

The World Bank: a never-ending coup d'état. The hidden agenda of the Washington Consensus. By Eric Toussaint.

A summary of the book by Victor Isidro (UNAM, Mexico D.F.)

To Geetha Shankari.

The main purpose of this book is to demonstrate that the key objective of the policies pursued by the World Bank since 1944 has been to strengthen the domination of certain countries over other, less-developed countries [1]. The Bank's constant concern, the author tells us, has been to maintain US global leadership. In order to show how the World Bank has accomplished its goal the author has focused on three issues:

- 1) The World Bank has never committed itself to promoting the development of developing countries.

- 2) The World Bank has supported dictatorial regimes.

- 3) The World Bank does not respect human rights. This can be seen in the cases of loans granted to colonial powers and the support given to the apartheid regime of South Africa.

This book therefore challenges the conventional and popular belief that the World Bank's main objectives are development and the fight against poverty, and that its decisions are based purely on economic assessment and not on political considerations.

The World Bank was created in 1944 at the Bretton Woods conference [2] after three years of preparations, from 1941 to 1944. The main intention was to avoid another great crisis, similar to that of 1929 when international private capital markets crashed. At one level, its role was two-fold:

- 1) To rebuild countries ravaged by World War II.

- 2) To help developing countries.

However, on another level, its real function was to impose US economic and financial leadership. The World Bank did not concern itself with the development of developing countries at any time in its history. From 1946 to 1948, its role was limited to supporting the countries that had been devastated by WWII. France was the first country to which a loan was granted. Later, it played a marginal role as a financial supplier due to the fact that this function fell to the United States with the introduction of the Marshall Plan [3]. As the author says: "The World Bank's lending policy to

Europe was radically destabilized and curtailed by the introduction of the Marshall Plan in April 1948. The scope of the Plan far exceeded the Bank's capacities.”

Nevertheless, at that time the World Bank had only two major concerns:

1) to undermine the increasing influence of socialism throughout the world. Above all, it was concerned about the Chinese Revolution of 1949 and the success of national liberalization movements that flourished mainly in Africa and Asia.

2) to concentrate on loans to developing countries that benefited developed countries and their corporations. Thus loans were granted to improve developing countries' infrastructure, export capacity (above all in agriculture) and heavy industry, rather than to support sectors such as health and education.

Thanks to these policies, the United States, together with the other developed countries, were able to strengthen their leadership. World Bank policy on development since the 1970s proves this. This policy revolves on the notion of foreign indebtedness. The author shows how the idea “...that the shortage of savings is seen as a fundamental factor explaining why development is blocked...” exerted a great influence over the World Bank. If a country is not able to finance its investments with its own capital, it can resort to both foreign debt and foreign investment. The favorable conditions that the developing countries enjoyed at that moment such as the high prices of oil and raw materials, meant that these countries increased their borrowing. In certain countries such as Mexico, the loans granted by the World Bank quadrupled from 1973 to 1981 [4]. Governments of highly industrialized countries, private banks and international institutions like the World Bank and the IMF competed in order to grant loans. But due to the rise in American interest rates in 1979 and to the drop in raw materials, developing countries were not able to pay their debts (amortization plus interest) any longer. Private banks cut off almost all the loans and the international financial institutions (IFIs) (only to protect private banks mostly from the United States [5]) established unpopular reforms. These were the Structural Adjustment Lending (SAL) policies, which were set up in most countries in Asia, Africa and Latin America. The consequences of these unpopular reforms were economic stagnation, unemployment and increased poverty, to mention just a few.

In this indebtedness process, the author reminds the reader of two important points:

1) Loans granted to developing countries are used for buying both foreign capital goods and consumer goods.

2) Loans illustrate the influence that can be wielded over countries in debt. For example, the privatization of companies that were state property would never have happened if the countries had not been extremely indebted, to the point of needing new loans.

Over the last decades the World Bank has been presided over by Barber Conable (1986-1991), Lewis Preston (1991-1995), and James Wolfensohn (1995-2005). During this period of time – in the face of both the Structural Adjustment Lending failure in improving the life of the population and major social unrest - the World Bank did address some topics like poverty [6], environment, good governance, women’s rights and foreign debt [7]. However, as the author says, these topics are not of basic interest to the World Bank, which continues to impose Structural Adjustment Lending in countries like Sri Lanka, Ecuador, Haiti, Ghana, the Democratic Republic of Congo and Chad.

For the World Bank to achieve its goals - that is to say, to maintain United States’ hegemony - it has used the indebtedness problem as a pretext for imposing antisocial reforms such as Structural Adjustment Lending in various countries. On other occasions, the World Bank has resorted to supporting dictatorial regimes established after a coup d’état. Forgetting that its loan policy be based solely on economic criteria, to the exclusion of all political considerations, the World Bank supported such United States’ allies as Indonesia (Suharto’s dictatorship, 1965-1998), Philippines (Marcos’ dictatorship, 1972-1986), Somoza’s Nicaragua and Brazil (dictatorship, 1964-1985) where the governments were led by dictators, while neglecting to support democratic governments like that of Salvador Allende in Chile.

The book also focuses on the human rights problem. According to the author: “The question of ‘human rights’ has never been a priority for the World Bank”. Human rights, such as the right to have enough food, to have education, employment, clothing or housing, or people’s rights to enjoy free determination, do not matter as long as rich countries can go on making profits in the capitalist system. Proof of this is the support that the World Bank gave to the apartheid regime in South Africa from 1951 to 1968, the loans granted to colonial powers to further exploit people under domination, or the introduction of Structural Adjustment Programmes. On this point the author quotes a report read before the United Nations Human Rights Commission:

“For almost 20 years, the international financial institutions and the governments of creditor countries have played an ambiguous and destructive game which consists in remote-controlling the

economies of the Third World and imposing unpopular economic policies on powerless countries, on the pretext that the bitter pill of macro-economic adjustment will in the end allow these countries to achieve prosperity and freedom from debt. After two decades, many countries are worse off than when they brought in the structural adjustment programmes enforced by the IMF and the World Bank. These drastically austere programmes have exacted a high social and ecological price and in many countries the human development index has taken a dramatic plunge.”

The main conclusion of this book is that World Bank policy is concerned only with supporting and enforcing United States world leadership. That is why the World Bank makes no effort to promote development or the respect of human rights.

However, the World Bank has responsibilities and duties, and should be called to account for the devastating consequences of its policies on the people of developing countries. The time has come for the World Bank to answer for its actions before a court of law.

[1] According to the author, the terms used to designate countries that are poor and that have been subjugated by rich countries are not neutral; according to context and concept, one may refer to such countries as underdeveloped, poor, peripheral, emerging, developing, etc. In this paper we use the term “developing countries”.

[2] At the Bretton Woods conference, two other institutions were created: the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT). The latter later became the World Trade Organization (WTO).

[3] The Marshall Plan was a policy with a two-fold objective: 1) to grant money to European countries, 2) to reduce or cancel the debts of European countries.

[4] “From 1970 to 1982, the DCs greatly increased their loans. The total external debt (public and private) in current dollars was multiplied by 10 (rising from 70 to 716 billion US dollars). The external public debt was also multiplied by 10 (from 45 to 442 billion US dollars). The public external debt owed to the World Bank was multiplied by 7.5...”.

[5] The author comments that “US banks were the most at risk compared to European and Japanese banks because they lent proportionately more. The 1982 crisis particularly affected Latin America, the US banks’ preferred hunting ground. The amounts they lent, compared to their capital, were enormous and imprudent. All the US banks together had lent the equivalent of 152 per cent of their own capital. Of those, the top 15 had lent the equivalent of 160 per cent of their capital. The nine largest, including the Bank of America, had committed the equivalent of 229 per cent of their capital”.

[6] The first World Development Report on poverty was published in 1990.