The World Bank As Imperialist Instrument

Reviewed by P Radhakrishnan

“Since the founding of the World Bank in 1945, we have been their largest and most influential contributing member. We have also been their largest beneficiary in terms of contracts awarded to US firms.” — US Department of Treasury, 1994

THESE KIND OF self-congratulatory claims by the US government would not have been worrisome to developing countries but for the fact that the World Bank is an insidious instrument of imperialism. That makes this volume very significant, constituting 27.5 percent of the world’s economy. As Arun Kumar observes in the paper “The Economic Aspects of World Bank in India,” Summers’ memo was a reflection of the extreme consequence of a bizarre assumption premised on bizarre illogic. Kumar drives home the message thus: “If an average US citizen has 70 times the income of an average Indian citizen, then one US citizen in the market equals 70 Indian citizens... after all, a death in a developing country is less expensive than a death in an advanced country. This is the pure functioning of the market where people are not valued. It is purely their market value that determines their worth.”

After India’s economic crisis of the late 1980s, the World Bank pressured it into an overhaul of its economic policies through structural adjustment programs. India overcame its crisis, and nearly two decades down the line it had more than $200 billion of reserves. But an excess of foreign exchange reserves creates a problem of excess liquidity; Kumar asks whether the political authority is weakening itself deliberately in order to push the interests of capital.

Going by a report in The Economic Times of Aug. 29, 2010, India was the largest recipient of World Bank loans, with over $9 billion (15 percent of all loans) as of the fiscal year ending June 2010. When the country already has an embarrassment of riches, why it mortgages itself to a dubious moneylender is a mystery.

A confidential memo that Lawrence Summers, then the World Bank’s chief economist, sent to his colleagues on Dec. 12, 1991 was alarming. The Economist, the British publication to which this memo was later leaked, published part of it on Feb. 8, 1992, under the title “Let Them Eat Pollution.” It began thus: “Just between you and me, shouldn’t the World Bank be encourag

and condemns the Indian Planning Commission for producing fraudulent poverty estimates. “Indian poverty estimates are a scandal. Our Planning Commission has been working very closely with the World Bank economists to produce spurious poverty estimates. It is saying that poverty is declining when exactly the opposite is the case.”

The jury of 13 — academics, activists, judges and so on — sat through four days of deliberations over the testimony and depositions from 150 affected people, experts and academics from about 60 grassroots, civil society and community groups from all over India, covering 26 different aspects of economic and social development. The conclusion contains the 29 charges the jury framed against the operations of the World Bank in India. These charges are preceded by the following observations by the jury: “We draw attention to the fact that the World Bank tends to legitimize its action through its self-proclaimed mandate of poverty reduction and development while in reality, its actions exclude the poor in the best of cases, and hurt and worsen their situation in most other cases. And yet the poor in India excluded and hurt by the World Bank are not marginal in numbers, constituting 27.5 percent of the population while three-fourths of the entire population lives below 20 rupees (purchasing power) or $2 per day. To exclude and hurt the majority of Indian citizens in the name of development and poverty alleviation is not merely callous, but it verges on a social crime.”

As all the charges by the jury are grave, they should be read in their entirety for a proper understanding. The highlights are reproduced here:...
The World Bank has undermined democratic functioning in India. Bypassing the parliament and other elected bodies and public debate, the bank’s interventions at various levels of government have weakened India’s democratic processes.

The World Bank’s so-called good governance measures have, by focusing exclusively on government conduct, completely ignored issues of private sector corruption, and indeed encouraged them via deregulatory policies.

The World Bank activities subvert and undermine people-centered movements for social change. A major conclusion of the jury is that “in India there is little difference between the thinking of the policy-makers and the World Bank; we hold the Indian government equally responsible and call for a reversal of its policies.”

The other conclusions are that the majority of World Bank-sponsored projects neither serve their stated purpose nor benefit the poor; instead, in many cases they have caused grievous and irreversible damage to those they intend to serve; the bank’s underlying agenda and operations benefit those privileged with capital but push the already vulnerable to despair.

The jury has recommended that the World Bank compensate those it has harmed through its policies and projects. Unless there are clear and transparent mechanisms through which World Bank activities and policies can be independently monitored and audited, it would be better for the World Bank to quit operations in India.

Michele Kelley’s concise introduction, “World Bank out of India,” touches all the bases, but two sets of observations stand out.

The first: “The struggle is therefore with development policy and with historical capitalism as a form of social organization. It is a battle against a ‘developmental terrorism’ that is corporate-driven and based on the voting power of the rich in the market as opposed to democratic principles. This volume was written in solidarity with the movement that is taking place across India and all over the world to dislodge this immodifying system, to widen democratic participation, and to decentralize and localize processes of growth. I believe we can find the unity to do just that.”

The second: “Because the government of India conveniently uses ‘international obligations’ as an excuse to avoid people-centered policy directives, demanding World Bank withdrawal from India will send a symbolic and critical message that these policies, from whatever direction they originate, must stop.”

Kelley’s observations, though well meaning, are far-fetched. While “developmental terrorism” is a reality, there is no movement either in India (excluding the Maoist movement) or elsewhere in the world that can counter it; indeed, India’s governing class remain what they are, devoid of democratic ethos and of what Dr. B R Ambedkar, architect of the Indian Constitution, termed “constitutional morality.”

In addition, no matter what hullabaloo a group of 300 or 400 discerning individuals make in an organized manner in New Delhi or elsewhere, the World Bank’s withdrawal from India, as from other developing countries, is wishful thinking for at least three reasons.

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   a. While having little impact on reducing corruption.
   b. The World Bank has undermined democratic functioning in India. Bypassing the parliament and other elected bodies and public debate, the bank’s interventions at various levels of government have weakened India’s democratic processes.
   c. The World Bank’s so-called good governance measures have, by focusing exclusively on government conduct, completely ignored issues of private sector corruption, and indeed encouraged them via deregulatory policies.

2. The World Bank activities subvert and undermine people-centered movements for social change. A major conclusion of the jury is that “in India there is little difference between the thinking of the policy-makers and the World Bank; we hold the Indian government equally responsible and call for a reversal of its policies.”

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In addition, no matter what hullabaloo a group of 300 or 400 discerning individuals make in an organized manner in New Delhi or elsewhere, the World Bank’s withdrawal from India, as from other developing countries, is wishful thinking for at least three reasons. First, as shown by some of the contributors, the World Bank’s money creates enormous incentives for officials not to pursue alternative policies and creates more loyalty to the bank than to the people of India. Two, the revolving door between the World Bank and the government that results in most economic policy-making positions being filled with bank staff has allowed the bank to impose its ideology and policies. Three, while the bank works with domestic elites to pillage the economy, the NGOs with which it works reflect its co-operation for development, thereby exposing the local face of imperialism; its engagement in a complementary activity at the bottom neutralizes and fragments the burgeoning discontent that results from the salvaging of the economy.

To conclude, neither the World Bank nor globalization can remain what they are but for the well-laid tracks that the NGOs provide them. In this scenario, the ongoing Maoist or Naxalite movement in India is not without relevance as a rallying force. Perhaps there should be another Independent People’s Tribunal to look at the perils and potentials of this movement.

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