of what sort of ideal world he'd like to make, it becomes clear that Omidyar is no different from his peers.

And the reason that matters, of course, is because Pierre Omidyar's dystopian vision is merging with Glenn Greenwald's and Laura Poitras' monopoly on the crown jewels of the National Security Agency — the world's secrets, our secrets — and using the value of those secrets as the capital for what's being billed as an entirely new, idealistic media project, an idealism that the CJR and others promise will not shy away from taking on power.

The question, however, is what defines power to a neoliberal mind? We're going to take a wild guess here and say: The State.

So brace yourself, you're about to get something you've never seen before: billionaire-backed journalism taking on the power of the state. How radical is that? To [quote](#) "60 Minutes" producer Lowell Bergman:

"What has been adjudicated and established in the wake of Vietnam and the Civil Rights movement is the ability of the press to basically write or broadcast almost anything about the government. There's very few restrictions in that way. It's not true when we're talking about private power, especially major

Fortune 500 corporations, or people worth more than, say, a billion dollars."

In other words: look out Government, you're about to be pummeled by a crusading, righteous billionaire! And corporate America? Ah, don't worry. Your dirty secrets—freshly transferred from the nasty non-profit hands of the Guardian to the aggressively for-profit hands of Pierre Omidyar—are safe with us.

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