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BANKING ON DECEPTION

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With a global economic agenda to support that is increasingly undermining locally determined development across the South, the World Bank has issued another in its series of annual World Development Reports designed to perpetuate illusions about the institution's objectives and priorities.

Sub-titled "The Challenge of Development," this year's WDR, released earlier this month, is not, in fact, about development at all. Rather it is about growth and, more to the point, about the liberalization of international trade and capital flows. Chapter two, for example, is headed "Paths to development," yet there is but one, "market friendly" path considered throughout this volume, while equity and other non-growth considerations receive only passing reference. Like its 1990 predecessor on poverty (in which that issue received no serious treatment), this treatise is replete with instances of such deceptive language and highly biased in the choice and analysis of case material, economic statistics and policy issues it explores.

Reading like an elementary economics or business text, the report emphasizes the importance of the market while minimizing the role of the state. According to the Bank, that role should be confined to making investments in the institutions, infrastructure and "human capital" necessary to allow the private sector to flourish. Other subsidies are rejected. Equity, for the authors, consists of equality of opportunity and the reduction of poverty, both of which, we are told, can be effected by economic growth and improved education. Fairer income and land distribution are important only to the extent that they generate political support for growth policies.

The Bank's position on labor is particularly instructive. The report's authors cannot acknowledge that the reduction of real wages is both an integral element and an intended consequence of Bank-promoted adjustment programs. They feel compelled to employ such euphemisms as "the downward flexibility of real wages" and proceed to cite "labor market rigidities, such as minimum wages and lack of wage flexibility in the protected formal sector," as major problems.

They attribute high open unemployment in Chile in the early 1980s to such factors. No mention is made of the devastating job loss in those small and medium-sized Chilean firms which disappeared as a result of trade liberalization measures associated with adjustment. In Brazil, the report charges, "wage indexation has been used to maintain real wages in the formal sector, interfering with structural adjustment and resource allocation, and contributing to income disparities." The real villain, according to the Bank, is once again labor, to the extent that it "wields significant power."

If equity concerns are marginalized and poverty alleviation is seen as a function of growth, should we be surprised that environmental questions receive little treatment in this ode to the market? Sustainability, like equity, has no place in this liberalization model. Wait 'til next year, we're told, when the environment will have a World Development Report all to itself.

In this context, the truth fares no better in the hands of the authors. For a starter, the Bank simply cannot deal with the fact that the economies of the East Asian newly industrialized countries have enjoyed high growth rates despite having been highly state-interventionist and protectionist. Hence, the report goes to great lengths to rewrite history, playing down the degree of government intervention and the commitment to protectionism among the NICs, while emphasizing their outward orientation.

However, according to Walden Bello, executive director of the Institute for Food and Development Policy and co-author of Dragons in Distress: Asia's Miracle in Crisis, these countries "disciplined the market to achieve growth instead of being disciplined by it, as the Bank claims." He cites the fact that South Korea still has one of the Third World's most restrictive foreign-investment regimes and that the Bush Administration has targeted Korea and Taiwan as among the most protectionist countries in the world.

The Bank's distortion of reality appears to have no limits. The report claims, for example, that the stabilization policies that helped streamline the public sector and bring down prices in Mexico distributed the burden of adjustment "across different economic groups." This clever language is designed to disguise the fact that the cost fell almost exclusively on the lower and middle classes, while the rich, through financial speculation and the purchase of privatized public companies on the cheap, benefited significantly from a further concentration of wealth in the country.

Not surprisingly, the whole issue of structural adjustment is once again addressed in a deceptive manner, as it has been in other Bank documents over the past half dozen years. Massaging its own figures in every way imaginable, the Bank still cannot make the case that adjustment programs have succeeded even in macroeconomic terms. Its own studies provide no conclusive evidence that the prevailing policies of the past decade have stimulated growth or sapped inflation.

Yet, unwilling to acknowledge that the terrible social and environmental costs of adjustment are more than transitional in nature, the authors call for more of the same -- that is, more exporting, more austerity, more liberalization and privatization to effectively open Southern economies to the international market. The Bank's own dismal record of promoting failed adjustment programs, supporting massive cuts in national health and education budgets and orienting Southern economies to produce for unrewarding foreign markets is conveniently ignored, preserving for the Bank the image of an uninvolved guru.

The counterarguments related to the shortcomings of market mechanisms, adjustment programs and the current Uruguay Round trade proposals (which the report promotes) are not to be found in this volume. Neither are discussions of alternative "paths to development," certainly not those based on grassroots involvement and the principles of greater self-reliance, equity and sustainability. Populist experiments of the past are discounted without any reference to the role that the Bank, among others, played in undermining them. Competing national "interest groups" are viewed as obstacles to progress rather than the bases for popular democracy. It will be the Bank, the IMF and the rules of international trade that will determine appropriate economic policies, not the citizens who will be directly and profoundly affected by them.

It would be a mistake to chalk these views up solely to typical World Bank arrogance; no doubt there is still plenty of that to go around despite the devastating consequences of the development counsel that the Bank has given Southern governments and the erroneous economic projections that it has made over the years. Nor would it be wise to dismiss this year's WDR as an intellectual treatise of dubious relevance, as have some Bank staff.

Rather, this report, scraped free of the perfunctory development rhetoric intended for politicians and the international media, is the clearest statement yet of the Bank's agenda for the 1990s. The central message, in fact, is found in the image on its cover: the world as a puzzle that must be pieced together by the global architects. Development, as it is commonly understood, has taken a back seat to the restructuring of national economies required to facilitate the expansion of international trade and investment on Northern corporate terms.

It is this very agenda, in posing the greatest threat to the workers, small producers and natural environments of the South, that also provides us with the greatest "challenge of development" in the years ahead.

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