University of Alberta

Locating and Examining Sources of Failure for the World Bank's Poverty Reduction & Alleviation Policies

by

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A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of Master of Arts

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Edmonton, Alberta
Fall 2004

Your file Votre référence
ISBN: 0-612-95633-4
Our file Notre référence
ISBN: 0-612-95633-4

Thoughtfully dedicated to S.J.
Unbeknownst to you, you have guided me to, and in, this endeavour.

Acknowledgements

My advisor for this study, Dr. Tom Keating in the Department of Political Science at the University of Alberta, needs to be acknowledged first and foremost. The time he was able to commit allowed us to meet on a regular basis to discuss the issues in this study and helped me develop a more complete understanding of postwar multilateralism. Additionally, the time that he dedicated to reviewing this project in its various stages was very helpful in terms of finding different information sources, developing different components of my arguments, and make editorial suggestions.

I was also provided with a great deal of insight, most of which has been incorporated into this study, by Dr. Jerrold Kachur and Dr. Malinda Smith. Specifically, Dr. Kachur made very constructive editorial suggestions and suggestions for additions to the text. The first addition was an account of how postwar security concerns shaped the Bretton Woods institutions. Prior to Dr. Kachur's comments, this issue was not addressed completely. Although a complete discussion is still absent to some degree, the content of that which is presented has been influenced by his comments. Additionally, mention of the independent circulation of neo-liberal principles in the South and, the importance of clearly distinguishing between Eurocentric and Westerncentric influences by accounting for their respective moments of emergence have come from comments made by Dr. Kachur as well. Dr. Smith made many valuable editorial suggestions and also challenged me to think more closely on how the Bank might be able to accommodate change in the future.

The general idea for this study came about while attending a course of Dr. Fred Judson's in the Winter of 2002. Information and course readings from his class have been incorporated into this study and have guided my research. Additionally, the comments offered by Dr. Judson at various points during the course in reference to my work and my ideas on development helped refine my understanding of the forces that shaped development theory.

In 2002-2003, I had the privilege of being selected for an Internship at the Sheldon Chumir Foundation for Ethics in Leadership in Calgary, Alberta. While in this position, I was introduced to the importance of discourse and dialogue by the Foundation's President Dr. Marsha Hanen and the Program Director, Alison Dempsey, LL.M. A Friend of the Foundation, Sharon Abra Hanen, spent a great deal of time helping me develop better techniques for writing by meeting with me regularly and suggesting writing resources. Her instruction has helped to make my writing more effective and is greatly appreciated. However, any shortcomings present are ultimately my own.

While doing the research and writing for this project I had numerous conversations with Filip Ksiazkiewicz, a fellow graduate student doing an M.A. in Economics. Fil was able to explain the Bank's statistical and econometric models to me in a very simple way that allowed me to gain an understanding of how they worked. Our conversations pertaining to my research helped me to think closely about the arguments I was making and often introduced me to new questions to consider. One such area is the affects of specific components - trade liberalization, fiscal reform, and agriculture reform - of Bank's pursuit to liberalize economies.

The support from my family and friends - especially my mother and sister as well as Kent Ferguson and Sheryl Kirwan - was extremely helpful and greatly appreciated. Your patience and support mean so very much to me. The person that introduced me to all that social science can offer, Dennis Vouriot, also needs to be mentioned. I have never heard a man speak about inequality so profoundly and with so much passion. Thank you for challenging me during my formative years. Finally, I would like to thank Regina for re-opening the realm of possibility.

Introduction

I have here only a nosegay of culled flowers and have brought nothing of my own but the thread that ties them together[1].

The objective of this study is to examine why the poverty reduction and alleviation policies of the World Bank have failed and continue to fail. The arguments put forth to explain this failure unfold on many different levels with a central premise being that consistent policy failure comes from persistent practices. However, the details of this conclusion do not come from an examination of the Bank alone. The Bank is a product of past and immediate social processes and was constructed in a particular period to serve particular interests - none of which were poverty reduction or development (how it is understood today). Therefore, this study draws on research from political economy, economics, international relations, sociology, and philosophy in an attempt to create and understanding of how dominant practices emerged in the Bank and what dynamic allows them to persist. Additionally, drawing on this diverse body of research also illustrates that economic development and poverty reduction are incongruent objectives. Examining this relationship reveals that it is predicated on historical antecedents in the Bank's discourse and the internal institutional dynamics between capital, states, social forces, and dominant ideas.

I believe it is important to position the author of this study, lest he be accorded a place that misrepresents the intention of this study. This studied is one that should be considered written from the ground in the sense that no position of authority is being asserted or sought after. The fact I can conduct this research and circulate my conclusions is incidental. This does not place me in any position above others or their

[1] Essais, Book III, Chapter 12

respective knowledge. Throughout this study, there is an extensive critique of authors who position themselves above those in poverty in the hope that it renders their knowledge authoritative – their approach can be seen as the way to approach poverty reduction. In all cases, it is concluded that this positioning is more than half the problem when attempting to formulate solutions for poverty. This positioning can potentially marginalize important actors and the knowledge which they hold. Further, such approaches are removed from the experienced of human suffering. Working from the ground may afford us the opportunity to assemble sound and relevant theory to explain the emergence and persistence of poverty - not generally – but in each specific context. Context specific theory takes time and searching anxiously for conclusions may render conclusions that exacerbate current conditions and marginalize other viable alternatives. Poverty emerged due to many forces and the solutions, therefore, may be as multidimensional as their causes.

As we move through this study, it will quickly become apparent that there is a lot of history involved in establishing these arguments. However, the Bank's history is unavoidable - and this is not meant figuratively. The World Bank of today is clearly locked in the clutches of those forces that shaped its history. In an attempt to explain why this is, we look past the moment of the Bretton Woods Conference into the interwar years. It is in this period that we are able to locate the forces that shaped the Bretton Woods System and the World Bank. When speaking of 'shaping' the Bank, we are referring to the Bank's principle and normative aspects of the Bank. It will be argued that it is essential to understand how the dynamic between capital, states, social forces, and dominant ideas shaped the Bank's ideational framework as it will illustrate how particular interests became embedded in this framework, and which states - and social forces within them - played the largest part. More explicitly, it will also allow us to see why the original objective of the Bank was, first and foremost, reconstruction and how this was transformed (superficially) into an objective focused on poverty reduction.

Once these dominant actors and their respective roles are identified and examined, we can then examine the other ideational components that were consequently embedded in the Bank. Particularly, we will see that the dominant role played by the United States and Britain caused a whole socio-economic, political, and cultural discourse to become embedded in the Bank and Bretton Woods System. It will be argued that this aspect, combined with the implicit service to Western and European economic interests, affects the manner in which the Bank is able to 'frame' questions of development and poverty reduction. Specifically, problems, solutions, and non-European/Western peoples are defined in Euro-Western[2] centric terms. These terms are not universal and have latent historical antecedents that have been preserved through time.

These arguments are established over the course of three chapters. The first chapter provides a framework for understanding how and why the principles and norms of the Bretton Woods System emerged, are preserved, and why they persist

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[2] The distinctions made in this study between Eurocentric, Euro/Westerncentric, and Westerncentric are meant to be more conceptual than practical. First, Eurocentric refers to the economic and political philosophies (like those of Smith and Mill) and modes of socio-economic and political organization which came out of Western Europe, most notably the United Kingdom. The defining features of eurocentricity are largely English by virtue of the hegemonic position held by the England up until World War I. Euro/Westercentricity emerged as a result of the passage of hegemony from the U.K. to the U.S. In this passage certain facets of European dominance were retained, but specifically shaped to accommodate U.S. material interests and capabilities – hence Euro/Western. An example of this is retaining the notion of free trade but abandoning Imperial Preference with the intention of replacing it with something more favorable to the respective sectors of the U.S. economy. Westerncentric refers to norms and principles that have been shaped specifically by Western – most notably U.S. - social forces and Western states.

and sometimes get transformed or replaced. To do, this the persistence of liberal principles and transformation of liberal norms from the interwar years to Bretton Woods is examined. It will be shown that the internal dynamics of the political economies in dominant states in the political economy have had widespread and lasting international effects, especially in terms of institution building initiatives like that of constructing the Bretton Woods System. It will be argued that the socio-economic and political context of the United States - and the social forces (finance, agriculture, and labour) that shaped it - played a significant role in constructing the normative framework of the Bretton Woods System and rejecting liberal fundamentalist norms in this context. In doing this, these interests, which lead to the emergence of these actions, became institutionalized and had explicit and implicit affects on policy creation. One such affect is that the fundamentals for reconstruction were carried over to satisfy development, and later poverty reduction, objectives.

The second chapter will examine the degree to which principles and norms construct and designate particular knowledge as dominant within the Bank. To do this, the definition of poverty will be examined in terms of the degree to which the Bank's norms influenced the acceptance of this definition and positioned it as dominant. Further it will be argued that the dominance of Western states within the Bank allowed a particular perception of history to become embedded in the Bank - one that sees the Western experience as natural with the potential for universal application. To complement this, it will also be argued that economic science became integrated into the Bank's policy structure for normative reasons as well. If the analysis stopped here, I believe a serious question would go unexamined: how does knowledge preserve its position? I propose that the Bank's knowledge is elevated to an unquestioned position because of its relationship with economic theory - a relationship that gives bank-knowledge a tautological characteristic. From this, the knowledge also assumes a fundamentalist characteristic which necessarily eliminates the emergence of alternatives within the Bank's discourse. The effect of this would not be so great if the influence of the Bank was not so great. In terms of resources, those of the Bank are unmatched and therefore a monopoly exists on the production and dissemination of knowledge. The high availability of Bank research, through the Knowledge Bank initiative for example, allow for the widespread dissemination of knowledge - without any mainstream competition the emergence of alternatives is markedly reduced.

The last chapter raises some fundamental questions regarding the relationship between poverty reduction and economic development and about the field of economic development itself. This will allow us to understand how growth came to be understood as a fundamental component of development and poverty reduction. In doing this, it will be shown that the relationship between economic growth and poverty reduction is one that has been established within the limits of Eurocentric socio-economic and political discourse. Therefore this relationship is not naturally in every context and can therefore not be considered as one with the potential to yield universal results. The last part of this chapter looks at how this relationship between growth, development, and poverty reduction manifests itself in the Bank's policies, particularly the components of Interim Poverty Reduction Strategy Papers (I-PRSPs) and full Poverty Reduction Strategy Papers (PRSPs).

When examined together, the arguments in these chapters illustrate that the World Bank was not established with the objective of reducing or alleviating instances of poverty. Therefore, no specific normative framework was created to specifically address these problems as in the case of establishing stability in the postwar period and the reconstruction of Europe. This is complemented by the fact that the dominant actors in this institution had a particular discourse embedded in it and subsequently created the institutional means to satisfy their material objectives and those of the dominant social forces in their respective states. There is no motive attached to this failure - meaning that it was not planned for purposes of exploitation. The Bank was established with good intentions. However, the reality that has emerged from the implementation of its practices stands in stark contrast to its ideal outcomes.

Chapter I

The World Bank within Bretton Woods: Examining Principles and Norms

This chapter seeks to establish the framework by which this study will analyze and explain the failure of poverty reduction programs that are designed and implement by the World Bank. Strictly speaking, we will set out to examine how the interests of social forces, and their dynamic interactions, have shaped the liberal principled framework of the postwar order, and the Bretton Woods System specifically. Further, we will attempt to reveal and examine the relationship between principles, norms, ideas, and values and explain how social forces shape and function within these respective frameworks.

Upon examining the above relationships, dynamics, and interactions within the said framework two questions will be posed. The first question is concerned with determining which dominant interests shaped the principled framework of the postwar order and how this occurred? The second question is how were other interests, aside from the dominant ones of the United States and Britain, integrated into the postwar order at the Bretton Woods Conference? There are two phases to this chapter's arguments. Combined they are focused on providing an historical overview and analysis of the interwar, World War II, and early postwar years. Complete histories of these periods cannot be provided here as this would exceed the scope and space limitations of this study. We will, however, examine those key moments in the mentioned periods that led to decisive positions emerging regarding the structure and organization of the postwar order[3].

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[3] Studying and examining what has been labelled as 'monumental history' is recognizably problematic. In an attempt to remedy the shortcomings of this method, I will attempt to provide an

Essentially, the arguments presented stand opposed to many others which simply posit the Bretton Woods System and institutions as lightening rods for a wide range of criticism. The nature of some critiques (Chossudovsky 2000; Elson 1998 for example) is almost ahistorical in that they view the structures, policies, and actions of the Bank and the Fund in an isolated fashion. These institutions cannot be examined - for lack of better phrase - 'at face value'. The Bank and the International Monetary Fund are unique economic, social, cultural, and political products and that have emerged due to a combination of the interests and the dynamics of social forces that coalesced during a specific historical period. Conversely, the emergence of these institutions should not be interpreted - as they have been by others at times - as acts of conspiracy intended to exploit less powerful states in a variety of ways. Such interpretations cannot, and do not, provide an accurate account or analysis of: the dynamic forces that allowed for certain historical events to emerge; how certain principles norms, and practices came to be accepted; and, how these latter points have affected the construction of the system and institution they examine. The examinations are, premised, arguably on polemics and has rendered many arguments one dimensional and inaccurate[4].

This chapter is composed of two sections. The first stage will examine how the founding principles of the Bretton Woods System emerged as such. Specifically, we will examine the place these principles had in international politics in the interwar

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account that captures the essential dynamics and interests of the periods that are examined.

[4] My intention here is to avoid confusing what was intended for the postwar order - and how these intentions were agreed to and constructed - with what has arguably occurred in the postwar era. I cannot address, in this small space, what has been often labelled as U.S. imperialism in the postwar era and how this has been facilitated through the Bretton Woods Institutions as this is not the focus of the study. Further, asserting that economic, political, and cultural imperialism was an implicit motive or intention of the Bretton Woods System may be reading too much of the present circumstances of the global political economy into what maybe a benign history.

period and attempt to identify the forces and interests that were responsible for having them embedded in the postwar order[5]. Once the latter has been established, we will examine how the core principles of this system functioned in the larger context of the Bretton Woods System and attempt to determine, generally, how these principles shaped the norms and practices of these institutions.

The second stage of this chapter will examine the actors and interests involved in the negotiations at the Bretton Woods Conference. Bringing attention to these negotiations will reveal which states' interests, and which interests of the social forces within those states were aggregated into the postwar order. Differentiating between state interests and the interests of social forces will allow us to understand the degree to which the social forces in the U.S. had their interests embedded into the postwar order. A point of equal importance that will be made clear is that the integration of these interests into the international political economy, necessarily meant that the principles of this order would be Eurocentric. I argue that this is deeply problematic for the Bank's policy process as the principles of these policies are predicated, inherently - and to a larger degree unconsciously - on the Western experience which allowed for the embedded interests to have influence.

This chapter (and subsequently the whole of the study) examines the Bretton Woods System as one that is composed of two separate institutions united by common principles. Such an approach may seem disjointed; however, numerous accounts - since the creation of the Bretton Woods System to the present - have indicated that more emphasis was placed on the creation of the Fund (Cairncross 3;

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[5] The issue of dominant ideas is complex and deserves more space for explanation and examination than I have allotted here. As this is only one aspect of this study I have provided space for it accordingly.

Ray 18; Kampur et. al. 2)[6]. Others would say that the Fund was the central institution of the postwar order; consequently, the institutions operated in a virtually separate fashion where the operations of the Bank were necessarily moved to the periphery. Although it was claimed in early years that this separation was a façade (Cairncross 1956), as recent as 2000 the Managing Director of the Fund has admitted coordination has been lacking in the past and more cooperation between the two institutions was needed to address the social implications of Fund policy[7]. Therefore, this study's focus on the Bank, although accounting for half of the System's actions, is neither incomplete nor inaccurate.

The independent operation of the Bretton Woods institutions does not negate the argument that policy creation in both institutions were guided, and ultimately shaped, by a common liberal principled framework. It is important to emphasize this fact as the history of the Bretton Woods System, in terms of published accounts, is over weighted by information on the Fund[8] (to a certain degree) and it may be assumed that this has come about due to a principled difference. Further discussion on the different operational capacities of these institutions exceeds the scope of this study and will be left at this point.

I) The Construction of the Bretton Woods Principled Framework

The first objective of this section is to illustrate that norms can be shaped and

[6] This unbalanced emphasis on the Fund's creation may be able to account for why there was no inter-institutional framework created that would facilitate the complementary operation that is sought for the two institutions today.See,http://www.imf.org/external/np/speeches/2000/092600.htm

[7] http://www.imf.org/external/np/speeches/2000/092600.htm; Wood, Angela "New Development Tools or Empty Acronyms ? The reality behind the Comprehensive Development Framework and Poverty Reduction Strategy Papers" September 2000, http://www.brettonwoodsproject.org

[8] This is not to say that the accounts which are available - and widely regarded as authoritative in the area - are not strong sources. On the contrary, they are well documented and substantiated accounts but when examined against the breadth of research on the Fund, the contribution can be seen as

ultimately changed by social forces and that these forces emerge in unique ways given their socio-economic and political contexts. It will be shown that the dynamics of social forces are predicated upon changing interests; further, these new normative frameworks can emerge both at the domestic and international level. In the context of this section, it will be illustrated that the change in norms that occurred between the interwar and postwar periods allowed for the emergence of a unique form of postwar liberalism to emerge.

The second objective is to illustrate that the emergent normative framework of the Bretton Woods System embodied those interests that allowed it to take shape; therefore the interests are embedded in the principled framework of that period (Cox, *Social* 128). These embedded interests, combined with the constitutive relationship between principles, norms, values, and ideas (which will be discussed shortly) led the Bretton Woods System to be premised on principles and norms that were constructed to accommodate Western political, economic, and social interests, particularly those of the U.S. Examining the function of social forces in shaping norms will also reveal this process as a dialectical one. The transnational realignment of social forces - particularly between the U.S. and U.K. - both domestically and internationally will emphasize that the social forces, and the interests they advocate, are fundamental components in the process by which political and economic systems are constructed.

In order to satisfy these objectives, we must examine the emergence of these forms of liberalism in the following systematic fashion. First we need to establish the relationship between changing interests and the realignment of social forces both domestically and internationally. Second, we are required to reveal that the said

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relatively smaller.

realignments allowed for new norms to emerge within the existing principled frameworks of these periods. Third, we need to establish that the emergence of a different normative framework allowed for a new form of liberalism to emerge in the postwar order. These arguments will be substantiated by using three examples: 1) the rejection of liberal fundamentalism; 2) the emergence of the New Deal in the United States; and, 3) the development of an international system of free trade. Before we proceed, we need to define a few key terms that will be used throughout this section and the study as a whole.

Within the context of this study, principles (also referred to as principled framework) are defined as the overarching ideational framework in the domestic and international contexts that guides the actions of individuals and institutions[9] when approaching economic, political, and social questions. The nature of these questions will become clear as we move through this. Within the limits of a specific principled framework - a liberal framework for our purposes - norms, values, and ideas emerge. In terms of norms, a normative framework emerges that reflects ideal interpretations of how individual and coordinated actions should take shape in the larger principled structure. An example of a norm generated within the limits of a liberal principled framework is 'free flowing transnational movements of capital' or the 'Welfare State'. In different historical contexts, these interpretations may change - as they did in the transition period between the interwar and World War II years - and one normative framework, or set of norms may be replaced. An example of a value within the said context could be 'human rights'; and, an example of an idea could be 'development'. Changes in norms, values, and ideas are not always indicative of a change or out-right rejection of given principled framework. The dynamics of social forces in different historical periods may cause a change in norms, values, and ideas. These changes may result in a new *form* of principled framework emerging without any essential differences.

The relationship between principles, norms, values, and ideas is constitutive in nature and it is important to emphasize this within the context of this study. When examining policy failure, or its shortcomings regarding poverty reduction, there is often an amount of misunderstanding regarding the degree to which principles and norms restrict, or limit, the creation of principally alternative policy options, or even integrating alternatives in a substantial way. Policy that is principally different from the framework in place (the dominant framework) is bound to emerge; however, there exists no chance of it being implemented in a significant manner. Further, there is also a misunderstanding of the degree to which integrating alternatives into the policy process can lead to principled change. Policy is a product of norms and principles. Therefore, simply introducing alternative ideas into the policy process is not sufficient to elicit a principled policy shift. It is often thought that policy may re-shape, or essentially change ideas, values, and even norms. The opposite has been illustrated in the case of the Bank's poverty reduction programs. As the Bank attempts to introduce principally incommensurable policies into impoverished environments, existing norms and values are not reshaped in positive way. A principle and normative shift must occur prior to introducing policy if it is to work in a complementary manner with existing socio-economic and political dynamics. Additionally a principled and normative shift must emerge in the policy environment

[9] When speaking of institutions at this point in the study, we are referring international and domestic

before alternatives are considered. As we will see in the example of the shift during the period between the interwar years and the 1949, the policy environment opened itself to alternatives due to the emergence of crisis and a dialectic - the importance of which will be discussed throughout this study (Cox, *Social* 137-9). The shift was not forced, but emerged and was addressed in a somewhat coordinated way by those with competing interests. The magnitude and overall function of the principled liberal framework that forms the foundation of the Bretton Woods System needs to be understood in these terms in order to further understand how and why particular forms of norms, values, and ideas emerge and others do not. The principled liberal framework that functioned - and currently functions in Western domestic or international contexts - from the early postwar years to the present necessarily prevents the non-liberal norms, values, and ideas from becoming dominant.

David Williams examines how individuals, and ultimately institutions, fundamentally act within a complex framework of ideas and norms (Williams 2000). Identifying and understanding the complexity of this framework that Williams describes is relevant to this study because it will allow us to understand: 1) how ideas and norms become embedded in individual behaviour as well as institutions at the domestic, national, and international level as a result of the principled framework in place; and, 2) how these individuals and institutions function in complementing and conflicting ways. Williams argues that:

> norms do not exist as discrete and separate entities each having their own autonomous significance because: 1) norms are embedded and connected to other norms and ideas in complex and changing patterns and, 2) social actors

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institutions such as banks, international organizations, and similar entities.

> cannot act on one norm, idea, or commitment alone because they are embedded within and confront a world in which ideas, norms, and commitments exist in complex changing relationships (558-559).

This method of analysis is relevant in the broader context of this study for two reasons: 1) it will aid in establishing the argument that norms, values, and ideas are a part of this framework; and the interests that shaped the latter became embedded in the larger framework; and, 2) it will implicitly illustrate that the institutionalization of postwar liberalism in the Bretton Woods System, resulted in these interest, norms, values, and ideas being embedded and institutionalized as well.

Although the Fund and the Bank have functioned in virtual independence until recently, they were created with, and have maintained, a common set of underlying principles. Identifying and understanding the dynamics that: shaped these principles; allowed for them to become accepted and operational; and, resulted in others to be moved to the periphery is essential to this study.

The Rejection of Liberal Fundamentalism[10]: Changing interests & the realignment of social forces

In this section we will examine the rejection of liberal fundamentalism[11] in the postwar era in terms of: the failed leadership of financiers; the inability of the market to meet new social objectives; and, the emergence of the 1929 and 1931 crises. It will be argued that the cumulative effect of these three instances facilitated the emergence of new interests that necessarily contradicted those of the interwar period. Helleiner takes issue with this point as well: "The economic and financial crises of the 1930s

[10] From the outset, it should be made clear that when we refer to the 'rejection' of liberal fundamentalism we are referring to its removal from its position of dominance that it held in the interwar period.

[11] These particular liberals would be considered neo-liberals in the 21st century. Fundamentally, they believe in freer markets and less government intervention.

were a catalyst for a significant realignment of political coalitions that cumulated in Roosevelt's election in 1932" (Helleiner, *Reemergence* 30). I argue that these crises were also indicative of the existence of a dialectic in which new interests became dominant [specifically those that sought stability (economic, political, and social) and a coordinated economic order], social forces began to realign, and a new normative framework emerged in the postwar period which became the foundation for the Bretton Woods System (Cox, *Social* 138).

The arena, in which this dialectic played-out, where the end-result was the construction of the postwar normative framework, was largely the United States domestic sphere - due mostly to the postwar dominance of United States. As a complement the dynamics that create the U.S. socio-economic and political environment, the opposition between liberal fundamentalists and embedded liberals played out elsewhere in the advanced industrial world. This opposition would become a central issue when establishing the postwar order (Helleiner, *Reemergence* 50). However, given the importance of Europe (specifically Britain) in terms of creating economic, political and social stability within the U.S. and internationally those interests necessarily contributed to this dialectic[12].

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[12] As it may be evident by this point, this study does not account for security interests in the interwar and postwar periods in a substantial manner. However, complete omission would render the study somewhat sterilized in terms of the influence of security concerns had on postwar development. There were many counter-movements to liberalism emerging in the postwar world – communism in the former Soviet Union and beginning of the Cold War; the rise of revolutions in the South; and the emergence of the Non-Aligned Movement. The war war-torn world was in-effect, open to the group with the most capital. In fact, it is well known the U.S. established the Marshal Plan to not only facilitate reconstruction but to also gain allies on the eve of the Cold War. This can be likened to a monetary means of containing and preventing the spread of communism. In fact, development in this period has been aptly referred to as the 'securitization of development'. Extension of aid to South through some of the Bank's early missions is also indicative of this as establishing liberal economies was a prerequisite to lending. Although this addendum admittedly leaves out many details, we can get a sense that all the considerations made about pursuing development were not strictly economic, or political. Development was pursued for a variety or reasons, one of which was the security interests of the Free World.

Liberal Fundamentalism & Postwar Liberalism: The Emergence of a Dialectic

During the 1930s and early 1940s, the U.S. domestic sphere[13] was the arena in which conflict and contradiction played out between various interests. The social forces representing these interests were competing to have their respective interests aggregated into the postwar political and economic policy while others were seeking to retain their dominant position. Specifically, these interests were primarily represented by finance, industry, labour, and agriculture. Within this group of interests, there was disagreement regarding the degree to which the U.S. would be part of an open liberal trading order; the degree to which the U.S. would participate in postwar international organizations; and the degree to which sectors of the economy would be protected (Block 19). As a consequence of these contradictions, a new normative framework began to take shape that would guide U.S. policy (Cox, *Social* 141-2) - and ultimately other states at Bretton Woods- regarding the design of the postwar order, although the ends of this design could not be seen from this point.

Questioning the Leadership of Financiers in the interwar period

The leadership of private and central bankers, as well as business people in the interwar period, resulted in liberal fundamentalism not gaining acceptance in the postwar era, both internationally and within the domestic spheres of states[14]. This was due mostly to these leaders failing to establish an internationally coordinated economic order. Specifically, leaders failed to establish an international economic system that could facilitate the same coordination and produce the same stability as the Gold Standard. The liberal fundamentalism of the 1920s was, quite simply,

[13] This also included the Roosevelt Administration itself but this will be discussed below. See the section entitled The New Deal in the United States.

[14] This statement of 'acceptance' has admittedly simplified the finer details of this framework was

incompatible with the newly emerging normative framework of the postwar period that was characterized by the new social objectives states, specifically the U.S. The economic and political norms of the 1920s could no longer provide the desired political and economic stability as a multilateral approach was needed to construct a coordinated and sustainable economic order[15].

> Supported by an alliance of farmers, labour groups, and sympathetic business leaders, the Roosevelt administration held the New York financial community....responsible for much of the chaos of the [interwar] period (Helleiner, *Reemergence* 30)

This rejection is significant because it highlights the increased importance of the domestic sphere in international politics and the function it has in shaping and creating norms within specific principled frameworks.

Postwar liberalism and liberal fundamentalism differed on a normative level (Ruggie 83). Supporters of the former were united by the state's new social responsibilities and ability bestowed on governments to intervene in markets to pursue and achieve social objectives, such as full employment. Liberal fundamentalists - like the New York bankers for example - were in favor of liberal fundamentalism as the economy could be governed by *laissez faire*, less government intervention, and allow financiers more control over domestic economies (Helleiner, *Reemergence* 34; Ruggie 72).

Changes in the overall political and economic normative framework of the

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rejected. However, these details will be examined during this chapter.

15 'Approach' may be misunderstood to mean that multilateralism emerged as 'a generally accepted liberal principled framework' in the context of this study. It should be briefly noted here, that the function of an internationally supported principled framework does not preclude different forms of norms - to a limited degree, as in this example- given cultural and geopolitical variations.

international political economy - during the later part of interwar period and into World War II - led to the rejection of many facets of the liberal fundamentalism. This shift in norms led to the emergence of new values and ideas regarding leadership and the responsibilities of leaders in the postwar order. Subsequently, the leadership of central and private bankers and financiers in the 1920s was re-examined with new expectations. In fact, their leadership has often been categorized as irresponsible with regard to how they 'haphazardly' managed domestic and international finance and the relationship between these areas (Block 37). The American state began to value stability, both economically and politically, as this was seen as the best environment for re-establishing lucrative trade relationships and ultimately peace in international politics. As Williams argues, norms and ideas cannot be followed in a single-serving manner. A combination of norms is followed at any given time, even if only one is being consciously observed[16]. Therefore pursuits for stability were also done alongside a new ideal of leadership in terms of quality and approach as the leadership of the 1920s came into serious question.

A factor that requires consideration in examining the rejection of liberal fundamentalism is the amount of opposition this normative framework faced within the domestic sphere of the U.S. One significant factor is the failure of private and central bankers to manage and coordinate international economic affairs. This is evident by two significant events: the stock market crash of 1929 and the ultimate

[16] Williams' argument implicitly highlights an important point: postwar norms existed along side the norms of the interwar period. The establishment of a new dominant normative framework did not preclude the existence of other norms - it precluded the existence of another dominant normative framework. The position of the group Helleiner has labelled the New York Bankers illustrates this point, as well as my own. They still adhered, essentially, to the norms of the 1920s and sought to have them integrated in to the postwar order even though normative framework had emerged. As new normative frameworks emerge they do not wipe out old norms, they necessarily re-position them on the periphery of the principled framework.

collapse of the financial system in 1931. (Murphy 160-164; Helleiner, *ibid* 27-28). The lack of capital controls has often been cited as a source of these crises. The push for reduced controls came in the early 1920s during two significant international conferences (Brussels & Genoa) in which central bankers throughout the industrialized world called for - among other things - a removal of capital controls (Hawtrey 14; Helleiner, *ibid* 26). The crises that followed these reductions placed the norms they supported into question along with ability to create an economic and financial stability. Further still, these events put the leadership capacity of financiers and business people into question, especially in the domestic sphere as this is where the effects of these events were felt most.

The interwar period saw numerous attempts by U.S. business and finance leaders to salvage and reconstruct the normative framework of the 1920s in order to immediately re-start the transnational flow of capital as this recommencement stood to place them in a position of dominance in international finance. A fundamental challenge to these attempts came from the defeated nations of the War, even though liberal principles were dominant during this period. As it has been noted, liberal fundamentalism was being supported and promoted mostly by members of the U.S. financial sector - JP Morgan in New York for example - and the victors of World War I. The normative difference between the defeated and victorious nations, coupled with the power position of the victors, created an exploitive environment for business and finance relationships. Ridgeway's reference to American and European attempts as 'colonial style exploitation of the defeated powers' (Murphy 160) could also be interpreted as a capitalization of undeveloped markets that resulted from a difference in norms.

The Central and private bankers' lack of intervention in the market, specifically their failure to implement capital controls; to coordinate with governments to have the market address social concerns; and, implement other regulatory mechanisms may be seen, as it has above, to be at the core of the financial crises of 1929 and 1931. However, when their action, or lack thereof, is placed in the context of the normative framework of the 1920s (*laissez faire)* other conclusions can be made, especially in light of the constitutive relationship between principles and norms. *Laissez faire* - the mode of market function supported by liberal fundamentalists - is premised on achieving the independent operation of the market, and this was to be realized through the actions of market forces. Given the latter, if financiers were to intervene in a significant manner, their actions would not have been any different than from government intervention. Viewed another way: would financiers, given the norms they followed, allow themselves (or be able) to generate interventionist responses, or coordinate governments, in order to prevent the mentioned crises? Gardner's account of the *laissez faire* system emphasizes this point:

> The most truly international economic system, surely, was one in which intervention by national governments was absent and comparative efficiencies, working through the price mechanism, determined the allocation of world resources. (2)

With the only prescribed control mechanism being price within the limits of these norms, it would seem that financiers and business leaders were left with limited options - given the norms to which they adhered - to intervene in the market to prevent crisis. Although the rejection of liberal fundamentalism in the postwar era is generally seen as a consequence of the failed leadership of financiers and central bankers in the interwar era, the limitations placed on these leaders by the normative framework in place needs to be considered as it has been above.

Stephen Gill (2000) has argued, "the knowledge structures of political economy are a part of the object of our analysis" (49). A knowledge structure can be understood as a *principled* framework in which norms, values, and ideas are created, both explicitly and implicitly, and are superimposed - and to a large degree embedded - in agents, institutions and their respective (or collective) actions. A critique of this nature reveals, and allows us to understand, the relationship between principles and actions; and, also allows us to examine moments in history not only as events, but as instances that are predicated on specific principles which are contained and limited in their magnitude by a dominant normative framework. Examined in these terms, the failures in leadership that have been discussed above cannot be attributed to the actions of individuals or institutions alone. These actions need to be examined within the broader framework in which they played out. From this, I argue that the rejection of liberal fundamentalism cannot simply be seen in terms of leadership failure but also in terms of problems within the normative framework of that time. Additionally, we can discern that the liberalism of the postwar era was essentially no different than that of the interwar years even though the actions in this period were markedly different. The emergence of the New Deal and the internationalization of an American vision of a liberal free trading order, embodied liberal principles but with a different normative framework.

The Emergence of Postwar Liberalism

The rejection of liberal fundamentalism led to the emergence of a normative framework that would constitute the postwar order and form the foundation for the Bretton Woods' System. This may seem obvious at this point; however, it is necessary to emphasize that it was the contradictions that emerged in the interwar era - characterized by the conflicts and failures of the period - that played a significant role in igniting the realignment of social forces in the postwar era. The widespread effect of this realignment becomes clearer when we identify the major interests and objectives in the postwar period.

The movement from liberal fundamentalism to postwar liberalism was not evolutionary in nature - meaning that postwar liberalism *necessarily* followed a period in which liberal fundamentalism was dominant. Such a conclusion stands to ignore many factors, the most notable being that each historical period has unique arrangements of social forces and that these particular arrangements allow for norms, values, and ideas to emerge in unique ways.

Further, the context that we are examining in this section is largely Western and Eurocentric due to the preponderant role that the United States, and the social forces within it, had in initiating a shift in, and re-shaping of, postwar norms. Additionally, the conclusions that are reached in this section are not intended to be applied in non-Euro-Western contexts. Attempting to apply the analysis and conclusions of this section outside of the aforementioned contexts may result in invalid conclusions being made with regard to how normative frameworks, values, and ideas emerge in specific principled frameworks. Our purpose here is to first reveal the relationship between the realignment of social forces in the postwar era and the emergence of postwar liberalism; and, second to reveal that this relationship allows normative frameworks to become embedded with values and ideas.

The New Deal in the United States

This section will examine the effect that the emergence of the New Deal in the U.S. had on the construction of the postwar normative framework. Additionally, the social forces within the U.S. domestic sphere and the representatives of these interests in the Roosevelt Administration will be identified in order to determine the degree to which their interests were aggregated in the postwar normative framework. Ruggie has argued that the postwar liberal framework that emerged had inherent in it, an intricate relationship between domestic stability and multilateralism: 'Within the embedded liberalism framework…multilateralism and domestic stability are linked to and conditioned by one another' (Ruggie 78). Keeping with Ruggie's argument, this section will reveal that the emergence of the New Deal resulted in norms and ideas - specific to the American state and its dominant social forces - becoming embedded in the international policy approaches regarding the postwar order (Murphy 176). It will become apparent that norms and ideas are both constitutive of, and expressed through practices and organization of international life (Williams 559).

Helleiner identifies a common argument with respect to the emergence of the postwar economic order: There is an article of faith that the United States used its overwhelming power to establish an open, liberal international economic order (Helleiner, *Reemergence* 3). It is correct to identify the United States as a coordinating force of the postwar order; however it is inaccurate to suggest - as Helleiner does - that the United States simply used its 'power' to create that international order. Such an explanation does not account for the affect that social forces had on state actions in international politics. In the instance of creating a postwar liberal economic order, it was not simply the unilateral action of the

American state. The actions of the state were, in-part, reflective of the interests of the social forces operating within that state during that particular historical period. Further, the interests of these forces, expressed in terms of ideas and values, necessarily became part of, and were embedded in, the international order that emerged. As accounts of the social forces and interests upon which they operated have been provided in detail by others (Block 1977; Gardner 1956; van Dormael 1978) I will only provide a brief overview of them here.

Numerous competing interests were brought together in the Roosevelt Administration in an attempt to create postwar political, economic, and social stability. New industrialists, union representatives, business and finance leaders, as well as Mid-Western and Southern agrarians came together with very different views on: American domestic policy; the role of the U.S. in the postwar order; the formation of the postwar trade and finance order (Block 1977). This realignment of political support did not reflect an abandonment of individual norms and values on the part of those within the Administration. This is most clearly reflected by the different positions held by the State Department and the Treasury Department.

Secretary of State, Cordell Hull was a strong supporter of creating an international free trade environment to maintain and exceed the level of trade that was realized during the war. Hull's position on trade, and his vision of a multilateral trading order, formed the framework and foundation for the American position regarding the form and content of a multilateral trading order (which will be discussed below). Hull's position however, was contested by the those in the Treasury Department specifically its Secretary, Henry Morgenthau and his under-secretary, H.D. White. Block (1977) argues that the degree to which Morgenthau influenced policy is not clear, as he was a strong opponent of Keynesianism yet his Department was full of Keynesian thinkers that produced Keynesian policies (Block 39-42). Regardless of his influence, the fact that conflict existed between national economic planners in the Treasury and the business internationalists in the State Department is significant as it reveals that the multilateral approach to trade that emerged was not due to widespread consensus on the issue.

However clear-cut the division of interests was in the Administration, or in the U.S. domestic sphere, the common concern was the short and long-term stability and productivity of the U.S. economy. These characteristics would promote political stability, social development, and allow trade to resume. Further, theses issues were important for other explicit and implicit reasons. The recession of the interwar period lead to increased protectionism and economic nationalism (Gardner 8). Although the consequences of these were devastating economically and politically (World War II resulted) the potential problems were more complex in the postwar period.

Avoiding recession was important in the U.S. domestic sphere because of the commitments made by the Roosevelt Administration vis-à-vis the New Deal. This policy represented a change in norms and realignment of social forces from the interwar period. As the last section has highlighted, the interests of finance and business played an influential role in the creation of U.S. domestic and international policy. Under the New Deal, different consideration was given to labour, new industrialists, and agrarian interests relative to the interwar years (Block 32).

The New Deal sought to accommodate the demands of the labour component of the U.S. economy through pursuing high employment. However, given the war-time expansion of U.S. industry, domestic demand - and to a larger degree savings -

could not absorb the relative increase in production. Dean Acheson argued this increase - the means by which the U.S. economy expanded - could only be sustained if there was increased access to, and trade within, international markets:

> No group that has studied the problem...has ever believed that our domestic markets could absorb our entire production under our present system...we need those markets [abroad] for the output of the United States...we cannot have full employment and prosperity in the United States without foreign markets.(qtd. in George and Sabelli 22).

Block cites those that argued that the backlog of savings might have sustained the economy for 'a couple of years' (33). If these transpired, not only would the U.S. economy suffer, but so would those states relying on U.S. loans for postwar reconstruction.

Interestingly, the United States political system operated on the basis of subordinating national and international interests to domestic ones by virtue of its government structure (Gardner 3). Therefore, the domestic commitments made by the Roosevelt Administration through the New Deal influenced the international political and economic policy options that could be pursued in the postwar period. When this facet of policy is combined with the degree of international influence U.S. domestic social forces had, an interesting conclusion emerges: the objective of U.S. international political and economic policies were significantly shaped through the substantial influence of social forces; further they shaped the institutions in which the U.S. would play a dominant role. To accommodate the domestic interests, given the circumstance of a expanded industrial base relative to the interwar period, the postwar planners in the U.S. sought to create a system of free trade to facilitate this as well as open markets. This would address the potential problem of surplus goods and recession at once: foreign markets would create demand and sustain the jobs created during the war. Access to foreign markets would also generate the capital to fund the lending required for reconstruction. The issue of free *trade* was contested, however, as the British and U.S. had different conceptions of this system as a result of the geopolitical positions and histories.

<u>The Postwar Free Trade Environment: Conceptions and Compromises</u>

The source of difference between the British and American positions regarding multilateralism and free trade in the postwar order during World War II talks, and ultimately the Bretton Woods conference, was largely geopolitical and historical. However large this difference was, the fact that a strong common desire existed on the part of industrialists, labour, agrarians, and financiers in both countries should not be undervalued. These forces sought to establish a coordinated system of trade that would facilitate the stabilization of international political relationships and re-establish their respective industrial bases so that economies could begin to function again. Although this was a shared interest, it was *by no means* indicative of a widespread normative consensus existing between these two states. Further still, among those forces that shared the common goal of a postwar free trade system, the defining aspects of this system were highly contested due to their different interests (where the source of the difference has been mentioned above).

The British Position

Historical Geopolitics & Postwar Interpretations

The British postwar position on a trading order was as a result of their pre-World War I experiences. As a hegemon during this time, they had the ability to play an influential, if not decisive role, in implementing free trade policies (domestically and internationally) around the world to allow their industrial sector to have access to foreign markets (Gardner 26)[17]. The nature of such a push for trade was predicated upon the limitations imposed by the geography of their state combined with their expanding industrial sector. The possibility that domestic markets could become saturated with domestic production pushed the search for new markets. The limited landmass of Britain, given the material circumstances of this period, required a search for markets with a two-fold purpose: to establish sustainable trade relationships to facilitate consistent and stable exporting and to secure the import of foodstuffs and raw materials.

Adam Smith argued that nations necessarily had to look abroad for new markets in order to sufficiently absorb the products of their expanding industrial sectors. In *Inquiry into the Nature and Causes of the Wealth of Nations,* Smith's prescription came in response to the realization that domestic markets had a limited capacity to absorb domestic goods. Further, limitations were placed on domestic economies (geographical, availability of skilled labour) on what they were able to produce for domestic consumption. In order for Britain - as this was the nation that Smith was referring to when writing this treatise - to maintain its industrial base, and ultimately expand it, new markets were required to purchase surplus goods as well as to import goods that could not be produced domestically (qtd. in Mehmet 55). Britain's volume of trade (to continue using Smith's example), and world trade in general, would not simply expand by itself, it required coordinated initiatives by governments and business; and this coordination was facilitated by, and through, the

[17] A complete discussion on influence of Britain on the liberalization trade policy cannot be explored

acceptance of common liberal principles.

Following Smith's general arguments for trade expansion, in conjunction with the historical circumstances of that period, a trading order with low to zero transaction costs was the system that worked in their best interest. The specific system that was designed and implemented in the pre-World War I period was aptly labeled Imperial Preference. This system restricted market access to those countries, colonies, protectorates, or dominions within the British Empire and also forced aforementioned groups to grant 'special favors' to Britain (Gardner 18). This arrangement not only created an environment of discriminatory trade relationships between the Empire and the rest of the world, it also allowed Britain to import those foodstuffs and raw materials that could not be produced, extracted, or manufactured within the geographic territory of their state. The long-term existence and operation of the 'sterling area' was the focus of Anglo-American talks that began in the early war years.

Interests & Social Forces

Western European states - Britain in particular - required a stable and coordinated economic order to facilitate their respective reconstruction efforts and to re-establish their international economic and political relationships. The fundamentals of these objectives could not, however, be integrated in the postwar order due to the new dynamics and realities of the postwar order. The leadership of European central and private and bankers came into question for the same reasons as those in the U.S. and was followed by harsh criticism and the subsequent rejection of the liberal fundamentalism that guided these leadership decisions. The rejection of these norms

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here.

did not lead to a principled shift, as there was an inherent need to have a liberal economic and political order of some form given the arguments above regarding British geopolitics and history. More specifically, as Gardner highlights, liberalism itself came under harsh criticism citing that 'on neither the Left nor the Right, was there much enthusiasm for economic liberalism' (Gardner 31). Following from this, citing the opinion of British Treasury Department in this regard:

> We must....reconcile ourselves once and for all to the view that the days of laissez-faire...are over...exchange can no longer be left to the working of Adam Smith's 'invisible hand', but must be consciously and deliberately organized by those who are responsible for commercial policy. (qtd. in ibid)

Additionally, the British economy was severely contracted following the war and its industrial and agrarian sectors could not compete with the U.S. markets that dramatically expanded during the war years. The opinions of industrialists and the London Chamber of Commerce (LCC) during this period, as well as the opinions of the landowning class reflect this:

> [British industrialists] urged the maintenance of government controls and the development of more effective private agreements to control the movements of prices and the flow of trade (ibid 32)

> After the war we shall not be in the same favourable position as in the past. Instead of being a creditor, we shall be a debtor nation...[sic] we must at any rate for some considerable period, rely on a policy of directive imports....in effect almost a system of barter, or, at any rate, a system of bilateral trade which will regulate I imports...(ibid)

British agriculture had found it increasingly difficult to compete with cheap foreign supplies of grain and other food stuffs; consequently it had suffered a steady decline (Gardner 33)

Although the interests of the U.S. and Britain diverged substantially in some areas, it was widely accepted that reverting back to the protectionist practices of the interwar period could recreate the events that led to the Second World War. Another aspect of consideration for the British was the future support they would require from the U.S. for reconstruction. This aspect proved to be highly influential given that if there was no capital for reconstruction, the British economy could not even produce the goods required to facilitate the creation of barter, as mentioned above. A description of negotiations within Britain at the time captures this debate surrounding the relationship between open markets and U.S. reconstruction funding:

> British leaders fully recognize, as one unofficial source put it, there was in America 'A strong correlation between sympathy for Britain and the advocacy of trade liberation. If Great Britain disappoints Mr. Cordell Hull's supporters, she will be alienating those to whom she must look [to]…. for collaboration in peace[18]' (Ibid: 24-25)

The system of free trade that Britain desired in the postwar era was one that was not realistic given the international political and economic realities of this period. Although industrial, business/finance, and agrarian interests were in-favor of a regulated trading order, the economic realities of the postwar order (as mentioned above) required that the interests of these social forces align with American ones to a

[18] As aside, on the issue of peace, a free trade environment was seen to promote peace as if markets were not made free; it was thought that they would be taken by force.

larger degree than they had up until this point.

The American Position

The American state, and the domestic forces within it, were interested in creating a free trade order within the limitations of a particular set of norms, and we recall the above account of Ruggie's analysis to illustrate this. To complement this, Pauly argues that the particular version of multilateralism that was pursued was generated as a consequence of historical developments, geography, and the changing material capabilities of the U.S. in the postwar era[19]: ...multilateralism was the very essence of an international economic system crafted by the United States in their own image" (21)

The desire to create this particular trading order was rooted in two historical experiences. The first was the observed contribution that protectionism had in starting the Second World War. The second was the discriminatory trading relationship the United States had with Britain in the pre-World War I period, therefore the U.S. position on discriminatory trade practices was a direct contest to British policy:

> The campaign against discrimination concentrated with particular intensity on the preferential practices in the British Empire. This was not surprising in light of American history. (Gardner 18)
>
> The Americans had been planning for this moment almost from the time the war began. In the 1930's, they had themselves suffered from trade blocs -

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[19] This statement marginalizes the compromises made in the early days of the New Deal between advocates of free trade and those that supported the design and implementation of planned economic policies, bilateral trading, and quota restrictions. However, the intent of this study is to examine how dominant interests became embedded in the Bretton Woods System not how interests were embedded or rejected in the U.S. policy making process. Therefore, I believe this omission is justified.

> above all the sterling area which their British cousins had used to maintain control of the world's most lucrative markets as well as raw materials. The United States now intended to obtain access to both." (George & Sabelli 22-23)

. Within the U.S., and around the world, the American economy, and its industrial base in particular, was seen as the means by which the postwar economies would be restarted. The U.S. vision of a multilateral trade environment rested on the two ideas: free trade (reduction of tariffs and reduction/elimination of quotas for example) and non-discriminatory trade practices - which meant honouring the most favored nation policy allowing equal access to markets.

> The British proposals of bilateral trade and government imposed controls were deemed to be potential contributors to the resurgence of depressive economic forces:...the primary dread of depression and unemployment came to be Associated with a deep-seated repugnance to bilateral trade agreements.. That state of opinion persisted especially in the U.S. (Hawtrey 20).

Recent history of that period also illustrated the danger of protectionism and discriminatory trade as implementing the Smoot-Hawley tariff was seen as the central force behind the final rise in protectionism (internationally) before World War II and also a cause of the war itself. Looking further back however, the U.S. was also subjected to unfair trade relationships with the British Empire.

The wartime expansion of U.S. industry rendered it a very strong and influential force domestically and internationally. Domestically, industrial expansion meant that the full-employment and social spending objectives of the New Deal could potentially be satisfied, thus satisfying the aforementioned diverse interests that supported Roosevelt. Industrial expansion was beneficial internationally as it stood to create a trade surplus for the U.S. which could help fund postwar reconstructive efforts. Keep in mind that the Treasury Department was more Keynesian in their approach to national economic planning, so the use of tax dollars for the latter purpose should not seen as out-of-place. Mention of the Treasury Department leads us to our next area of exploration: the dynamics that existed and operated within the Roosevelt administration regarding the postwar trading order.

State Department: Industrial and Finance Interests

The Department of State and its Secretary, Cordell Hull was charged with the design of foreign economic policy (international trade for example) . However we will explore some deviations regarding foreign economic policy creation; the reasons it occurred; and the affect it had on the postwar order. The State Department was not free from the influence of the interests' of domestic forces. In fact, Assistant Secretary of State Dean Acheson, as well as another influential Department member, William Clayton came from the business and finance sectors and played very important roles in the Department (Gardner 67, 152). Their opinions on the postwar trading order coalesced with Hull's:

> Dean Acheson, who had returned to the administration from wartime duty in the State Department...had considerable responsibility for economic planning....Another key figure in the State Department was William Clayton, who came to the administration...from the world's largest cotton-marketing firm. Clayton was an outspoken advocate of an export surplus... (Block 40-41)

As Block also notes, the opinions of Acheson and Clayton were representative of the whole Department (ibid); in fact Acheson argued that the U.S. economy would necessarily shut down without increased access to foreign markets (George & Sabelli 23)[20]. Having these particular interests represented in this Department - although not the only reason for multilateral trading emerging as it did - undoubtedly played a significant part in shaping trade policy with American business and finance in mind. This statement should not be interpreted as an attempt to impose motive on their actions; this has been cited, however, to clearly illustrate that the interests of business and finance were embedded in the trading order while the material interests of others (which will be discussed below) were not.

Treasury Department: Keynesian Policy Approaches

In terms of 'a vision for the postwar economy', the Treasury and State Departments existed in relative disconnect. However, the norms and ideas that each sought to implement in the postwar order as a result of the interests that were present in these bodies, complemented the already existing dialectic between national economic planners of the Treasury, and the business internationalists of the State Department. The Treasury Department was directed by its Secretary, Henry Morgenthau and his Under-Secretary, H.D. White. This Department was strongly influenced by Keynesianism and the policies that emerged clearly reflected this approach. These were also in direct opposition to those of the State Department.

This difference, however, was not based on principles as in fact, both supported liberal principles and the *essence* of the newly emerging postwar norms;

[20] Although this is a widely held opinion in the research which studies the postwar economic order, an important question to ask is to what degree this is true and to what degree a statement like this could have been to stir public support for the issue. Given that the structure of the U.S. government and that is works to subordinate international interests to domestic ones, domestic support for this system of trade seems to be a sufficient condition for it emerging. Such an observation is important within the context of this study is that illustrates the influence of social forces on shaping policy initiatives and

for example, both agreed that looking to new markets to expand trade was necessary for political, economic, and social reasons. The difference was largely normative. The framework put forth by the Treasury regarding the multilateral trading order lacked the sufficient domestic support - which the policies of the State Department had - to become accepted domestically and internationalized. The trade policies that were proposed by the Treasury were opposed to industrial and financial interests within the U.S. domestic sphere as well as those that represented those interests in the administration[21]. The policies that were proposed included roles for government in most areas, including establishing only bilateral trade agreements and having government imposed quotas:

> ..national economic planners tended to have little sympathy either for the export surplus or for the multilateral vision...high employment and the development of national planning around the world should take precedent over opening markets (Block 36-7).

For industrialists and financiers, the more direction imposed by government, the less freedom they had in the market to maximize their gains. Ironically, the diversity of the administration's supporters played an important role in having these interests marginalized.

The foreign trade policies of the Treasury would have garnered support from Britain more easily than those from the State Department due to the dominance of Keynesianism there. However, industrial objectives could not go unrecognized - internationalizing business was essential politically, economically, and socially. More

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the postwar order.

[21] Block, Gardner, and van Dormael cite that there was personal tension between Hull and Roosevelt which resulted in Roosevelt relying on the opinion of people outside the State Department advice on

specifically, internationalizing business with the norms supported by the State Department stood to generate the most wealth. Those social forces that shared the interests of the national economic planners did not stand to contribute as much to the postwar order: financiers and industrialists were not only seen to be the pillars of the postwar era, they were also depended on to construct them and sustain their existence. As a result of business internationalists achieving a dominant position among U.S. domestic social forces, their position was subsequently internationalized through the construction of international agreements that would immediately precede the Bretton Woods' System.

Atlantic Conference & Mutual Aid Agreement:
Internationalizing The American Vision of Multilateral Trade

The conduits for establishing an international free trade system in line with the newly established American interests were two separate conferences that occurred in a six month period which began in the middle of 1941 and ended in early 1942. Both conferences were convened with the intention of coordinating objectives for the postwar system and establishing a normative framework for postwar economic and political relationships.

The first of the two meetings, The Atlantic Conference (01-14/08/41), had political, economic, and military objectives[22]. The British were interested in establishing a free trade order that essentially preserved the pre-World War I trading order, as this was central to preserving the British Empire (George & Sabelli 23). This was a contentious point between the two parties. However, Churchill conceded

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matters of trade.

[22] A detailed account of this is not relevant for any other purpose but to illustrate that the U.S. miscalculated the amount of pressure it could exert on Britain and their policy making process. Refer to Gardner 1956 (44-50) for a complete description of this.

that Britain's position in the war required that an alliance with the U.S. be pursued at any cost:

> 'Mr. President, I think you want to abolish the British Empire…everything you have said confirms it. But in spite of that, we know you are our only hope. You know that we know it. You know that we know that without America, the British Empire cannot hold out'. The next day, they announced the Atlantic Charter…(ibid)

Establishing a compromise between these positions was the focus of much of the debate between the Atlantic Conference and the signing of the Mutual Aid Agreement (Lend-Lease). Domestic interests in both states were opposed, as we have mentioned, but required each other's markets. This opposition led to the emergence of a dialectic that allowed for a new normative framework to emerge in the postwar era that was shaped in light of an American vision for a postwar order but also accommodated the domestic forces of British social forces.

The Mutual Aid Agreement was instrumental in shaping the postwar economic planning and its legal framework, specifically the components of the international free trade environment (Ibid: 54-62). The implicit effect of this agreement on international political and economic relations between Britain and the U.S. - as well as within the Free World, Second, and Third Worlds - was that the interests of the U.S. domestic sphere were internationalized and would soon be institutionalized. This agreement was constructed, by-and-large, by the U.S. with the intent of gaining support from the U.S. congress so the President could gain fast-track approval for agreements that fell under Lend-Lease consideration. Given the latter, viewed in conjunction with the structure of the U.S. government, fast-tracking needed to be premised on meeting the demands of the domestic interests while also establishing a liberal international system of free trade. The manner in which the Lend-Lease agreement was established is important because its consequence revealed that American trade interests were dominant while constructing the postwar economic system. Further, it reveals how these interests worked within the political and economic structures in the U.S. during this particular historical period.

The cost of waging war was becoming unsustainable for Britain in the middle years of World War II and the cumulative costs stood to have a destabilizing economic and political effect. The Mutual Aid Agreement, which was largely characterized by the Lend-Lease Agreement, was established to address this by facilitating the transfer of resources from the U.S. to allied countries for, 'direct or indirect benefit to the United States, which the President deems satisfactory' (Ibid: 55). The consideration attached to the stipulations of 'direct or indirect benefit' was allied cooperation in establishing a U.S. styled system of postwar multilateralism, specifically in the area of trade. This Agreement had the support of numerous sectors of the British economy; a diverse body of political support; and, support in the U.S. domestic sphere.

The interests of U.S. and British social forces were able to align due to the position the United States was to hold in the postwar era. Following the war, the largest of industrial capacity and capability was to be largely rooted in the U.S. The capital generated from these industries was to be the capital that would fund the public and private financing of Britain and Europe's reconstruction. Further to this, the dominant positions these interests occupied in the U.S. domestic sphere allowed U.S. foreign economic policy to be shaped in a manner that would accommodate their respective sectors. Establishing a system of free trade that accommodated U.S. industrial, labour, agrarian, and finance interests was essential. The sustainable operation of these sectors, in addition to their ability to generate profits, would create stability in the U.S. and reduce the potential of recession emerging, causing destabilizing effects domestically and internationally.

The emergence of postwar liberalism cannot simply be seen as the creation of new policies for the postwar order that would give governments the ability to intervene in markets to achieve social objectives - this fails to reveal enough. The principles of these policies, and the manner in which they are sustained domestically and internationally, requires consideration. This is important, first, because it allows us to bring attention to their significance. In the second place, it allows us to identify and examine the factors that contributed to its formation.

Thus far we have seen that even though the domestic environments in states went through substantial periods of instability and change during the later part of the interwar years and throughout World War II, liberalism was preserved - preserved because it served influential social forces and help best to realize material capabilities. In effect, the form of liberalism that emerged in the postwar order had the Western and European experience embedded in it. The creation of a particular free trade order that fell in-line with specific domestic and international interests and the rejection of liberal fundamentalism are examples of this. However, these factors derive meaning from examining them within the context of the principled framework of this period. Through this method of analysis we are able to understand how liberalism has been sustained and has promoted and protected the specific material interests of states. Further, we can also begin to understand the emergence of normative frameworks and their relationship with, and within, principled frameworks.

The emergence of postwar liberalism was the cumulative effect of twenty-five years of domestic social forces (particularly in U.S.), realigning as a result of the changing historical circumstances as well as the interests of industry, finance, and society. These interests, although antagonistic during some instances, allowed for the normative framework of postwar liberalism to emerge as it did - emphasizing that the emergence of norms is the result of a dialectical process that necessarily relies on the existence of contradictions. This is most evident from two instances: 1) the rejection of the liberal fundamentalism of interwar period; and, 2) the emergence of the New Deal in the U.S.

The difference between the liberal fundamentalist moment and the emergence of the New Deal was essentially normative. Additionally, the different normative frameworks between these periods can be attributed to changes in the interests and dynamics of social forces. As we have seen in the case of the emergence of liberal fundamentalism, the circumstances of that period in history were conducive to allowing that form of liberalism to become dominant for a time. The necessary means to coordinate interests and facilitate stability did not exist[23]. Gill and Williams' respective analyses speak to this as both authors emphasize that the emergence of principled frameworks and their components (norms and ideas) are necessary to examine in order to reveal the social relationships that allowed them to emerge. In each case, it is argued that the interests inherent in these formative processes become evident and their function and magnitude in the formation process can be evaluated

[23] Although the League of Nations was operational during this period, the United States was not a part of this organization. Therefore attempts to facilitate international coordination through this forum were not effective. An examination of the League has been omitted as it is not directly related to this study.

and understood.

However, this normative shift was not indicative of a principled shift during these periods - meaning that liberalism was abandoned for a time then returned to. The fundamentals of the interwar and postwar periods were the same, although the norm and ideas that were current during these periods were different. The mentioned normative changes corresponded with superficial changes in interests in international and domestic politics, most clearly indicated by the rise of protectionism and economic nationalism in the interwar era. For example, the emergence of protectionism was a consequence of many factors present in the interwar years, most notably the failed attempts of private and central bankers to internationally coordinate an economic order. Although states reverted to protectionist practices - with Germany being the extreme case and the U.S. being the moderate one (if we were to place them on spectrum during this period) - this was indicative of a temporary shift in international norms. To emphasize this, one should recall that during this same period, the early stages of the New Deal were being crafted.

A discussion of interests and social forces remains abstract unless such discussions are grounded in the example of the position taken by the American state during these periods. The specific set of norms and ideas that surrounded postwar liberalism emerged as result of the material capabilities and material interests (as well as others) of the United States during the postwar period. Domestically, the U.S. not only had to fulfill its obligations to the diverse group of supporters for, and within, the Roosevelt Administration, it also had to fulfill its obligations under the New Deal. The structure of the U.S. government necessarily subordinated domestic interests to international ones. However, this created somewhat of an interesting dynamic given the new role of the U.S. in the postwar order.

The United States had acquired new domestic and international responsibilities in the postwar order due to its position as: provider of domestic social infrastructure as per the New Deal; international creditor given their amount of capital resources available and industrial base after the war; and, primary author of the Bretton Woods System. It is under the guise of these three broad categories that the American norms that generated domestic policy were institutionalized and internationalized in the Bretton Woods System

The importance of drawing the preceding conclusions is that they reveal the context in which the Bretton Woods System emerged. The institutions were created to establish stability in the postwar order through establishing a free trade environment premised on liberal principles. However, these principles were not value-free as they are often posited to be. The specific form of liberalism that emerged, and was subsequently institutionalized in the Bank, was to operate within a normative framework that was largely generated by the interests of U.S. domestic social forces. This was seen to be essential as the U.S. was providing the financial resources for reconstruction in Europe. The ability to carry this through was intricately connected to the optimal function of the newly expanded industrial base - industry would create the necessary capital to fund reconstruction. Of equal importance, was a fully functioning U.S. economy due to the New Deal. The full employment objectives that were agreed to under this policy presupposed that there would be sufficient demand from domestic and international markets. Therefore, the reconstruction of Europe was seen as essential in creating sufficient demand to support the expanded U.S. postwar economy.

The Atlantic Conference and the Mutual Aid agreement played significant roles in creating a free trade environment in the postwar era that would not only be liberal, but also in-line with U.S. domestic and international interests. A fundamental realignment of social forces occurred in Britain during this period as the future well-being of the U.K., and the whole of allied Europe, depended on postwar funding from the U.S. Differences in perception regarding free trade and multilateralism were reduced with the emergence of the Lend-Lease Agreement - the emergence of a free trade order on American terms was more desirable than none at all.

These interests became embedded in the Bretton Woods institutions by virtue of the authors of this system and the principles that they supported. Examining these principles in this manner allows us to gain more insight into Bank policies of the past and present. Policy is a product of the environment and institution within which it is created. In order to completely understand policy shortcomings and failures, an examination of the latent antecedents within the policy framework is required.

II) An Overview of the Bretton Woods Conference: Establishing Priorities [24]

There are two objectives to this section. The first is to provide an account of the *dominant* interests at the Bretton Woods Conference and the second is to illustrate the degree to which they shaped the normative framework of the Bretton Woods System. When synthesized, the arguments and information will illustrate that the

[24] The title of this section may be somewhat misleading in the broader context of this study as it seemingly positions this conference as a nexus for decision making in terms of the direction for the postwar order. This is not entirely accurate and it would be incorrect to make this claim. The fundamentals of the postwar order - the principles by which trade (for example) would be conducted internationally, was determined prior to the end of the war (as we seen in the previous section). With this said, the question remains, why discuss the conference if its significance in developing the postwar order is questionable? A discussion of the conference has been added because it reveals that numerous interests that were present there. Although an account of every interest cannot be given here - Mason, and Asher, as well as Gardner, have done this already - describing some of the interests allows us to see the that the question of principles was not a pressing issue. States came to the conference with

dominant interests at this Conference were American.

> Despite the well-documented contribution of the British delegation at the 1944 Bretton Woods conference, and the less well-known input of the Canadians, the now conventional view is that the IMF and its sister organizations, including the World Bank and the antecedent World Trade Organization (WTO), reflected a fresh, novel American vision for international economic relations...The Americans, with little help from their friends, were painting on a blank canvas. (Pauly 44-45)

This is important to understand as it will aid in establishing that these interests became embedded in the Bank's policy process. This section will provide an account of those interests that were the highest priorities. It will be shown that these priorities moved to this position because 'Washington had promoted the central idea behind the institutions in the first place' (ibid 20).

It is important to note that the negotiations of this conference were contained within the limits of liberalism, and necessarily precluded the integration of norms that would compromise the essence of the principles that contained them. This conclusion is extremely relevant within the broader context of this study as it reveals that certain norms and normative frameworks - regardless of their potential to address the issues of economic and political stability - were excluded in order to preserve the dominant principled framework and the interests that allowed it to take shape.

Conference Overview

From July 1-22, 1944 in Bretton Woods, New Hampshire, representatives from the 44 allied governments met to formally discuss the necessity of creating a

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common principles and the task at hand was to reach agreement on the norms and values of the system.

postwar economic system (imf.org)[25]. However, there was general agreement prior to this time - among those states that would be called the Free World in the postwar era - that there was a need for increased economic coordination, specifically in the area of trade. The product of the conference discussions was the IMF and World Bank - which came to be known as the Bretton Woods System and institutions. The system was established, arguably, to make currencies convertible to gold and other currencies; establish the free flow of trade and capital; create stable exchange rates; and, to rebuild Europe (Brawley 265-66; Hawtrey v; Helleiner, *Reemeregence* 25; Oliver 1971).

Although some authors, such as Brawley, would argue that free capital movement was an objective of the Bretton Woods, there are more substantiated arguments, like those of Helleiner, that state that free capital movements was not an objective of the postwar system architects (Helleiner, *Reemergence*; Helleiner, *Money*). Rather, advocacy for free capital movement came from the financial sector within the United States that had an inordinate amount of influence on policy creation (Helleiner, *Reemergence* ch. 2). The accounts of both authors, however, are telling as they speak specifically to the creation of a stable monetary regime and make no mention of the conceived reconstruction or development roles of the Bank as do Oliver and others.

A secondary set of goals for policy makers - U.S. ones in particular - was to internationalize the principles of the New Deal (Block 37; Murphy 176). The reasons

[25] The complete list of 'governments and authorities' participating in the conference is: Australia, Belgium, Bolivia, Brazil, Canada, Chile, China, Columbia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, French Committee of National Liberation, Greece, Guatemala, Haiti, Honduras, Iceland, India, Iran, Iraq, Liberia, Luxembourg, Mexico, the Netherlands, New Poland, Union of South Africa, Union of Soviet Socialist Republics,

for this will be discussed in detail below. However, we can say here that the motives behind this were interconnected and were premised on allowing the U.S. to fulfill their domestic obligations under this policy, in addition to creating national and international economic and political stability through constructing a system of free and stable trade.

Generally, states were in favour of a postwar economic order that operated with capital controls, although this was not the position of the U.S. financial sector. The interwar years had shown that economic instability could result can come about as a result of uninhibited transnational capital flows. Further still, it was realized that economic instability was a fundamental cause of political instability: …if [states] valued economic stability, as much as political independence, [they] would have to maintain the capacity to deploy capital controls" (qtd. in Pauly 2). The U.S. had larger obligations to fulfill under the obligations of the New Deal, other than meeting the demands of financiers. Specifically, the internationalization of the New Deal stood to benefit the U.S. domestically and internationally. Further it was thought that internationalizing these policies would create the desired international political and economic stability which would create a sustainable system of free trade. Below, we will briefly examine the competing domestic forces (orthodox liberals and supporters of the New Deal) in the United States that strove to shape the policy position of the U.S., and ultimately the normative framework of the Bretton Woods System. The interconnected nature of the domestic and international realms of politics will be revealed when studying the dynamics of these forces. More importantly, understanding this relationship will allow us to better understand how the principles

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United Kingdom, United States of America, Uruguay, Venezuela, and Yugoslavia.

of the Bretton Woods System became accepted and guided actions in the international political economy.

Labour and Full Employment Policy

A policy of full employment, as prescribed under the New Deal, was desirable internationally for both labour and industry and also coincided with the free trade objectives of Western governments. This would facilitate the reconstruction and stabilization of economies and correct their balance of payment deficits. Generally, resuming and increasing production in Europe was needed to address their wartime balance of payments deficit. Similarly, the U.S. needed to sustain high levels of production for two reasons: 1) to meet the full employment objectives of the New Deal; and, 2) to accommodate the newly increased size and capacity of the U.S. industrial sector that came as a result of the war. New markets and a stable trading order were required to meet these objectives. However, finding new markets with sufficient demand for U.S. goods was a challenge. The only way for demand to become sufficient, and reconstruction to occur, was through large injections of capital with flexible repayment and low interest. As the United States required markets for trade to meet the domestic obligations, loans were extended to facilitate the opening of these markets to help meet the domestic obligations made to labour and industry. The interests of the labour and industrial components of the U.S. economy were not only important domestically, but also played a decisive role in the extension of these loans by the American state thus illustrating that they were significant internationally and were necessarily aggregated into the agenda at Bretton Woods.

The Interests of the U.S. Financial Sector

Another significant body of interests that needed to be contended with during the creation of the postwar system was that of finance. This particular arrangement arose from 1) the position of bankers in the interwar period; and, 2) the unique position that the U.S. financial sector acquired in the postwar era. As mentioned above, the U.S. became the major creditor after the war. Upon closer examination of this position, we can discern that a potential limiting factor in performing this function was the U.S. financial sector. Murphy argues, "The responsibility for the global financial system had fallen onto the U.S., into the laps of private American banks to be precise" (165). This newly acquired position coupled with their existing domestic and international influence (in politics and economics) required that their interests be strongly considered when developing the U.S. position at Bretton Woods. The details of how the finance sector gained and exerted this influence over foreign policy cannot be completely discussed here as the scope of this issue exceeds the limits of this study. However, it is important to provide a brief overview of the finance sector's interests and how they factored into the negotiations surrounding the construction of the postwar economic system.

Defining the postwar order as illiberal - as some liberal fundamentalist have - is a contentious point and requires examination. This classification is premised on the *position* states took (primarily the U.S. and Britain) toward regulating finance, specifically transnational movements of capital and foreign investment in domestic banks and financial instruments. However, defining *position* as an action or set of actions allows us to see capital controls in different way. There is nothing essentially liberal or illiberal about capital controls and the support and implementation (or rejection) is due largely - if not completely - to the dominant interests of social forces in a given historical period. However, if we were to simply *look* at, and not examine, the interwar and postwar periods we may be tempted to classify one as more or less liberal based on the existence of regulatory frameworks. Upon closer examination, we could discern that the lack of capital controls was a norm that emerged in the interwar era within a liberal principled framework. Specifically, this norm was generated as a result of the dominant position the finance sector held in the U.S. during this period (Helleiner, *Reemergence*: 25). Therefore, it is not accurate to argue that the postwar era position on capital controls was *illiberal* as it suggests a principled difference between the interwar and postwar periods.

The emergence of postwar capital controls can be viewed in two ways. The first is that the regulation of capital movements was a decision of states, intended to manage certain aspects of a postwar liberal order to pursue social policy objectives like that of the New Deal. The second complementary way is to see it in terms of the emergence of new norms. From the later part of the interwar period to the end of World War II, social forces in the United States, as well as in Britain, began to realign with different interests - relative to the early interwar years. Most notably, this realignment was initiated by a shift in support away from the liberal fundamentalism supported by central and private bankers. Relative to the interwar period, the norms of the postwar order may make it seem less liberal. However, the emergence of new norms (capital controls) is not enough - given the new social dimension of policy - to define the postwar era and its principled framework underpinnings as illiberal. It may be more accurate to term postwar liberalism as a different form relative to that of the interwar years.

This desire to manage postwar liberalism differently was based on interwar experiences and the emergent policy autonomy of the Welfare State. The international financial crisis of the late 1920s led to a widespread abandonment of liberal finance and brought into question the ability of leaders in finance to effectively manage a liberal order (ibid 28). Helleiner highlights that the financial system of the interwar period was governed by 'the two most powerful groups of bankers of the postwar [WWI] world: London and New York (ibid: 26). In the postwar system, governments sought to place economies inside the proverbial civic envelope. This would allow governments to retain the necessary policy autonomy required to pursue their specific policy objectives and it would allow for significant intervention in their national economy if the need arose.

The Reconstruction of Europe

Internationally, the United States extended many wartime loans - both in kind and in the form of capital transfer - that required repayment. However, repayment could not begin until the physical infrastructure (at the very least) of these states was rebuilt. Murphy emphasizes this point by revealing the relationship between German war reparations to Europe and the outstanding Europe debt owed to the U.S. Germany's outstanding debt to 'Free' Europe was potentially dangerous to the new emerging postwar era, given the manner in which reparations were repaid following World War I. During this period, French and Belgian troops occupied German factories in order to force the supply of goods to the rest of Europe that were designated as reparations (161). Although there was no evidence that this would, or could, potentially be the case in the postwar era, action was taken to ensure that Germany could fulfill their payment obligations. The United States arranged to purchase German goods and invest in the German economy to facilitate their European debt repayment. In-turn, the Western European states could begin to repay their debts to the U.S. (ibid). This arrangement could be facilitated quite easily and cost effectively (i.e. value of goods being preserved and not being paid to tariffs) in an economic order that operated with free trade principles. This represents the main interests of the U.S. that were put forth at the conference and subsequently embodied in the organization of the postwar order.

Institutionalizing Postwar Principles: Reaching Formal Agreement

Generally, liberal principles were already accepted in, and among, those states that would be collectively called the Free World in the postwar era. What was to be determined, or rather formalized, at Bretton Woods was the degree to which governments could and would be able to intervene in the market to sufficiently insulate their respective domestic economies if the need arose. Determining how these objectives would be carried out required that the structures of surveillance and regulation - the Bank and Fund - be discussed. These discussions, ultimately, depended on reaching agreement on the norms and ideas that would contain this emerging system. However, establishing an agreement on the latter within the institutionalized framework of the Bretton Woods System (i.e. the framework by which the Bank and the Fund would operate) was challenging due to the nature of the process by which norms are established. As the examination above on the capital controls illustrates: norms emerge and become accepted as a result of social forces realigning within a certain principled framework and espousing different interests.

Brawley cites that the dominant concern of U.S. officials at Bretton Woods was the emergence of another recession. Therefore emphasis was placed on establishing the normative framework of the IMF to ensure that competitive devaluations and protectionist trade practices - two factors that would promote a return to global recession - did not emerge. Given the significant postwar responsibilities of U.S., it becomes relatively clear how the anti-protectionist position emerged as dominant, not only for the U.S., but also at the Conference. Further, it becomes clear why the construction of the IMF, as opposed to the World Bank, became a priority. An account of the Conference's focus on the Fund is reiterated by Mason and Asher:

> The first week's discussion at Bretton Woods was devoted entirely to the Fund. Indeed fears began to be expressed that the conference would never get around to the Bank. The delegates from many of the less developed countries, however, were much more interested in the Bank than in the Fund, and so were a number of European countries whose economies had been damaged by the war. (23)

Ray substantiates these arguments further by noting that the Fund was the primary focus of the conference: Though greater emphasis was laid on setting up the International Monetary Fund (IMF), the conference did get around to considering the constitution of the proposed International Bank for Reconstruction and Development. (18). The interests of Europe generally - and Britain specifically - also required consideration when constructing these norms due to the significant role their economies were to have in creating stability in the postwar system[26].

Conversely, Barend de Vries states that the British concern was weighted more on their balance payments deficit and therefore supported the creation of the

[26] The security interests of the U.S. are the second reason these interests required consideration. Policy makers within the U.S. realized that the supporting European reconstruction could also contain and limit the spread of communism in Europe. This issue cannot be discussed completely here. However, it is valuable to mention the dimension of security interests so as not to depict U.S. interests as completely economic.

IMF where the U.S.' concern was primarily the creation of the Bank.

> Very few people remember now that inspiration for the creation of the World Bank came essentially from the U.S. The British, with their worries about their balance of payments after the war, were concerned only with the International Monetary Fund. (de Vries ix)

This account is not entirely accurate as it does not reflect the respective interests of the American or British state nor does it differentiate these interests from the social forces that existed within these states during this period. It is true that the U.S. state was interested in creating an international Bank and the U.K. interested in creating a monetary institution (Oliver 1971). However, de Vries' account obscures the dynamics of the social forces (especially those of the U.S. finance sector and its supporters within the Roosevelt Administration) that existed during this period. Further this account does not accurately account for the substantial shift of support away from the liberal fundamentalism of the interwar years. The U.S. state was interested in re-opening markets to resume trade and fulfill its domestic commitments made under the New Deal.

The Bank, with its potentially large pool of resources, could facilitate reconstruction efforts through large injections of capital in the form of low interest loans. However, the American finance sector was strongly against any international coordination as this stood to potentially compromise their autonomy in deciding the sector's future movements (Oliver 6). The 1943 British proposal for an international monetary institution, although the first draft of its kind, is not indicative of a degree of British dominance in this period (Oliver 3; Hawtrey 25-29). What this draft did reflect was the long and short term interests of the British economy that needed to be integrated into postwar planning to ensure that the British economy - and ultimately the other European economies - could return to capacity as soon as possible. A balance was sought between facilitating the reconstruction of Europe and Britain on the one hand, and serving US interests on the other. So although the International Clearing Union (ICU) (Keynes version of a monetary institution) was not established as Keynes planned, the Conference outcomes 'benefited' both the U.S. and Britain, although the latter had less control than was desired.

In *The World Bank: A Third World View*, Ray states that developing countries also played a contributing role at Bretton Woods, specifically in drafting the Bank's Articles of Agreement:

> Though the Articles [of the Bank] are said to be primarily the outcome of work by the U.S. Treasury, other Governments also contributed, including those of the developing countries. It is noteworthy that the foundations laid down were basically sound and the Articles have stood the test of time, with very few amendments since their adoption. (Ray18)

Ray's statement regarding 'the contributions of developing countries' is ambiguous and obfuscates the actual role played by these countries. To suggest that governments of developing countries contributed to the outcomes at Bretton Woods may lead one to believe that all contributions in the conference carried an equal weight and were considered when creating the final version of the Bank[27]. As we have seen thus far, this is not accurate. Additionally, and not of a lesser importance, is Ray's use of the phrase 'developing countries'.

[27] Jumping ahead, yet still in line with the above comments on contributions, the Fund and the Bank and are controlled by the shareholders - the nations that contribute finances to their respective pools of resources. In terms of contributions, Sachs reminds us that the U.S. and U.K. are the major contributors

The use of this phrase is telling as it captures the dominant view in the postwar era and also indicates how this view has persisted well into the 1990s (as Ray published his study in 1996). The phrase 'developing countries' homogenizes an otherwise unique group of nations where each one is unique and possesses a unique and dynamic socio-political and cultural composition. In turn, this phrase also reduces their *specific* needs to a generic set of artificial over-arching needs (that of the 'developing' country) which may not reflect their specific and respective national and local needs accurately[28].

The function that domestic forces in the United States played in shaping the Bretton Woods System is evident from what has been presented thus far. From this we can conclude, temporarily, that the postwar economic order had inherent in its design political, economic, and social nuances of U.S. society as a result of: 1) the dominant role of the U.S. in the postwar order; and that, 2) U.S. domestic and international interests were internationalized and institutionalized.

Politics & Economics

The perceived benefit of institutionalizing these principles was that policy coordination could occur among members without on-going consultation because they became *a priori*. As Guitain has argued, generally accepted principles for this economic system were seen to be a means to expedite policy design because the process of on-going negotiation was no longer necessary (Guitain 5). Essentially, establishing and operating with a set of *a priori* principles eliminates the often long and tedious process of debate that could ensue during the design of policy. However,

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to both of the institutions and therefore lead the decision making process (Sachs 2002: 39).

[28] Within this study the category 'developing countries' will be used but with caution and with the understanding that each country in this category has unique socio-economic and political dynamics and

an inherent danger in this mode of organization is that these principles - and the inherent norms of this framework - are implemented in an unquestioned manner once they have been established.

Even though governments were given 'leeway' in policy design [so long as it adhered to liberal principles (ibid)] a fundamental problem existed. The social, political, and economic context in which these *a priori* principles emerged allowed for them to become embedded with norms and values specific to those contexts. Specifically, the perceived function of institutions, ideas, and material interests (of states and social forces) played a significant role in shaping postwar liberal norms - namely the system was designed (consciously or unconsciously) to accommodate those interests first and foremost. An example of this is how postwar liberal principles were seen to be essential to this economic system because of the potential roles governments could play in stabilizing and managing markets (Brawley 265). Coordination was intended to allow national governments to simultaneously act together to stabilize the world economy if the need arose[29]. However, such a claim overlooks the fact that the creation of economic systems, and, more fundamentally, economic relations are social in nature. These interactions are a product of a specific cultural, political, and social context. Therefore, if liberal principles form the foundation for economic interactions and policy creation of a state to which liberalism is alien, the question remains: how successful will those policies be; and,

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that the countries themselves are not homogenous in composition.

[29] Although the Bretton Woods System was highly institutionalized, its structural and managerial objectives were limited to certain actors in international finance. Specifically, this process of institutionalization did not include private investors or foreign direct investment (FDI). As Held mentions, the surge in private investment that came after World War II was not anticipated at the Bretton Woods Conference in 1944 (Held et. al. 201). Consequently the structure of the Bretton Woods was designed to manage an international financial system which had governments as the primary actors (ibid).

will there be a framework in place to mitigate any ill effects that may emerge as a result?

This brings us to our next point: the perceived separation of economics and politics. In talks during the Second World War, there was a feeling, especially in Britain, that there was too much politics involved in economics and that the postwar order should focus more on the latter by excluding the former (Gardner 26)[30].

> Lord Dalton, President of the Board of Trade [U.K.] observed that postwar planning was moving faster on economics than on politics. In discussions between wars there was too much politics and not enough economics. One lesson we must learn is that in constructing postwar arrangements, we must keep politics in a role in which primacy is given to economic endeavours and cooperation (ibid).

From this statement, and others documented by Gardner, it seems that there was a perception that politics and economics were separate. However, such a claim seems puzzling given the role of the state in managing postwar liberalism through the Bretton Woods institutions. Clearly, the New Deal was an example of the intimate connection between economics and politics - political means were used to achieve economic objectives and vice versa.

However, what may be at the root of this perception is the lack of potential political responses within these institutions. Specifically, this refers to the lack of a social policy within both the Fund and the Bank that could potentially mitigate the adverse social effects that may emerge as a result of economic adjustment. Insight

[30] What is important to emphasize - although only briefly here - is that there has been a substantial change in language from the World War II period relative to that of the 21st Century. Therefore comments of this nature may have a different meaning given the historical context that they were said

into this perceived separation is given by David Williams in his piece, *Aid & Sovereignty: quasi-states and the international institution.* Williams' explanation, as the title reveals, focuses on aid and state sovereignty. His analysis emphasizes that the amount of intervention international institutions and other states can have in a given state is limited by the notion of state sovereignty (Williams 2000).

> The notion of statehood shifted from something essential for interaction in international relations to an entity responsible for the latter as well as the social (societal) sphere. Since the shift to that state as a nexus of social development, a fundamental problem emerged with other states being involved in their affairs (Williams 561)

Given the above problem, we may discern that the prescription for political intervention was necessarily omitted not because of a separation between economics and politics, but to preserve the sovereignty of states. This can be further substantiated through the Guitain's reference to governments having 'leeway' in policy design given the acceptance of a priori principles (Guitain 5-6).

Conclusion

The Conference agenda was largely shaped in terms of two complementary concerns: economic and financial stability in the postwar order; and fulfilling the interests of the U.S. state and the interests within it. The degree to which specific interests of other states - and the interests within them - were aggregated into the Conference agenda and discussions were limited by the short and long-term material interests of the United States. However the collective desire to pursue stability was in the interests of actors involved and represented at these negotiations. Although the

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stability was a collective concern, the nature of the system that was established primarily reflected American interests. The dominant presence of the U.S. material interests was founded on the infrastructure upon which these interests were manifest and operated within the American state. These interests were those of the financial sector, industry, and labour; and, within each sector there were specific actors - such as the Chicago Bankers - that were responsible for advocating their respective interests domestically and internationally.

Identifying the components of the broad category of 'interests present at the Bretton Woods Conference' is important within the context of this study because it reveals the dynamic of the social forces that were responsible for the emergence of certain sets of interests. The latter highlights an important point: the interests of the U.S. state were, at times, different from the interests of the social forces that operated in that state during this period. Examples of such interests were those of finance. The finance sector pushed strongly for a return to the liberal fundamentalist norms of the 1920s, particularly the reduction of capital controls. The emergence of the American Welfare State led to the emergence of a social development role for the state. Given the social responsibilities under the New Deal, state intervention in the market - if the need arose - was seen as a necessary tool to obtain economic and political stability.

Examining the emergence of interests also brings attention to the social, political and economic context in which these interests emerged. Specifically, it reveals that these interests were a unique product of the period and context in which they emerged. Antecedents of these interests are aspects of American culture, which embody dominant cultural norms and values - all of which are products of the principled liberal framework of that society. American dominance at the Bretton

Woods Conference and in the postwar period was not simply American policy makers creating international monetary policy. The interests that guided these decisions led to the internationalization of the American way of political, economic, and social organization. An examination of the affects this has had on the creation of policy in the World Bank will form the impetus for the remainder of this study.

Chapter II
Developing from Poverty

This chapter will first explore how development and poverty reduction emerged within the principled and normative framework of the World Bank. Following this we will examine how the interests embedded in these frameworks shaped the values and ideas of development and poverty reduction. Examining these areas will allow us to argue the embedded values and ideas - that are products of the World Bank's principles and norms - have created an implicit 'link' between development and poverty in such a way that alternative approaches to addressing these issues are excluded. An effect of this seemingly implicit relationship is that poverty has come to be understood as a condition that can be addressed through implementing economic planning. It will be argued that this relationship is a contributing factor to the failure of poverty reduction policies. This 'link' will be defined as a body of knowledge that has been produced from within the Bank which qualifies these approaches as the *only* viable options.

This argument will be established in three sections. The first section will provide a general answer to the question 'What is the World Bank' through describing its functions and identifying its partner agencies and their respective mandates. Specifically, this section will describe the organizational structure of the Bank and its voting system, its sources of funding, and outline the broader policy framework and its specific policy components.

The second section will examine and explain how the Bank emerged as the central international development agency and how it maintains this position. We will examine how the Bank's monopoly on development knowledge and financial resources has facilitated its positioning at the centre of what has been labeled the 'development industry' (Dichter 2003; Robb xi). Additionally, we will also examine how member countries have influenced Bank policy vis-à-vis their contributions to the Bank's pool of lending resources.

The third section will examine *the* definition of poverty that is provided by the Bank. This definition has been contested by many [Townsend (*International, World*) and Wrenski (1987) for example] and quite recently, Laderchi et. al. have argued that the lack of 'agreement' on this definition has proven to be problematic (Laderchi et. al. 2003):

> Clarification of how poverty is defined is extremely important as different definitions of poverty imply the use of different indicators for measurement; they may lead to the identification of different individuals and groups as poor and require different policy solutions for poverty reduction (2)

The debate between the positions of how poverty should be defined, and what is defined and accepted as impoverishment within the Bank, cannot be explored here completely[31]. Although numerous well substantiated definitions of poverty exist, none have yet to substantially influence the Bank's dominant definition or policy approach to addressing policy. This lack of influence will be examined in other sections in this chapter as it illustrates the magnitude and deep effects of dominant ideas and reveals their principled and normative foundations[32]. Further, it reveals the

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31 In the broader context of studying poverty reduction, this research introduces very revealing information. The existence of such a diverse body of definitions seems to be indicative of a larger development - if you will- in thinking on this issue. Given what has been said thus far regarding the emergence of norms, it could be argued that this lack of agreement indicates we are in the midst of dialectic. It is also important to note this disagreement is founded on an essential feature of this debate - the very definition of the phenomenon being examined.

32 Laderchi et. al. argue that the Bank has incorporated different approaches into their current

means through which these principles, norms, and ideas are sustained.

I) The World Bank: Reconstruction to Development Group

The expansion of the Bank - in terms of capacity, overall size, and financial resources -has been the focus of much research. The purpose of this section is to explore the relationship between the organizational structure of the Bank and its members. It will be argued that the combined effects of structure and membership results in the interests of the dominant member states (the largest contributors) becoming institutionalized, and, subsequently, internationalized. In three phases, this section will provide an overview of this expansion in terms of the Bank's shift from reconstruction to development. The first will examine the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) and provide a brief overview of their objectives, membership, and respective lending facilities and frameworks. The remaining three institutions within the Group cannot be examined in detail at this point. Therefore, examining their respective mandates and membership will be omitted. The second section will explain how the Bank has become the world's central development agency. It will be argued that the combination of the Bank's financial and knowledge based resources has

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definition of poverty through promoting and facilitating civil society participation vis-à-vis (CSOs) due to the recently perceived importance of country participation. However, examinations of 'the meaning' of participation has been conducted elsewhere [as well as within Laderchi et. al.[(p.23); McGee & Norton 15-16] and have revealed an important distinction that emerged in the early 1990s between consultation and joint-decision in the Bank's Participatory Poverty Assessments (McGee & Norton 15-16). Through consultations, CSOs in the recipient country are asked for opinions and evaluations on poverty reduction and the experiences regarding living in poverty. This process allows for interpretations of the research findings to applied by sources outside the country; more specifically, those that participated are not given the power to create the meaning surrounding their experiences, - meaning is imposed vis-à-vis the Bank. An example of this is President Wolfensohn's suppression of some key research. The conclusions of a Bank mission to Chile examining the effects of a dam on the Mapuche Indians they were deemed 'too negative' and the research was shelved (Goldman 2). Conversely, joint-decision making is premised on the allowance and nurturing of a dialectic so that meaning that emerges is one that jointly authored by all parties involved. Such decision making process could result in norms, ideas, or ultimately principles emerging that run counter to the allowed the Bank to assume this position. The third section will examine how the major financial contributors to the Bank have exercised political control to shape the development initiatives that are put forth by the Bank.

Generally, the expansion of the Bank from one institution to the five that are encompassed under the World Bank Group today came from increasing needs for capital from developing countries. In a sense, the original *secondary* objective of the Bank became the driving force for its expansion. The history of this expansion is very detailed and the majority of it does not relate to the central objective of this study. Therefore, the following summary will be selective in what is presented.

The World Bank Group: The IBRD & IDA

The World Bank (known formally as the International Bank for Reconstruction and Development) is one of five organizations within the World Bank Group with the other institutions being: the IDA; the International Financial Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and, the International Centre for Settlement of Investment Disputes (ICSID) (George & Sabelli 10-12; http://www.worldbank.org 1). The IBRD and the IDA are now collectively referred to as the World Bank and have 184 and 163 members respectively[33] (de Vries 8-9). Combined, both institutions provide low-interest loans, interest-free credit, and development grants 'to governments or autonomous entities (such as development banks or public agencies) with the guarantee of their government' (ibid; http://www.worldbank.org 2).

Generally speaking, the broad mission of the Bank - IBRD and IDA - is to

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orthodoxy of the Bank and would therefore be incommensurable.

[33] Membership in the IBRD requires that a country be a member of the International Monetary Fund. Further, the membership to other Group institutions is conditional and requires IBRD membership.

facilitate development in middle income, poor, and Highly Indebted Poor Countries (HIPCs) through a combination of lending and providing technical assistance. The credit ratings of these countries renders them high risk investments. Therefore, the majority of countries in the mentioned categories would not satisfy the requirements put forth by commercial institutions. If they were able to fulfill the criteria for borrowing, however, the interest and terms of repayment would render the funds inaccessible as well. The lending mandates of both institutions were designed with the intention of allowing countries with poor credit ratings to access the necessary funds to develop physical infrastructure as well as human and social capital. The IBRD focuses on lending to middle income developing countries and has a repayment schedule that ranges from 15 to 20 years with the possibility of a 15 year extension (http://www.worlbank.org 3). The clients of the IDA, being the poorest countries, have a repayment schedule that ranges from 35 to 40 years with a 10 year grace period and zero interest (George & Sabelli 11).

The technical assistance that is extended by the Bank – through the IBRD not the IDA - is unique among international lending institutions and is therefore important to emphasize. Specifically, the Bank provides assistance in the areas of poverty reduction, social services, and environmental protection (ibid). This assistance is provided along with the extension of funds; in fact, following the recommendations - know as conditionality - is a necessary part of receiving funds in most cases. The Bank provides this assistance through information gathered from the field and through the analysis of in-house policy experts.

IBRD and IDA Structure

This accounts for the difference in membership among institutions.

The IBRD and IDA are controlled by their respective member countries and the nature of this control is dictated by their common structures and similar voting arrangements. The central components of this organizational structure are: the Board of Governors; the Board of Directors; the Executive Board; the Office of the President; and, the Organization Evaluation Department (OED).

Each member country appoints a primary and alternate Governor to sit on the Board of Governors for a five year period. Although the Bank's decision making power resides in this body, it does not oversee day-to-day operations. This responsibility, as well as all those that are expressly designated to this body under the Articles of Agreement [specifically, Article V, Sec. 2 (b) i-iv (wordbank.org 10)], are delegated to the Board of Directors and their Executive Board. In all the mentioned bodies, the most influential members are those that represent the United States, Japan, Germany, the United Kingdom, and France.

The decision making power of the Executive Board shapes and guides Bank policy. This Board considers and decides on IBRD loans and guarantee proposals as well as IDA credit, grants, and guarantee proposals made by the Bank's President. This Board meets under a continual two year session and meets as often as business requires. The Directorship of this Board is made up of 12 members where 5 are appointed by the 5 largest contributors and the remaining 7 are selected from among the membership. The Board's voting (on issues of policy, lending, and other issues relating to Bank direction) is 'weighted' where each country is designated a standard of 250 votes and one additional vote for every $120,635 (US) purchased (placed in the Bank's resource pool) (ibid). The obligatory subscription is composed of two parts where the first is 88.29% of the membership IMF Quota; and, the second is the purchase of 195 additional shares vis-à-vis a cash/credit arrangement formula (ibid). The total number of shares held by any member is based, roughly, on the size their economy. The major contributors - noted above - have roughly 33% control of Bank voting.

The World Bank Group's current president, James D. Wolfensohn (1995 -), is serving his second five year term and is the president of all five organization within Group. In *Bankers with a Mission: The Presidents of the World Bank, 1946-1991*, Kraske et. al. cite that the Bank's president is always an American, typically someone from the Finance sector with a background in investment banking or international finance (with the exception of the Bank's fifth president, Robert McNamara).

> All the Bank's presidents have been U.S. citizens. According to an unwritten convention, it is the prerogative of the United States to nominate the president. The custom was based less on the position of the United States as the Bank's largest shareholder than on the critical importance of the Bank's access to the U.S. capital market. (5)

The historical account of the Bank's presidents is extremely telling as its arguments seem to imply that the direction of the institution is guided largely by the expertise, motivations, and interests of this one individual - even though only one member (the U.S.) has ultimately selected him. However, Kraske et. al. sees the direction of each president as benign in nature, and not reflective or influenced by United States' dominant interests or the specific sector (i.e. finance, industry) from which they came. In *National Interests and International Society,* Finnemore has examined the influence of the Bank's president on its policy and has argued that the shift in the Bank's focus from development to poverty reduction can be largely accredited to

McNamara's leadership and objectives. Although the president plays a decisive role in the Bank's direction, no president has been a revolutionary - meaning no one has attempted to pursue development approaches that fall outside the Bank's development discourse. Even though numerous authors accredit McNamara with changing the direction of the Bank, this change was largely superficial; and, although mildly contested, was still within the limits of the Bank's principles and norms. 'Superficial' refers to changes in Bank strategy as opposed to substantial changes in policy - McNamara increased lending and the size of the Bank's resources; expanded the membership; increased the size of the staff; and transformed it (in his style) to a more bureaucratic and hierarchical institution. These changes have lasted because they did not challenge the dominant discourse or seek to change the principle and normative foundations of the institution. McNamara's influence in the Bank will be discussed in more detail in the following section.

IDA & IBRD Objectives

The objectives of both of these institutions can be examined by identifying their respective lending facilities and criteria. In terms of IDA lending, the terms of lending by which it lends today are a result of the historical circumstances in the late 1950s that gave way to the emergence of the IDA. Established in 1960, the IDA was to expand the resources of the IBRD with the intention of addressing the capital requirements of the World's poorest *countries* [34](Udall 155). Payer (1982) as well as Mason and Asher (1971) describe how the IDA was to operate and complement the

[34] The use of the term 'country' has been used almost exclusively to explain the original function of the IDA. The use of this term is revealing as it implicitly illustrates the dominant view of development during this period; development happened to countries, more specifically it happened in the economies of these countries through raising the GNP. The human element of development did not emerge in the literature until the late 1960s.

existing mandate and operational capacity of the Bank:

> The International Development Association (IDA), on the other hand was created as the answer to two kinds of challenges. For one, the growing group of Third World countries was lobbying so intensely for a more liberal type of development fund that (after opposing the creation of such a fund) the World Bank decided it would be wiser to co-opt the demand by incorporating the new institution into its own structure than to oppose it. For another, the Bank perceived that it could enhance its own powers of leverage if it controlled the disbursal of concessionary aid funds. (25)

Originally, the IDA was conceived independently of the IBRD and its pursuits were seen to be competing, yet complementary. In terms of contest, both institutions would compete for funding from states in order to fulfill their respect obligations. Additionally, those that took the initiative to craft this idea were fundamentally opposed (in many ways) to those that created the Bank as they were mostly 'Third World' countries. In fact the initial push for a 'bank for the poorest' began in the 1950's with the Special United Nations Forum on Economic Development (SUNFED) (Kapur et. Al. 150-55). This forum was focused on finding alternatives to the dominant discourse of the IBRD that would allow the poorest to draw funds (even though they were considered high risk transactions) for infrastructure projects. The existence of a competing institution, that was also principally different, could complement development efforts but could also challenge the IBRD's authority. The potential emergence and institutionalization of this challenge was met with a decision by the 'senior Bank staff and Executive Directors that competition between the institutions would not be in the best interest of development efforts; and, therefore, the IDA would 'have to be absorbed' and come under the supervision of the Bank's organizational structure (Kapur et. al. 154). The fact that the poorest developing countries provided the initial force behind the creation of the IDA (due to their increasing debt load and their subsequent inability to draw from the IBRD due to strict lending criteria) should not be over stated (Ray 127).

The affect of this union was felt by those that initially conceived the mandate of the IDA and also resulted in an increase in available resources for development initiatives. In terms of the first affect, bringing the IDA under the IBRD marginalized any substantial influence the original authors of this plan could have on principled decision making. Even though the IDA would lend to the poorest countries, the approaches guiding this lending were in-line with the principled framework of the Bank. Further, even though a fundamental aspect of the IDA was preserved when the two institutions came together - lending with 'social purpose' - this purpose was framed in terms of the IBRD's Articles of Agreement and was therefore no longer a principled deviation (Kapur et. al. 155).

The combined lending of the Bank and IDA in FY2003 was almost $19 billion with their cumulative lending, since 1946, reaching almost half of a trillion dollars (http://www.worldbank.org 3). Although the IBRD and IDA are now collectively named 'the Bank', there are still distinctions between the institutions that render them unique, yet complementary. Article VI - 'Organization & Management' of the IDA's Articles of Agreement Section 6 (a) states that the IDA is a 'separate and distinct entity from the Bank' (http://www.worldbank.org 2). This essential distinction rests, in part, in the clients that each of these bodies lend to. A second distinction is the lending requirements, where the IBRD requires that potential clients are not considered high risk. This generally limits lending to higher-income developing countries with lower than market rates and a relatively flexible repayment schedules.

Of the 164 IDA members, only 81 are eligible for IDA funding. Eligibility is based on the ability to: 1) exhibit a relative level of poverty based on GNP - where the poverty line for FY2003 was $875 (US); 2) exhibit a lack the credit worthiness to borrow on market terms from other concessional lenders; and, 3) illustrate good policy performance which includes the implementation of economic and social policies focused on promoting growth and reducing poverty (ibid). Once a member is deemed eligible for funding, allocation criteria must then be met - as outlined in the Performance Based Assessments (PBAs) - so funds can be released from IDA lending facilities. The concessional lending is facilitated through the extension of credits- named so to distinguish themselves from the loans that are extended by the Bank. This lending practice is formerly known as 'soft lending' practice.

The general objective of the PBAs is to determine if the member country has been implementing economic and social policy focused on achieving economic growth and poverty reduction - where the former is seen to promote the latter. Specifically, member policies are examined in terms of: 1) Economic Management; 2) Structural Policies; 3) Policies of Social Inclusion/equity; and, 4) Public Sector Management & Institutions (http://www.worldbank.org 5). Due to the limited credit facilities of the IDA, these assessments are conducted annually under the formal title of Country Policy and Institutional Assessment (CPIA): "[This annual] assessment of its borrowing countries...assesses the policy and institutional framework with regard to poverty reduction, sustainable growth, and effective use of development assistance" (http://www.worldbank.org 4).

Although the CPIA examines 'social inclusion & equity' the measures by which these are assessed, are, again, determined by outside sources, relative to the poverty experience. Further these assessments are focused on developing solutions that are within the Bank's principle and normative limits. The participation that is solicited and cited in these studies is not substantial enough to be warranted as a representative cross-section of a given country. Although this will be discussed in more detail below, it should be noted here that the time allocated for gathering this information is a major factor that places the quality and level of this participation into question. Assessment missions are often conducted over a period ranging from two weeks to several months and are composed of interviews with various Civil society organizations (CSOs), government officials, and members in the academic community.

Ranis (1997) has argued that the missions' allotted time has been a limiting factor in gathering quality information: "The Bank generally operates through many relatively brief visiting missions, some focused on the macro picture [sic] others on specific sectors...each mission usually gathers information on the run" (78). Although Ranis wrote before the introduction of new poverty alleviation initiatives, the speed of Bank missions is still a concern for development clients as well as mission researchers. One might assume that even though this weakness exists, its affects may be overstated given that CSOs routinely engaged in fact finding missions outside of Bank mandated research and therefore could do this efficiently within. However, the aggregation of information from in-country assessments is not considered equal to that which is carried out by the Bank's researchers. The value of local knowledge will be discussed in more detail below.

Strategy Frameworks and Specific Policy Components[35]

In recent times the Bank has steered away from attempts (both in its strategies and policies) to engage in activities that fall outside of its mandate and expertise. However from 1968-1970 the Bank tested the limits of its expertise when attempting to develop poverty reduction strategies that included: population controls; nutrition projects; health projects; education; and, expanding and intensifying labour relations (Finnemore 111-112). The *Strategic Framework Paper* of the World Bank, published in January 2001 outlines the strategic direction of the World Bank Group in terms of its goals for development and poverty reduction and also in terms of their relationship with other international organizations. Further, it embodies the commitment of the Bank to the MDGs. However, although this framework is aligned with the MDGs, the means by which these goals are to be achieved are still within the limits of the Bank's norms and principles[36].

The strategic direction of the Bank is based on 'two pillars' where the first is the creation of a favourable investment environment that will facilitate sustainable growth and job creation; and, second, that will empower the poor to participate in development (World Bank 1997 2). These pillars form the basis upon which the policy making framework of the Bank rests.

The next major strategy is the Comprehensive Development Framework (CDF). The CDF is the central long-term strategy for in-country development

[35] In the next chapter we will discuss the often unnoticed nuances between the Bank's strategies and policies.

[36] Although the Bank has claimed that its objectives have been reshaped, as a result of the Millennium Development Goals, it is reminiscent of the shift that occurred under presidency of McNamara. There have been no fundamental changes proposed to Bank policy that would challenge principle and

initiatives and is focused on: fostering ownership; a long-term holistic vision[37]; and, a strategic partnership among stakeholders (http://www.worldbank.org 6). Second to the *Strategic Framework Paper*, the CDF guides *all aspects* of Bank development initiatives within the member country which includes, but is not limited to information gathering practices and methodology, the construction of analytical frameworks to assess the impact of poverty reduction, and also the process by which private investment capital projects are evaluated.

Specifically, the CDF shapes other significant Bank strategies and policies such as: Community Drive Development (CDD); Poverty Reduction Strategy Papers (PRSPs) and the Participatory Poverty Assessments (PPAs) that contribute to this research; Country Assistance Strategy (CAS); and the Sector Strategy Papers (SSPs). When combined, these frameworks become the tools by which the Bank crafts country-specific responses to instances of poverty. However, the degree to which these responses differ from one another is the subject of much criticism.

After examining the organizational structure of the IBRD and IDA, I ague that an important, yet absent component in this structure is a conduit to significantly engage and empower the poor. Further, it seems out of place that CSOs do not have a dominant place within the IBRD/IDA organizational framework despite consistent assertions that the Bank is drawing - more and more - on participatory approaches to addressing poverty. The policies generated in the members' CDFs, and subsequently the PRSPs and PPAs have been proven insufficient in this regard as significant relationships are dependant on principled agreement.

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normative framework. Therefore, although influence has been mentioned, it is in no way substantial.

[37] This refers to social, structural, human, governance, and environmental issues.

Historically, when relationships have emerged, they have been fragmented and considered *ad hoc* at best. The World Bank views the progress of their relationship with CSOs over the course of three phases (so far) that began in 1982 (http://www.worldbank.org 7). In 1982, the Bank established its first Operational Directive (OD) through the establishment of an NGO committee that outlined the potential relationships that could exist between CSOs and the Bank. The second phase of this relationship occurred between 1992 and 1999. This period has been characterized as one in which CSO participation was mainstreamed into the policy dialogues through the creation of an independent monitoring and evaluation institution[38]. The third phase of this relationship began in 2000 and has been labeled as a period in which the relationship between CSOs and the Bank will 'deepen and mature'. Although this relationship has been chronologically placed on a time line, it is a 'history' only due to time passing - not because of significant changes occurring where significance is measured in terms of influencing policy direction. The Bank's relationship with CSOs will be examined more closely in the following chapter.

II) The Centrality of the Bank in International Development: Knowledge, Capital, & Orthodoxy

"The World Bank will create a knowledge management system which will aim at improving quality on the ground through being demand-driven, accessible, timely, authoritative, efficient, inclusive, user-friendly, sustainable, consistent, scaleable, flexible, and iterative."
The Strategic Compact, World Bank, 1997

"Knowledge is critical for development, because everything we do depends on knowledge"
World Development Report (WDR) 1998/99

The significance of knowledge - its agents, its place, its functions, and effects - in international development initiatives (specifically those of the Bank) has been the

[38]Although independent monitoring and evaluation was established during this period, there is research that supports the claim that Bank policy has changed as a result (Wodon 502; Aubugre 2001; Norton

subject of inquiry since the late 1960s[39]. However, the Bank's examination of this general subject (and its specific components) in mainstream research is more recent. As the opening excerpts reveal, the Bank has recently *re-positioned* knowledge in the development discourse and has deemed - or rather *defined* it - to be the central force which initiates and shapes development and poverty reduction initiatives. For the purposes of this study knowledge will be defined on two different levels. The first way is descriptive where knowledge is understood to be the conclusions reached by the Bank's efforts in research, analysis, and data collection and aggregation. The second way to see knowledge is as a construction that has emerged from a specific discourse where the principle and normative limits of this discourse have been created in the interests of the material capabilities of states and the material interests of dominant social forces within those states.

When these conceptions of knowledge are combined, we can begin to understand that the knowledge of the Bank is not *The Knowledge* to reference and implement when confronting issues of development or poverty reduction. I argue that this is due to the Bank's development discourse being shaped by the same interests and social forces that shaped the principle and normative framework of the Bretton Woods System. Consequently, at the core of the development discourse 'is an ironclad way of life'.

The Bank's 'new' emphasis on knowledge requires serious questioning as the ideational roots of this knowledge are not being questioned as a potential source of

& McGee 2000; Evans 2000).

[39] The author that I am alluding to is Andre Gunder Frank and his piece entitled *'Reader on Underdevelopment'*. I cannot explore Frank's work here due to space constraints. However, it should be mentioned that the counter-discourses which are developed in his work - and how they were subsequently excluded in numerous implicit and explicit ways from development discourse - have

policy failure . This method of questioning and analysis is essential when examining the failures in the current contexts of development and poverty alleviation as the authority of the Bank's knowledge is self-affirming - the knowledge of the Bank is sound because it comes from *the* source of development knowledge. Questioning the policy approaches to poverty reduction will unfortunately result in little progress as this questioning takes place inside the established discourse where acceptable and unacceptable forms of knowledge have already been defined.

In the context of this study examining the significance of knowledge, and the means by which it is produced and classified - as *Best Practice* for example- will reveal that the Bank's central position in international development, and its persistence there, can be explained in terms of knowledge. Examining the dominance of the Bank in terms of knowledge allows us to raise the question of whether or not the failure of poverty reduction policies has ideational roots as a consequence of the Bank's dominant position over knowledge pertaining to development and poverty reduction specifically. In order to determine this, we will identify and examine the processes by which certain forms of knowledge are deemed acceptable and consequently assume a position of dominance in the development discourse. This will allow us to determine if the emergence and acceptance of knowledge within the Bank - and its subsequent dominance in international development and poverty reduction - is dependant on the relationship between member states' capital contributions to the Bank and their interests.

In *Knowledge and the Post-Washington Consensus*, Tandon (2000) argues that, 'Often the inquiry into the present state of knowledge is not broad, or profound

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influenced the writing and research interests of this author. Additionally, the shortcomings of said enough to raise fundamental issues...ideas are part of the struggle between contending social and political forces vying for control of the world..."(1). Deeper questions regarding how the fundamentals of the Bank's knowledge define which knowledge is acceptable and ultimately position as dominant in the development discourse follow these assertions. These fundamentals require examination and questioning in order to illuminate the history and historical processes by which certain forms of knowledge emerged as acceptable and dominant. An examination of these constructive processes, through historicizing them, reveals that the fundamentals of knowledge - and knowledge itself - emerged as such largely due to the social relationships at a specific point, or during a specific period, in history. Further, this also emphasizes that knowledge is not ahistorical. Designating particular forms of knowledge as acceptable and unacceptable, and the subsequent dominance of one form over another, was a consequence of actions taken by authors operating with interests specific to their state and material capabilities during a specific period. When understood in these terms, dominance can be considered a temporary dynamic with a façade of permanence that serves to obfuscate its history and sustain its position.

The Bank's Knowledge: Fundamentalist Interpretations

The knowledge produced by the Bank can be found in the series and collections of publications - that are principally continuous in construction - that provide the most authoritative, detailed and extensive information on development and poverty reduction. However, such an account and interpretation of knowledge does not allow us to sufficiently develop an understanding of how this particular

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author are ultimately his own.

knowledge has *become* authoritative and how it came to assume a central role in international development. One way of reaching an understanding in these terms is by examining the fundamentalist nature in which this knowledge is constructed and presented in the development discourse. Some authors (George & Sabelli 1994; Mihevc 1995) have argued that the structure of development discourse that emerged in the Bretton Woods System is strikingly similar to religious fundamentalist discourses. Such a classification raises interesting questions regarding how knowledge works to sustain the Bank's central position in development.

In *The Market Tells Them So: The World Bank and Economic Fundamentalism in Africa* (1995), Mihevc puts forth an interesting analysis of how the Bank's development discourse can be understood as fundamentalist and the implications this has had on development projects since the Bank assumed a development role in the 1950s (Mihevc chpt. 1). From the outset it should be said that portions of Mihevc's analysis are premised on certain assumptions that do not seem to be fully substantiated in his arguments. One such argument is his attempt to account for the similar fundamentalist characteristics in terms of the influence that Christianity - and Christian values in particular - have had on development discourse. These claims are not supported by a historical or ideational analysis of the affect Christianity may have had on shaping notions of development, and the discourse itself. Although this aspect is absent, his analysis is still able to provide an account of how the Bank's discourse can be considered fundamentalist. Mihevc argues that the fundamentalist characteristic of this knowledge is a necessary force that maintains - what he argues to be - the Bank's central and authorities position in international development: ...[authority] is based on the institution's ability to *demonstrate* that its own vision of development is superior to available alternatives…" (23). The emphasis on 'demonstrate' has been added because, in terms of development discourse, the notion of 'demonstrating a vision of development' is at once interesting and also deeply problematic. It is interesting because it implies that there is a preconceived notion of what a developed society could be. From this point deeper questions emerge, one being: did the author - or authors - of the 'development model' construct this idea with preconceived universalistic assumptions about socio-economic and political organization and social relationships in underdeveloped countries?

As Mehmet and Mihevc both argue, the foundations for development theory, and the Best Practices (for development and poverty reduction) that are derived from them, are maintained through the value-free, and therefore indisputable, voice through which the Bank makes prescriptions. (Mehmet 58; Mihevc 29; Oyen et. al. 11-14). The substance of this 'voice' requires careful questioning and examination in order to reveal its component parts and determine the effects - both immediate and widespread- of categorizing this voice as value free. One effect that Mihevc identifies is that positing the 'text' (to use Mihevc's term which refers to the economic theories on which development theory is premised) as a value-free construction obfuscates the role of human agency in not only creating the text, but also in the process of interpreting those observable instances which formed the general framework for that text. A secondary effect of this is that the text is no longer seen to exist as a product of a detailed social process emerging from a particular moment that has been equally influenced by the immediate observable realities and also historical circumstances. The text is no longer *a* text that has captured, and accounted for, the existence of specific social dynamics. It becomes *the* text by which others are defined and evaluated against and one which is bestowed the power to define the optimal, ideal function of other dynamics.

This facet can, in part, be used to explain the persistence of the Bank in a central position in international development. Since its creation, the Bank has been the institution to turn to for development solutions because it is seen as *the* institution to consult.

> The World Bank's importance in *framing* global development debates…is well known…The views of a Brazilian government official interviewed by the Bank's evaluators [OED] are revealing. The Bank is *the* institution which address when we need some kind of information or advice. Don't underestimate this fact. If you really need an expert on a certain issue related to development, the World Bank is where you go. (http://www.brettonwoodsproject.org : 1)

The Bank's ability to frame these debates rests on the scientific posturing of economic theories and the presumption that they can be applied universally. In a working paper by Ellerman entitled, *Knowledge-Based Development Assistance* (2000), he argues that 'science has long since replaced religious authority as a source of dogmas that one can appeal to without further reason or corroboration" (18). The perception of economics as a science precludes any significant questioning of economic fundamentals that could reveal the historical circumstances that shaped and legitimized them. More importantly, it obscures the fact that interpretation specifically, and the actions of human agency in general, have played a significant role in creating these theories. Together these factors create and perpetuate, the tautological characteristic of this discourse and subsequently that of development and poverty reduction. Mihevc implicitly argues that the scientific perceptions of development help to reinforcing its fundamentalist characteristics.

> [The Bank's prescriptions] are fundamentalist because [the Bank] disavows interpretation and human agency in the creation of development and also the economic theories on which development is premised to posit its theories as value-free…[further] the WB [sic] disavows its own interpretive role in what it passes off as value-free scientific economic analysis… (29-30)

Exploring the role of human agency is important because it brings attention to the relationship between the context in which these theories were created and their authors. Mehmet refers to the importance of examining the effect human agency has on creating economic theories which form the basis of development initiatives: "The terms of classical economics had only European meanings. In all classical economic writings, non-Europeans were always projected as 'savage' or 'primitive' without culture…" (20).

The relationship between development theory and economics has, at times, placed the knowledge of the Bank beyond critical analysis and questioning - by the majority of policy makers within the Bank (at times) and also those in the development industry - and has given it a fundamentalist character. Such positioning has obfuscated the processes, authors, and authors' respective interests that allowed for these specific forms of knowledge to emerge. However, this has allowed the Bank to remain in a position of virtually unquestioned authority and has render the analysis of development and poverty challenges 'unassailable in so far as it is able to derive its authority from the texts' (Mihevc 30). There is a danger in taking Mihevc's 'theological analysis' (25) too far even though it provides us with important insight into how fundamentalist knowledge and doctrines retain authority and dominance. First and foremost, this method of analysis imparts an unrealistic degree of motive on the part of the Bank as a whole and its research departments specifically[40]. This does not provide an accurate account the Bank's policy creation process and the past outcomes of implementing this policy. This has become clear from statements by Bank officials, including its president, that the actions of the Bank to newly emerging challenges in development and poverty reduction have been largely reactionary in recent years.

The Affect of Success in Reconstruction

The centrality of the Bank can be explained by applying Mihevc's 'theological analysis' to reveal the fundamentalist character of the Bank's development knowledge as this has been argued to be *the* way to becoming developed: "...[authority] is based on the institution's ability to *demonstrate* that its own vision of development is superior to available alternatives..." (Mihevc 23). Examining how the Bank demonstrated the superiority of its development vision had little to do with engaging in successful development projects with the so-called Third World. This perception can be traced to the Bank's original reconstruction objectives and outcomes.

The states for which this mandate was constructed were industrialized and

[40] In retrospect, one might see development discourse constructed as fundamentalist to preserve the dominance of the Bank and the larger system and principled framework it was a part of. However, the discourse of the Bretton Woods System was not concerned with the moral obligation to help the world's poor, nor was it concerned with development as we understand it today. The normative objectives of development have changed but the principles by which people and states are to development have remained. This contradiction, however, is not indicative of a motive to oppress the 'underdeveloped'. This contradiction has emerged due the original objectives and interests of the Bretton Woods System.

advanced capitalist in terms of their mode of production. This meant that regardless of the physical state of their political and economic infrastructure, the socio-economic and political environments were conducive to supporting capitalist and industrial solutions for reconstruction. Although the financial resources of the Bank fell short of meeting the unforeseen balance of payments challenges experienced by Britain in the years following the war, the economic theories that formed the framework of the reconstruction initiatives were a success. The importance of this success cannot be overstated as this created a sense that these policies were the best practices for not only reconstructive efforts, but also those of development. In effect, these practices were institutionalized and became the guiding frameworks and vision that developing countries needed to follow in order to become developed. Another factor that reinforced the reconstruction practices as Best Practices for development within the Bank, and within the international community, was the success of liberal economic principles and the capitalist mode of production in the period leading up to the Second World War. Western and Western European states at the Bretton Woods Conference had proved that it was possible to implement liberal economic principles and the capitalist mode of production successfully and create wealth within their respective states prior to the war. Notwithstanding the crises of the of 1929 and 1931, those that were labeled traditional societies in 1944, were convinced that future benefits would be realized by following the prescriptions of Western and European Worlds vis-à-vis the policy prescriptions of the Bank.

On another level, the Best Practices of the Bank rested on a teleological understanding of development and a linear interpretation of progress in two different senses. The first sense is that development was a project with a beginning and end where the Western and Northern states were seen to embody the virtues and qualities of this ideal condition. The second sense refers to notions of progress - specifically progress as linear. While becoming developed, states experienced different periods of change and transition in social relationships and also technological innovation. These periods, and the changes within them, were unique due to the socio-economic and political contexts they emerged in. However, this went largely unrecognized and the notion of progress - and how it was to unfold - was seen as an apt tool to understand how developing economies would unfold when moving toward an industrial capitalist mode of production.

The above meanings became embedded in the Bretton Woods System and its discourse on development by virtue of the authors, their interests, and the interests of the social forces within those states. It is evident, particularly in Rostow's work (1971;1978;1987;1990) - and also in that of others - that the conceptions of development held by the Bank are premised on economic theories which are a product of specific Euro-Western socio-economic and political experiences. The success that materialized through the application of these theories is due largely to the very context and period in which they were implemented. It is important to bring this into a critical light as these factors generated the changes and unique stages of growth that developed states experienced. In short, these theories were considered sufficient to facilitate reconstruction and economic growth, notwithstanding the specific circumstances they were implemented in. Further, hypothesized outcomes for developing economies were constructed within the terms of specific realities that existed in postwar Europe.

In *Westernizing the Third World: The Eurocentricity of Economic*

Development Theories (1995), Mehmet argues that the centrality of the Bank in international development is due largely to the success European and Western states experienced when they followed the models of economic growth and development that are prescribed to developing states through the development and poverty reduction policies of the Bank. Mehmet's arguments will be taken up in more detail below; however, they do not account for how the Bank's discourse defines, shapes, and legitimizes particular forms of knowledge. From Mehmet's account it would seem that the economists of each developed state simply brought their theories to the Bank and re-published them in Bank publications. Admittedly this is a generalization of Mehmet's omission; however, the degree to which an examination of the means by which the Bank produces knowledge can complement his argument needs to be emphasized.

Development knowledge has become dominant and has been reinforced in this position, in part, through the success experienced by Western and European states when implementing these theories. However, the institutionalization of these theories and their designation as Best Practices has had deeper implications on the perceptions of development theory's potential and possibilities - potential and possibly could be realized universally. The image of universality that surrounds development theory has also allowed the Bank to maintain its central position in the field of international development. All forms of knowledge cannot be applied universally; however development theory, as we will see in the next section stands to be a perceived exception to this.

The Knowledge Bank[41]

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[41] In a way, the theme of the first chapter is repeated here, however, this should not be seen as

Thus far two knowledge-based accounts have been provided as a means to explain the Bank's central position in international development: the Bank's knowledge as characteristically fundamentalist, and the affect of successful postwar reconstruction efforts on perceptions of the future possibilities in the Bank's international development role. Both account for how the Bank's development knowledge (past and current) have emerged, and have been shaped, once the knowledge has metaphorically left the Bank and has been applied in a development setting. A third way to account for knowledge is by examining the means by which knowledge enters the development context. The most effective critique in this regard is examining the Bank not only as a lending institution, but also a Knowledge Bank. The meaning of this term is highly contested as this study is being prepared. The institutional understanding of this concept is premised on the Bank being a depository of information - that has been acquired through Bank research, or external research under the guidance of the Bank's principles and norms- that is disseminated to clients in various development contexts as 'development blueprints' (Ellerman, *Strategic* 3). However, there are various competing interpretations regarding whether

redundant. Conversely, the recurrence of this theme should be seen as representing the persistence of dominant interests and social forces shaping development, and specifically poverty reduction initiatives. This persistence can be attributed to the unconscious manner in which dominant interests became embedded in the Bretton Woods System and subsequently transposed and embedded in the policy making processed of its institutions specifically the World Bank. Although 'Knowledge Bank' refers to a single initiative launched by the Bank intended to increase access to development knowledge through the use of information communication technology (ICT), there are more implicit meanings rooted in the title of this initiative. In terms of critique, the idea of Knowledge Bank has been used to refer to how best practices are *transferred* to developing states in an unquestioned way. It has been argued that the Knowledge Bank, simply acts as a store house of knowledge and can simply be drawn from and applied. This phrase also has implications for the people inside those states that are undergoing development initiatives. Those within the states are seen as passive subjects in development process, specifically terms the process by which knowledge is disseminated. Knowledge is seen to be passed to a passive subject and used without any account for the existing knowledge that subject may pose or how this subject may integrate and use this knowledge within their socio-economic and political environment. The subject's perception of this knowledge needs to be brought into question.

or not the structure of this initiative can deliver something truly different and more effective than what is already in place (these arguments will be brought to light as we proceed).

We will examine the concept of the Knowledge Bank, and the actual initiative, in terms of the affect it has on shaping the Bank's development and poverty reduction objectives and policy approaches. This examination will reveal three factors which have independent and interconnected relationships with the Bank's knowledge that contribute to the maintenance of the Bank's central position. The first factor is the forces that converged to move development and poverty reduction to positions of high priority on the Bank's agenda. The second is factor is the relationship between the largest contributing members and the direction of policy. This will reveal that the ideas and values of these member countries become embedded in Bank policy and also the knowledge upon which these policies are founded. The third factor will highlight the means by which the Bank's knowledge enters the development context and the subsequent relationship created between the knowledge and the development subject as a result of this.

I) Reconsidering History and Knowledge: Robert McNamara & Poverty Reduction

In 1996, the World Bank began a six year ICT initiative, known as the Knowledge Bank, focused on increasing *knowledge sharing* between the Bank, member countries, and organizations within the development field. Specifically, the Bank set out to become 'a global catalyst for creating, sharing, and applying the cutting-edge knowledge necessary for poverty reduction and global development' (OED 2003). The OED has overstated the aforementioned objectives as the Bank, prior to this point, had already functioned as a central source of development knowledge (information, research, and analysis of development and poverty alleviation) since the late 1960's (this will be discussed in more detail below). Further, the knowledge made available through the use of this new medium was not principally or normatively different from the knowledge published in other mediums up until this point.

The OED analysis would have been more accurate if it argued that the creation of the Knowledge Bank was an initiative developed with the intention of securing a dominant position for the Bank in knowledge creation and dissemination in the new information medium of the Internet[42]. This becomes clear when one takes a closer look at the year that this initiative emerged and the abilities of Information Communication Technologies (ICTs) during this period. Prior to 1996, no other institution was looked to more than the Bank for expertise, knowledge, and funding for development and poverty reduction initiatives as the Bank was unmatched in publishing and research capabilities. However, the emergence of the Internet as a new source of information positioned it to be a potential challenge to the dominance of the Bank in terms of knowledge dissemination. In fact, the Bank's new knowledge agenda has come about largely due to the plethora of alternative modes of knowledge dissemination now readily available free of charge to any person with late a 1990s computer, modem, and telephone cable. Therefore, the Knowledge Bank concept can be seen as something new in terms of the medium in which the information is stored and transmitted and not-so-much in term of the information it provides.

Although the Bank sought to become the authoritative source for development

[42] This author is aware that the Internet was in operation well before 1996 as an information sharing tool for academics and security services; however, in the early to mid-1990s it was consider new by those outside the mentioned circles.

information on the Internet, its position as a catalyst for creating, sharing, and applying cutting-edge knowledge to address development and poverty reduction was obtained and secured in other mediums of communication almost 30 years before the Knowledge Bank emerged. In 1968 poverty alleviation became a defining feature of the Bank's efforts and the idea of development taking on a new meaning[43]. This can be seen as the beginning of new era for the Bank. From the outset it should be made clear that these changes significantly affected the direction and focus of the Bank; however, they were not indicative of principled or normative change within the Bank. Further, the changes did not come about due to the consideration and integration of alternative conceptions of development and poverty reduction.

The most important change to occur was the conception of the poverty experience - 'it was people that were poor, not nations' (Dichter 58; Finnemore 90). This conceptual change allowed for new initiatives to focus on developing people instead of states. However, these pursuits were void of specific norms to satisfy these objective - the normative elements of reconstruction, characterized by growth orientated development strategies filled this space. Metaphorically speaking, the Bank attempted to keep their old dance steps when new music began to play.

Finnemore accredits [as do Kapur (1997), Kraske (1996), and Rist (2002)] this shift to the structure of the Bank and also to the new president that was appointed in 1968, Robert McNamara (Finnemore 92). Kraske's research also supports this claim citing that:

McNamara eschewed the cautious, Wall Street-orientated approach to

[43] Although this has been labeled as a 'new era' this should not be taken to mean that this was the only shift that occurred within the Bank in the period of 1945-1968. Dichter, for example, argues that there were shifts prior to this most notably when development (as industrialization) overtook reconstruction

development finance, adopting instead an aggressive mission that emphasized the claims and expectations of the Bank's developing member countries... McNamara shaped the evolution of the Bank as no one before or after him. (161)

It is important to emphasize that during this period, like the periods before and after McNamara, the development discourse had rigid ideational limits and potential courses of action to address development issues were necessarily limited. Given the latter, we need to more closely examine how accurate Kraske's account of McNamara's influence is: 'McNamara shaped the evolution of the Bank...in his objectives he did not feel constrained by the Bank's tradition of financial prudence' (169).

McNamara's feelings of unconstraint are understandable given that the policy solutions he proposed were well within the limit's (if not a product of) the Bank's discourse and were subsequently premised on the same economic development theories. Although he challenged the effectiveness of the trickle-down economics to address the challenges of development, 'he endorsed the Bank's insistence on the overriding need for economic growth' (Kapur et. al. 217). This is not surprising given that McNamara was a firm believer in the possibilities associated with implementing liberal economic theory and the Bank's principles in development contexts (Kraske et. al. 163). Although his development and poverty alleviation were very different relative to his predecessors, the principles of his suggested approaches were the same.

One should not assume, prematurely, that his adherence to the Bank's principles rendered his contributions insignificant, typical, or without lasting affect.

(Dichter 58; Elson 50).

The Bank's operational and lending expanded more during the 13 years of his presidency than any other period (where the largest increases occurred during his first five year term)[44]. This expansion came as a result McNamara's own 'deep convictions' to alleviate poverty (Kapur et. al. 215-17). In order to institutionalize this focus on poverty, the Bank needed to expand its research and lending facilities. This was followed by a substantial increase in the Bank's presence and influence in the development community, specifically in the area of development and poverty alleviation. 'Development' now became associated with a sense of obligation and efforts to lift people out poverty (Dichter 50; Kraske et. al. 211). The combined effect of development's new meaning, its new association with poverty alleviation, and the expansion of the Bank's lending and staff was widespread and evoked response - and sometimes change - in academia, international relations, financial circles, and the public at large. Specifically, this thrust the Bank into the centre of development debates due first to the magnitude of its resources and second to the expanded research capabilities.

Prior to 1968[45], the field of development was concerned with industrialization and other initiatives which attempted to focus attention on poverty - such as the *Alliance for Progress* (1961) - had little, if any significant affect on positing poverty alleviation as an international concern (Finnemore 101). However, after McNamara's 1973 Nairobi speech, and more generally during the period between 1968-1973, poverty alleviation became a focus of many academic circles and more research on

[44] From 1969 - 1981, the number of staff increased from 1,600 to 5,700 and lending increased from $1 billion in 1968 to $13 billion in 1981(Kraske et. al. 206). The largest increase in lending (131%) occurred between 1969 and 1973 (Kapur et. al. 217)

[45] 1968 is a key point in development as it was the year in which the Nairobi Conference took place – the conference at which McNamara released his vision of Bank lead development.

the issue began emerge (115). Prior to this, poverty was seen to be the responsibility of churches and philanthropic organizations - the existence of poverty was seen as natural and something that did could not be 'cured' through development (Dichter 51). Although research on poverty alleviation increased during the late 1960s and early 1970s, it was the strategic and policy based changes made by McNamara within the Bank that initiated this shift. The relationship between development and poverty alleviation now had a clear association and was popularized and institutionalized; consequently, the Bank and its research on this relationship became a central source of information.

II) Member States & Policy Influence

A simultaneous and complementary examination of knowledge, the amount of experts employed by the Bank, and the Bank's financial resources is required to establish an explanation as to why the Bank is *the* development institution (Ranis 76). From this, it becomes clear that these factors can be understood as outcomes of an underlying dynamic between the most powerful member states in the Bank, their interests, and their capital contributions to the Bank's lending facilities. This dynamic forms the nexus that generates and sustains the Bank's discourse, and, subsequently, its power to interpret and define acceptable forms of development knowledge. Further still, this dynamic is the factor which allows the Bank to surpass other institutions in terms of the amount of data and data collecting ability and consequently renders the Bank as the primary source for development research and information. Consequently, conformity is implicitly cast over the research of other development agencies as the conclusions of Bank research are seen as the most authoritative in field. It is at this juncture that we can examine the generative aspects of the Bank's knowledge and how the interests of member states influence the Bank's development discourse and solutions for poverty reduction.

As the preceding chapter has illustrated, the material capabilities of the United States in the postwar period played a significant role in allowing the interests of the U.S. and those of its dominant social forces to shape the principle and normative framework of the Bretton Woods System. This dynamic between material capabilities and embedded interests was institutionalized in the Bank and the effects on research, information dissemination, and policy construction became evident.

The financial resources of the Bank are unrivalled. This is complemented by the size of the Bank's research and production budget, which reached $3 million dollars in 2000. Although the Bank has recently heralded knowledge as 'the driving force of development', it has seemingly down-played the necessity of capital in this equation (with good reason) and the affect that member states' capital contributions have on the generation of this particular knowledge and research from the Bank. As we have seen above, the resources of the Bank are generated from the sale of bonds and the capital contributions from member states; although the resources generated from bond sales exceeds member contributions, the voting power of the Bank is directly related to the size of member contribution. This places the United States as the Bank's most influential member, consequently the interests of the U.S. become central in the decision making process.

The centrality of U.S. interests and other dominant members -such as Japan - deeply affects the Bank's research. Two examples of this emerged in 2000. The first is the influence that Japan had on shaping the research agenda of the 2000 World Development Report (http://www.brettonwoodsproject.org 2). Many East Asian states have held, and continue to hold, the opinion that the benefits of an interventionist state go unanalyzed in the Bank's research and unrecognized in their policy publications. This position stems from the success of the East Asian economies -and also their respective recoveries from the economic and financial crises in the late 1990s - which has been credited to the policies designed by these respective states that ran counter to the opinions of the Bank and IMF (Ranis 76). Dichter also cites that the success of the Asian Tigers can be self-attributed rather than to Bank initiatives: "The success of the Asian Tigers was not so much the product of 'our' inventions but because of decisions made internally about policy which helped attract private investment...[and fostered] formal development." (68).

Consequently, the topic of the WDR research became *The State in a Changing World*, due primarily to Japan's concern surrounding the lack of research on the issue (http://www.brettonwoodsproject.org 2). The second example is the resignation of Ravi Kanbur, the editor of the mentioned WDR. U.S. Secretary Treasurer, Larry Summers, felt that the account approved for publishing by Kanbur was too negative and required rewording (Goldman 2) and that there was too much emphasis on country ownership. Kanbur resigned in order to bring attention to the issues that were under scrutiny and also to reveal the influence of member states on Bank research and policy making (Ellerman, *SA Newsletter* 3). In both cases, the influence of member states on the generation of knowledge, research, and research conclusions is clear. However, the resignation of Kanbur in particular brings attention to another outcome of the dynamic between capital and knowledge within the Bank: the existence and protection of Official Views.

The statement, 'Official Views on development and poverty alleviation' or '*the* approaches to development and poverty reduction' is seemingly paradoxical and requires questioning. These phrases clearly communicate a sense of authority - the view has been verified, and confirmed, in accordance with a set of *a priori* principles. However, in terms of poverty reduction and development, I argue that we should ask: is such a position possible - or rather accurate- to take given that manifestations of both are context specific? Further, how can the Bank have one, or a single set, of views on two subjects that do not have accurate and applicable static definitions? These questions probe the core of development and poverty alleviation initiatives and reveal that adherence to Official Views on these subjects is indicative of a systemic problem within the discourse of development - the reluctance and refusal to consider alternatives to the dominant discourse. The immediate effect of this is a stifling of creativity and innovation within the Bank. A secondary outcome is the refusal to acknowledge contributions from the wider academic community which propose alternative solutions for poverty alleviation and development in general. When the above effects are examined together, however, the outcome is revealing in terms of the underlying dynamics it exposes and the destructive possibilities it presents for the Bank's knowledge of the future.

In a guest editorial in the *Staff Association (SA) Newsletter* of the World Bank Group entitled, *Mixing Truth and Power: Implications For a Knowledge Organization*, David Ellerman's critique of the Bank's 'Official Views' is revealing as he argues that: "power corrupts the ecology of knowledge - the conditions under which knowledge grows and flourishes...Nothing of any scientific value is added to a theory by having an Official Imprimatur, and, indeed, there are many negative consequences." (Ellerman, *SA Newsletter*, 3) The construction of Official Views has not proven to be effective for achieving development or poverty reduction policy objectives. What this has lead to is the application of a single approach when interpreting, researching, and analyzing instances of poverty. This is problematic for obvious reasons. Accordingly, the existence of Official Views and the intolerance of alternatives, confirms the previous assertion that Bank knowledge is protected due to its fundamentalist character. Understandably, the preservation of Official Views creates an artificial sense of stability within the dominant discourse which prevents it - and its principles and norms - from being reconsidered and ultimately replaced. Such an action could have widespread effects especially within those nations - like the U.S. and Japan - that are supporters of the dominant discourse and subsequently major contributors to Bank resources. Additionally, the emergence of a substantial challenge to the dominant discourse and corresponding forms of knowledge (or its replacement by an alternative discourse) could cause instability in financial markets due to the Bank's exposure to international bond markets.

I argue that the Bank's Official Views exist in a state of constant defence because they are manifestations of the Bank's dominant knowledge and power relations. Substantial changes in practices could only emerge with fundamental knowledge-based changes and or changes in power relations. Although Ellerman's critique is revealing, the manner in which his suggestions are made are for naught as the Bank is implicitly required to attack dissent regardless of its immediate and future consequences for the 'growth of knowledge'. These points allow us to conclude that although the Bank has outwardly benign objectives to promote development and poverty reduction and alleviation, its responsibility lies first and foremost with its majority shareholders and investors; from this, the development discourse within the

Bank is at once dependant, perpetuated, and preserved by this.

IIIa) 'Knowledge Storehouse'[46]

The World Development Report is the Bank's premier research document and circulated (150,000 copies) free of charge to politicians, officials, universities, and other institutions around the world. The ability to circulate this amount of information is directly related to the financial capabilities of the Bank. Further to this, the Knowledge Bank initiative provides free access to web-based development information - which alone receives 700,000 visitors per month and is complemented by the circulation of 50 e-mail newsletters to 90,000 subscribers (http://www.bretttonwoodsproject.org 1). The total cost of the Knowledge Bank initiative was $283 million plus ongoing maintenance and upgrading costs (ibid). In those states where libraries and universities are severely under funded, the free-of-charge research of the Bank is sometimes the only information for educating so-called 'Third World intellectuals' that are often consulted during the Bank's PPAs. This ability to disseminate large bodies of development information (vis-à-vis the Bank's financial resources) allows Bank knowledge and research to assume and maintain a dominant position in the development field.

In terms of transferring this knowledge to clients, the question arises: what are the effects of disseminating knowledge through different modes? In *Knowledge-Based Development Assistance* (2001), Ellerman outlines the different approaches that a knowledge-based institution, such as the Bank, could take to transfer information to their clients. Ellerman's research represents a significant departure from past conceptions on how development could be pursued in different contexts.

[46] This term was discovered in David Ellerman's piece entitled, *Knowledge-Based Assistance* (2001).

Development was thought to be something 'that could be taught and done to people' from the time development was placed on the Bank's agenda until the early 1990's (Dichter 59). Consequently - and also because the Bretton Woods System had a central place in the international political economy - the Bank was seen to be a *supplier* of knowledge that passed on information to passive clients that were perceived to be 'blank slates' (Ellerman, *Knowledge-based* 3). Mehmet's arguments also support this claim of the Bank's perception of the development subject and also the means by which knowledge was transferred: "Economic development was set entirely by a Northern Agenda that *mapped* the course of development from the outside…it was as if developing countries were all empty, ready for a brand new start" (57). The development subject was seen as a 'passive client' that could be first filled with knowledge and then apply it in their specific context. The passive client was a necessary condition in the formula for successful development as all development theory relied on a rational actor to put theory into practice. This is significant as it reveals that this understanding of the subject emerged as *de facto*, although not intentionally[47].

A short coming of this model is that client capacity-building is not fostered. Consequently, the model creates dependency on outside solutions and erodes client autonomy - or the potential for it to emerge - in terms of their ability to engage in critical thinking that may help to solve future problems (Ellerman, *Knowledge-based* 4). Capacity-building is essential in development as this experience of acquiring capacity, and implementing autonomously, provides the clients with the necessary

47 These comments are not implying that either Ellerman or Mehmet impart motive on the Bank's conception of the development subject. They have been , however, to emphasize (once again) the importance of historical and ideational analysis when attempting to reach an understanding on the

experience of development that will at once demystify the process and provide a necessary sense of ownership over the outcomes[48]. In both instances, it will become clear that development cannot (and does not) just happen. It cannot be engineered, imported, and implemented as a 'tool'. Development is an outcome of a complex, and often disconnected, semblance of moments where the outcome is unique in each socio-economic and political context and is not always planned, applicable, or desirable. Dichter's account of development supports this suggestion based on 30 years of living and working in developing countries:

> Development is a highly complex series of interactions between, and among, all aspects of existence...because of the urging to end poverty, we act as if development is a construction, a matter of planning and engineering…the same lexicon of words are used: 'plan', 'objective', 'implement'… (6-7)

The phrase 'Knowledge Bank', conceals more than it reveals. For example, those influential aspects of development's history - the authors of the discourse, the interests which are embedded in it, and the original purposes it was constructed to serve - that are obfuscated allow the Bank's knowledge to retain its universally applicable and authoritative image. Consequently, the knowledge is the central thrust and force that sustains the Bank's central position in international development even though its antecedents and their current affects unknown. The construction of the '*storehouse of knowledge*' model (that was constructed by McNamara) has worked to disallowed alternative discourses from emerging within the Bank and also preserves the influence of the most powerful member states on Bank policy. The perception of

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Bank's policies or specific approaches to development.

48 Admittedly, I cannot speak to what a development client may be provided with through the 'autonomous implementation' of policy. My understanding of the effects has been derived from

the Bank as storehouse, where one can retrieve and apply universal development blueprints, extracts development from human history and places it in the realm of economic science where the perception emerges that outcomes can be engineered through the actions of rational economic actors. This extraction has marginalized the complexity of development and reduced to the application of perceived value-free economic models that are premised on Western and European social relationships and cumulative historical experiences.

Our 'conceptions' of development do not only affect the subjects of development and their understanding of the process. They equally (if not more-so) influence our own (Western) interpretation and understanding of development and how we developed. These understandings - or misunderstandings - have adverse affects on how poverty alleviation policy is constructed and applied in the development context. The effects of our understanding and its implications for policy construction will form the core of the following chapter.

III) Poverty Defined: Accepted Meaning in a Dominant Framework

Poverty[49] - and the multiple ways it is understood and defined given the different social spaces it occupies - was not a component part of the Bank's discourse when it was created. Therefore, specific definitions of poverty (which ultimately form the premise of poverty alleviation policies) do not have a long history within the Bank. Further, it is essential to note that the existing definitions and the interpretation of others' experiences of impoverishment have a long Euro-Western history. This is

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research and not experience and may therefore be inaccurate.

[49] It should be made clear that when we refer to poverty in this section (and the remainder of this study) we are referring to its existence in those countries that have been labeled 'developing' or 'underdeveloped'. The difference between these instances and those that occurred in the so-called 'developed' world is a timely and important issue to discuss. However, this falls outside the scope of

evident through poverty's synonymous relationship with underdevelopment or backwardness. After leaving the Bank, John McCloy wrote: "....attacks on backwardness must be made on all fronts" (qtd. in ibid: 131)[50]. However, the terms used equate poverty with the absence of specific industrial, economic, or political infrastructure; and, although these may contribute to the emergence of concentrated instances of poverty, poverty itself cannot be simply defined as the result of backwardness.

> In 1942, the first draft for an international bank made no mention of development; in fact it was titled 'Bank for Reconstruction of the United Associated Nations' (Kapur et. al. 57).
>
> It was the suggestion of one of White's colleagues that the Bank have a more 'permanent function'; hence 'development' was added to the institution's name. Edward Berstein, White's deputy at the U.S. Treasury, asked what they would do with the Bank once reconstruction was over. White threw the question back: 'What do you suggest ?' 'Let's have it for after,' [sic] Berstein said. 'It could lend to other areas that needed development'. (Ibid)

The Bank's development objectives were seemingly appended without future consideration of how this would be done and by whom. The principle and normative framework of the Bank was constructed to facilitate international political, economic, and social coordination. Further, these frameworks were designed with the interests

this study and needs to be omitted from our discussion.

[50] Although McCloy was not speaking of poverty of directly, the context in which Kapur places this quotation would allow us to reasonably assume this.

of specific states and social forces in these states. Keynes' opinion of 'reconstruction' was that it would only last a limited time as Europe would not need to be reconstructed indefinitely. Finnemore also cites the addition of the development aspect of the Bank noting that 'Bernstein later wrote that he '*used the term without being aware that it would become important in the future*'' (italics added, qtd. in Finnemore 93-94). In fact, no one in the Treasury gave much thought 'to the long-term implications of the international bank' (Kapur et. al. 61).

From this we can discern that the objectives that followed reconstruction were put in place without recognizing the necessity for a corresponding shift in norms and principles. Further, it can be seen that as the Bank assumed new authoritative roles in development, and later poverty reduction, no fundamental transformations occurred that matched the intensity and magnitude of the ones which shaped its original mandate. This is not to say that this mandate was successful. Bringing attention to the details of this process and the period that preceded it reveals that developing norms to address specific issues is product of many processes. As poverty reduction was not apart of the original process - or any process - which shaped the Bank's norms, it can be argued that this normative inadequacy is a central reason why effective policies and strategies are not emerging. Finnemore brings attention to this as well: "The expressions of concern (for poverty alleviation) were not, however, connected to the foundation of the World Bank or any other development effort immediately following the war…" (Finnemore 92).

The *a priori* principles of the Bretton Woods System were essentially established to eliminate the potential for on-going debates between states that might have hindered the emergence of trade and finance principles. An important facet of such an agreement - aside from the fact that agreement on principles would always exist and policy construction could be streamlined - was that the political, economic, and social conditions under which these principles and norms would work best was already known and established. Specifically, the dynamics of the political, economic, and social forces within the states that signed onto Bretton Woods was understood, and agreements regarding trade and finance were constructed in manner to accommodate these general conditions.

Conversely, there were no *a priori* principles, norms, or ideas that could define poverty and approaches to poverty reduction in terms specific to developing countries. Could poverty be addressed with the same means that facilitated the reconstructive efforts in Europe? Could poverty be alleviated through development? The principled framework of the postwar order was conducive to generating language that allowed for the emergence of trade and finance norms along the lines of the dominant interests of U.S. domestic social forces. However, there was no language for poverty alleviation. Kapur illustrates this point: 'Poverty' was not part of the Bank's Charter of working language, the subject was never the centre piece of a statement by the institution during this time, and its projects seemed distant from the poor (Kapur et. al. 130).

Definitions of poverty have *been transformed* over time as interpretations of its sources have been re-interpreted[51]. At first, its sources were understood to be rooted in the political, economic, and social realms. However, since poverty reduction has moved into a position of international focus, the definition has become even more

[51] It needs to be emphasized that the meaning of this term has changed due to the emergence of external interpretations of poverty in development contexts. This particular interpretive form, versus one that emerged from those within the experience, allowed for a Western understanding to emerge

multidimensional and has come to be studied symptomatically. 'Symptomatically' refers to the outcomes that precipitate from being impoverished: lack of monetary capabilities, being socially excluded, and not having the ability to participate in constructing responses to poverty (Laderchi et. al. 2003). Let us now examine the dominant conception that has formed the premise of development discourse and poverty reduction and alleviation efforts since the 1990s (Evans ch.1).

The Bank's 1990 World Development Report outlined their strategy for addressing increasing levels of poverty and evaluated their outcomes in 2000. In terms of poverty's definition, it was shown that the definition of poverty expanded since its institutionalization under Robert S. McNamara, but that the definition still reflected its historical roots and liberal principles and norms which set the limits of its definition.

> The presumption [in the 1960s] was that poverty was primarily a consequence of lack of income or lack of access to essential commodities....The Nairobi speech of Robert McNamara in 1973 signaled a shift...away from overall economic growth...poverty expanded to include unmet basic needs, including food, health care, and education. (OED 5; Ray 199)

The Bank's definition of poverty is known as a 'monetary approach', where poverty 'is identified as a short fall in consumption (or income) from some poverty line' (Laderchi et. al. 6). The Bank applies this approach on a country and global level by using Purchasing Power Parity where the consumption baselines are $1 (US) and $2 (US)/day (worldbank.org 11).

When estimating poverty-world wide, the same reference poverty line has to

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with historical and cultural antecedents barely latent.

> be used, and expressed in a common unit across countries. Therefore, for the purposes of global aggregation and comparison, the World Bank uses reference lines set at $1 or $2 per day in 1993 Purchasing Power Parity terms. (http://www.worldbank.org 8).

In-country studies use different indicators to examine the general condition of the economic, political, and social dimensions of a specific state to determine the scope and magnitude of poverty.

> ...poverty has to be defined, measured, and studied - even lived. As poverty has many dimensions, it has to be looked at through a variety of indicators – levels of income and consumption, social indicators, and now increasingly indicators of vulnerability to risks and socio/political access. So far, much more work has been done using consumption or income-based measures of poverty. But some work has been done on non-income dimensions of poverty....and new work is underway [using] social indicators for education, health, and access to services and infrastructure (ibid)

However, contrasting what the Bank argues is a 'new direction for poverty measurement' (for example social indicators such as education) with the dominant approach reveals that both have similar fundamentals.

> A person is considered poor if his or her consumption falls below some minimum level necessary to meet basic needs. This minimum level is usually called the 'poverty line'....poverty lines vary across time and place, and, each country uses lines which are appropriate to their level of development... (ibid)

Although different indicators are used to measure poverty on a global level, as well as in and between countries, the terms in which poverty is defined are quite revealing as they speak to the fitness of these environments with very particular language.

The language that defines poverty emerged in a specific historical period and inherently reflects the material circumstances and mode of production that was dominant and generated the most wealth during this period. Specifically, the indicators used to measure changes in impoverishment levels reflect the primacy of capital-based solutions. This can arguably be viewed as a product of the Bank's principles and norms. As the last chapter has illustrated, economic growth was a central aim of the postwar order - generally and in terms of reconstruction efforts - and was seen to be the means by which prosperity and stability would be realized in the postwar order. These factors are also important because they emerged as the principle means to assess a state's progress to the point of 'developed'. The *science* of economics worked to develop indicators that could best measure this.

The fundamentals of the World Bank's definition of poverty are important to examine as they reveal its latent meaning - meaning that has been generated by the Bank's dominant actors and its principle and normative framework. The first of such aspects is the primacy of monetary measurement in poverty's definitions; specifically, the reliance on, and use of, economic measurements and theory. The arguments of Laderchi et. al. have (implicitly) done this, and it will be explored in more detail here.

> For economists, the appeal of the monetary approach lies in its compatibility with the utility maximizing behaviour assumption which underpins microeconomics, i.e. that the objective of consumers is to maximize utility and that expenditures reflect the marginal value or utility people place on commodities. Welfare can then be measured as the total consumption enjoyed,

> proxied [sic] by either expenditure or income data, and poverty is defined as a shortfall below some minimum level of resources, which is termed the poverty line (7)

Undoubtedly, *one* way poverty can be defined is by the lack of monetary capabilities where one's level (meaning a group's or country's) of impoverishment can be determined relative to specified income levels. However, does this measurement capture the essence of poverty; or, does it identify a symptom of it? The primacy of economic measurements, allows us to raise the question of the ideational foundations and historical antecedents of these theories.

In order to understand and assess the capacity of these defining components, we first need to examine the theories that are used to interpret and understand poverty in conjunction with the historical context in which they emerged. The history of economic theory and practice -specifically those relating to development- cannot be examined here for obvious reasons. However, we can examine the application of economic theories - under the guise of its perception as a universally applicable and value-free science to explain and remedy instances of poverty in so-called developing countries.

Smith's argument regarding nation's that face the potential of over production needs to be revisited. The British experience of potential over-production was embedded in this argument. In fact, Smith pursued such a theory in order to speak directly to the realities of Britain during this period. Therefore, such a theory was not conceived in universal terms, nor with the intention of universal application. The terms that characterized this theory were the product of a period experiencing specific changes in industrial capabilities, organization, and material capabilities. Mehmet argues for this point as well suggesting that there may be embedded values within economic theories: "...theories are based on the Western experience and are far removed from the Third World [sic] realities... (10)". Further along in his study, Mehmet qualifies this assertion further: "Mainstream economics rests on Euro-centric assumptions...and has been formulated by Westerners for Western interests...." (136-138).

This stands in stark contrast to the claim that economics is a 'value-free' science. It should also be noted that citing these arguments is not intended to impart motive on those who constructed these theories or those who have applied them throughout history. The intention is to highlight, and emphasize, that economic discourse is a product of a social process. And, that this process is comprised of relationships and interpretations of these relationships, within the (sometimes) unconsciously constructed constraints of discourse where the limits are defined by principled and normative frameworks.

Although the terms by which international instances of poverty are defined are relative to the 'poverty line', prescriptions that are structured with the intent of elevating living above this minimum standard are premised on foundations that are ill-suited for international applications. The Bank - as it has been noted above - suggests that poverty's definition requires 'one to experience it'. There is no evidence that the dominant definition is a product emerging from the diverse instances of poverty. Consequently, the fundamentals of poverty's definition emerged as a result of external interpretations of the experience. The dynamic that allows for this can be explained in terms of the preceding discussion on knowledge. By creating a hierarchy of knowledge through the dominance of its development discourse, the Bank places its knowledge over that of local knowledge (which is premised on the historical and immediate experiences of people there). Consequently, a disconnect has emerged between poverty's definition and the actual *experiences* of poverty.

It is essential to emphasize the diverse ways in which poverty can be experienced as it reveals that the accepted understanding rests on defining poverty on the basis of its common symptom - lack of wealth. This pursuit to establish continuity between disparate experiences is an attempt to create one understanding - one authoritative definition - that obscures all aspects of discontinuity that render each experience (and history) unique. Specifically, it obscures the social relations that allowed for those particular experiences to emerge in a specific period and fails to recognize the dynamic and changing character of poverty in, and across, periods of history. The effect of having a dominant definition of poverty is having one solution. A solution based on understanding of the poverty experience by its common element: lack of wealth due to stagnated growth. However, Arruda argues, that 'the application of growth models to address poverty is not sufficient. Market orientated growth economic growth does not, by itself, generate poverty reduction' (134).

Using the monetary approach to define poverty seems to generate market-based policy solutions that are focused on increasing economic growth in the whole economy and the consumption of individuals. However, low consumption is one aspect of being impoverished. The misunderstood relationship between economic growth and poverty reduction has persisted - as Brohman's research has revealed - since poverty reduction became an international concern: "Economic growth was creating more inequality, more poverty and more unemployment than ever before" (202). The implementation of market-based poverty reduction solutions was carried through without an understanding of the underlying interests and forces that shaped these solutions. Similarly, there was a lack of understanding surrounding the principle and normative frameworks of those countries in which these programs were being implemented.

In the interwar and World War II years, we saw that in order for successful economic relationships to be established, the respective domestic interests and social forces needed to align on the basis of common principles and norms. This alignment was presupposed by the existence of common principles; a similar mode of production; and, social relationships that could sustain its operation. The definition of poverty, and the corresponding reduction formulas, reflect a desire to 'apply' a specific and pre-existing framework, rather than develop one that complements existing realities, interests and social force dynamics in developing countries. This does not allow for the accurate, or effective, definition a social phenomenon like poverty. Rather, it causes us to interpret reality in specific terms. The result has proven to be the emergence of skewed interpretations of the actual experiences and the construction and application of ineffective solutions. Similarly, developing a single definition in specific terms does not render poverty more comprehensible or its definition more relevant; such a pursuit homogenizes the experience and subsequently creates an image that is abstract and does not reflect the socio-economic and political dynamics that allow it to persist.

The question ''How' is poverty defined?' has multiple and interconnected responses. The definition generated by the Bank is accepted due to its position of dominance in international development (Robb: xi). The means by which it is defined is a function of the development discourse (and also the economic discourse) that has been generated from the Western and European experience. The economic measurements that form the basis for this definition have been conceived outside of developing countries' respective poverty experiences. Consequently, these terms only speak to symptoms that indicate the existence of poverty not to the underlying principled and normative underpinnings.

Chapter III
Poverty Alleviation Engineered:
Antecedents, Conceptions, & Outcomes - from the Outside

In this chapter I will argue that the failure of the Bank's poverty alleviation policies is due - in part - to the fact that poverty alleviation has been framed in the Bank's development discourse[52]. I will suggest that this has occurred due to an implicit (and sometimes explicit) understanding that economic development and poverty reduction are related and complementary objectives. Henceforth, poverty can be alleviated through engaging in the development process - specifically through economic growth. It will be shown that this understanding became embedded in the Bank's discourse due to the interests of dominant actors in the postwar order. To do this, we first need to 'uncover the antecedents of modern thought on development' (Arndt, *Economic Development*). This will allow us to understand three essential elements of development: 1) it is understood as a universal process based in Euro-Western teleology where existent - but not yet realized - stages of growth are to be reached and passed though (Dichter 50; Rist 42); 2) development can be *done* to countries or to people through an engineered and well constructed process (Mehmet 1995); and, 3) development is understood to occur in a universal manner and can therefore be 'applied' - or engaged in - without regard to existing social relationships where it has not begun (Tucker 1999)

As we have seen thus far, the World Bank *frames* the debates on development and poverty reduction through the authoritative position it occupies - and is able to

52 I have qualified this explanation as such for two reasons the first being that the explanations in this chapter are to be considered in concert with the arguments and explanations provided in the study up until this point. The second reason is that apart from what has been presented in this study, there are numerous quantitative and econometric approaches and explanations for policy failure that cannot be accounted for here - see Kanbur and Squire 1999 for example.

sustain - through the dominance of its knowledge, financial resources, and membership. In the broader context of the Bank, the 'frame' which it applies to debates and emerging conceptions on development and poverty emerges in the form of a discourse that has been constructed and institutionalized within its principle and normative limits. It will be argued that the Western-Eurocentric liberal principled framework of the Bank, with its corresponding norms, has meaning from an older development discourse embedded in it. This has resulted in the latent meaning shaping the postwar conception of development through interpreting the economic progression of developed states (as they moved into 'advanced stages of capitalism') as universal and therefore a possible future condition of all states (Mehmet 1995; Rostow 1971).

I concluded that development, and its identified ideational elements, have been superimposed on poverty alleviation solutions. The effect of this is that the Bank's solutions to poverty have become premised on the understanding that poverty can be reduced by inducing growth so as reach the later stages of development. This particular understanding has also been legitimized and posited as achievable through the 'successes' of Western and European states as well as the authority of the Bank and the subsequent institutionalization of development. Accordingly, it can be discerned that the Bank's poverty reduction solutions are based on an understanding of development which is underpinned by Western teleology; therefore, development's (synonymous) relationship to poverty reduction (Kapur et. al. 140) is due to the implicit assumption that all states travel 'the same path' to advancement and becoming 'Developed'.

These arguments will be established over the course of two sections. The first section will examine the ideational foundation and embedded meanings of the development discourse in order to answer the question: 'What is development?' An account of the historical circumstances that have allowed this term to emerge will be provided in order to argue that there is a conceptual gap between what is now understood as development and the term's original meaning. Specifically, it will be argued that the essence of this rift is the persistence of naturalist assumptions (although they are more implicit than at first) and that they have remained, and have consequently formed, the premise of conceptions and understandings of economic progress and advancement. It will be concluded that these assumptions were subsequently embedded in the science of economic theory when development became an economic objective.

The second section will examine how poverty alleviation has been pursued with the aforementioned ideational underpinnings. Specifically, it will be argued that the mentioned 'conceptual gap' becomes evident and more pronounced through the application of development fundamentals to poverty alleviation. An additional element to be considered is how poverty is seen as an emergent condition, or 'stage of development', that can be 'passed through' using the methodological tools of the dominant development discourse. A significant portion of this section will be devoted to examining the current poverty alleviation programs of the Bank - specifically the liberal reforms that have been proposed since the late 1990s. Although the Bank has claimed that changes in their approach to poverty reduction have placed 'clients in the driver's seat' - in terms of policy design and implementations (WDR1990 & 2000/1) - local knowledge that is gathered from specific development contexts is marginalized at the cost of preserving the Bank's dominant policy framework. This marginalization will be explained in terms of two areas. The first is the dominance of the Bank's development discourse, its knowledge, and the interests of its dominant member states. Second, local knowledge - information on specific conditions of impoverishment obtained from civil society organizations, individual citizens, local citizen groups- is marginalized because knowledge from these sources are seen as traditional and irrational and in need of revision in order to construct poverty solutions.

I) <u>Examining Development: Historicity and Embedded Meaning</u>

Development in the vast literature on the subject, appears to have come to encompass all facets of the good society, everyman's utopia. (Arndt, *Economic Development* 1)

The failures of the World Bank's poverty reduction and alleviation initiatives have been seen in many different terms. A policy has failed because of lack of sufficient amounts of participation from civil society (Robb 9-18); a policy has failed because unsustainable projects (hydro damns or agricultural land reforms) have been implemented (Townsend, *International* 43); or, a policy has failed because structural adjustment has been too harsh (Mihevc ch. 4). I argue that the aforementioned instances do not *cause* policy failure. They are indicative of, and caused by, a deep rooted systemic problem unique to the postwar era, that cannot be identified by surveying policy with the terms - and within the limits - of the dominant development discourse. Such an examination does not allow for the very (unifying) premise of these policies to be questioned with the possibility of rejection. I argue that the failure of the Bank's poverty reduction policies can be explained in specific and general normative terms -specifically in terms of economic development and generally in terms of the premise of development as a natural process. An explanation in this manner needs to be done in two complementary ways. The first way is to account for the history of development - not as a policy process, but in terms of how development became a methodological tool in social science to explain social change. This account will begin with locating the emergence of 'economic development' and look backward to uncover its antecedents. The second way will explain how this meaning was institutionalized in the World Bank and came to premise poverty reduction and alleviation policies. I argue that, when combined we are able to simultaneously account for changes in approaches to development in terms of changes and shifts in development's meaning. Specifically, it will be argued that the meaning of development has been constructed in very specific terms: scientific discourse, Euro-Western philosophy, and the Euro-Western experience of modernity and industrialization. However, the nature of this construction has been cumulative and layers of residual meaning - naturalism, teleology and perfectibility, universality, and legitimacy - have persisted as the category (ie. the actual word 'development') has remained but, consequently, has come to represent *fundamentally* different ideas.

Development Interpreted

To understand the postwar socio-economic and political dimensions of development, we must first answer the question: what is development? To do this, we need to shift our thinking on its subject, and abandon - momentarily - its modern conceptions and connotations. For the moment, development: is not material progress; it does not relate to an economic, social or political 'process'; 'progress' relative to Euro-Western models; and, it has nothing to do with alleviating poverty. Without these objectives in mind, we can explore the latent historical antecedents embedded in this term and examine how they how remain in the World Bank's multi-objective development discourse. From this, we can unravel the semantic web which has formed the construct of the term development. Further, we can suggest that the persistence of these antecedents, and their connotations, have allowed development to maintain its currency within the postwar development discourse.

When attempting to describe and explain social, economic, and political change, development is a seemingly useful term as one can look back over a course of events and imply that there was a sequence of moments that cumulated into a condition called ‘developed’. However, there are specific connotations that need to be highlighted when using a Western epistemological tradition to arrive at this explanation: naturalism, teleology and perfectibility, universalism, and legitimacy (Dichter 50-8; Rist ch. 2; Tucker 1995). Development has acquired these connotations over time as the idea has been defined - and redefined - and ultimately reshaped in order to interpret, current modes of change (mostly in realms science and social science) during different moments in history. The general description of change, combined with these persistent connotations has at once, rendered the term (paradoxically) meaningless and meaningful. ‘It has become a ‘plastic word’ where the first clear and precise meaning has been lost and meaning is [now] arbitrarily determined by the speaker, or discourse, in which it functions’ (qtd. in Rist 2002 11). Interestingly, as the original meaning - or context in which development’s meaning was derived - has been forgotten or replaced, the naturalist underpinnings of the term (as well as others) have persisted. Accordingly, development has therefore become synonymous with natural progression; yet, the history of naturalism’s relationship to development has been forgotten.

Modern development discourse is premised on the understanding that economic and political change, as experience by the Euro-Western world, is a naturally occurring condition and will therefore be experienced, and passed through, by other states engaged in development (Rostow 1971). In order to disassemble the accepted meaning and reveal the influence of the embedded conceptions and perceptions, we first need to locate the first instance when 'development' - as an economic process emerged in the English language. *Das Capital* (1887) is the first instance in which economic development (as a process) emerged in its modern English language in: 'The country that is more developed industrially only shows, to the less developed, the image of its own future' (qtd. in Arndt, *Semantic History* 459). Arndt also cites Shumpeter's argument for Marx's influence on development: 'It was Marx that gave development its specific economic connotation through engaging in the task of showing how economic process, changing itself by virtue of its own logic, incessantly changes its own framework…'(ibid).

It can be said, without contest, that Marx and Rostow are fundamentally opposite theorists. However, their respective perceptions and understandings of development as a deterministic and linear process that could, and did, occur universally is their common ground. Marx saw that capitalism - being that it followed feudalism - would also be the next stage of social relations to emerge in 'traditional' societies before the socialist revolution. Similarly, Rostow conceived 'five stages of growth' where each would lead to the next: 1) 'traditional society'; 2) preconditions for take-off; 3) take-off; 4) the drive to maturity; and, 5) age of mass consumption. Although the theorists have different understandings regarding the moment that will follow capitalist development, the teleological and universal underpinnings of these development frameworks are consistent. Mehmet makes this same argument citing that in both theories, capitalist society is seen to be the historically inevitable form of social relations due to the influence of Euro-Western perceptions of the economic development experience (77). Further, he argues that these theories of economic development are premised on conclusions reached 'deductively rather than inductively', and therefore cannot be accurately used to hypothesize the future direction of non-European and non-Western societies (145).

Although both theorists saw capitalism to be historically inevitable (Arndt, *Economic Development* 38; Mehmet 68-69), it should be emphasized that each had a fundamentally different understanding of how this would be achieved. Rostow saw this project as a planned and engineered process that could be carefully constructed and applied in a development context. Examining Rostow's model reveals an implicit recognition, and acceptance, of a universal mode of development. This is fundamentally different from Marx as he saw economic development as a process that did not require conscious actions - development would occur through natural progression. Although Rostow may have utilized Marx's linear and universalizing reasoning to explain capitalist development, Rostow's belief that development could be understood as a mechanistic process which could be imposed represents an understanding of development that is specific to the postwar period. We will leave this difference for the moment and explore some possible sources for the naturalism in Marx's explanation of development. Further, we will attempt to provide an explanation as to why reference to prior knowledge has become prevalent in the development discourse.

Arndt (*Semantic History*) cites Passmore's *The Perfectibility of Man* (1970) in order to provided a lineage of Marx's understanding of development - as composed of phases or stages - to Hegel's *Philosophy of History* which was strongly influenced by

Aristotelian philosophy (459). Although Arndt provides no further explanation of Aristotle's influence - or why and how this influence emerged - it is essential to explore this (if only briefly) as the explicit naturalism in Aristotle's *conception* of development has persisted in this concept while the Aristotelian development paradigm has been superseded[53].

Rist's account of the Aristotelian influence on modern conceptions of development is important for two reasons. The first is that it reveals that the concept was initially used to describe patterns in nature. Second it reveals - through further examination - that our implicit reference to Aristotle's naturalism in contemporary development uses of development is a product of the Enlightenment (37).

> The Greek work for 'nature', *physis*,...comes from the verb *phuo*..., which means 'to grow' or 'to develop'. So whereas we usually think of 'nature' as that which does not change (it's in his 'nature'), for Aristotle 'nature'[...or 'development'] means (1) 'the genesis of growing things [literally: which participate in the phenomenon of growth]'; and (2) 'that immanent part of a growing thing from which growth proceeds...Nature in the primary and strict sense is the essence of things which have in themselves, as such, a source of movement...and processes of becoming and growing are called nature because they are movements proceeding from this (qtd. in Rist 29)

Inherent in this concept is western teleology with the affect being that the

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53 Throughout this section I will intentionally use 'conception of development' and 'notion of development'. I refrain from using 'definition' because it has connotations of an absolute, or authoritative meaning which is, in my opinion, inaccurate when speaking about development. By way of example: the concept of 'a hat' is more general than 'the definition of hat' which has specific reference.

development ideal is based on the material realities and socio-economic and political relationships and modes of organization. Such a theoretical disposition arguably prevents a state from developing as it could in lieu of developing how it should. Conversely, in terms of the Aristotelian conception, a degree of teleology is acceptable - in that it does misrepresent the object which it attempts to interpret -as the conclusions of his observations are predicated on cyclical growth (movement of beings) - emergence, followed by a zenith, and ending with the final decline - which was a return to the earth. Rist emphasizes that Aristotle saw the '*final* state' - the one that precedes decline - 'as corresponding to the perfect form' opposed to the one with 'no limit that is imperfect' (31). Further still, when looking at the Aristotelian conception, it becomes apparent that the essential naturalist perceptions have persisted through time and have become embedded in postwar conceptions of development in general, and, specifically, economic development. Keeping in mind however the Greek definition of 'nature' as *growth* with predetermined stages which allows the object in passage to reach its perfect form.

One aspect of the Aristotelian conception that has remained in contemporary conceptions is the understanding that growth is *the* means by which development can be realized. As we have seen thus far: growth, development, and poverty reduction almost have a synonymous relationship. However, on a ideational and semantic level, it becomes apparent that even the ideas of growth, change, and progress which predicated the postwar reconstruction agenda have their roots in Aristotelian conceptions.

Reconstruction, as with development and economic development, was a constructed program based on satisfying growth orientated goals, with a specific sense, and objective of progress. As we have seen through Arndt's research, the concept of economic development emerged with embedded preconceptions of how development - as a non-economic process - would unfold through stages. Without Marx would economic development still have the same meaning and preconceptions? That is not a question of importance in this study. What is essential, however, is that ideational foundations of the postwar development program incorporate notions of growth and progress from preceding discourses to interpret and explain change, the effects of which will be examine further as we proceed.

Although we have examined the Aristotelian ideational foundations of development's *definitions*, there are still a few points to take issue with, the first being that of Marx's influence on contemporary understandings of development. This fact does not conflict with the arguments put forth in the first chapter of this study regarding the persistence of liberal principles. This should be clear by the fact that Rostow - consciously or unconsciously - applied this very same reasoning for how development would begin and finish and in underdeveloped countries. Marx's understanding of economic development was not essentially Marxist in the political sense. Although it came from Marx, his understanding was not without its historical antecedents, as we have illustrated.

The second point which requires clarification is examining how referencing prior - or Ancient Knowledge - came into practice. Admittedly, this answer could be a detailed study in itself. The first purpose of looking at this practice is to illustrate the dominance of Western conceptions of development throughout history. The second is to create an understanding as to why this came about and identify the effects that have precipitated. Further, this brief examination will also provide some understanding as to why residual meaning (i.e. meaning from the past) remains latent in contemporary understanding, conceptions, and definitions of development.

Up to this point, we have taken development from its common conception as a seemingly one dimensional process, and have revealed the latent antecedents which premise its persistent connotations. By doing this- interestingly enough - it has become apparent that the contemporary concept of development has remained true to its original sense. The relationship this term has with the experience of the phenomenon of growth has remained constant. Since its inception, this concept has at once retained its permanence - in its reference to change- and has become something new through its multiple applications. When closely examined, however, it becomes clear that the fundamentals which have persisted (arguably unnoticed) are the inherent Euro-Western dimensions of this term.

Tucker's (1995) *The Myth of Development: A Critique of Eurocentric Discourse* brings these Euro-Western dimensions (which he refers to as 'cultural dimensions') to critical light.

> Considerable attention has been given to the analysis of the economic mechanisms of underdevelopment and, to a lesser extent, the social and political processes...However the cultural dimensions, the production of meanings and symbols, has not received adequate attention. In development studies, culture has tended to be regarded as an epiphenomenon, secondary in importance to the all- important economic and political domains...this has considerable implications. (2)

The identified multidimensionality and embedded meaning, although important, need to be placed aside for the moment in order to ask a more important question: what component or components of the Euro-Western discourse allow for ancient meaning to become embedded within the contemporary discourse? Dichter and Rist, as well as Tucker, examine this question (for different reasons) and all three accord a high degree importance to the period of the Enlightenment.

The Enlightenment's affects on Euro-Western perceptions of its 'collective self', others, knowledge, and notions of achievement and progress have been the focus of many multidisciplinary examinations[54]. However, the aspects of the Enlightenment that we will focus on are : (a) emergence of the understanding that a 'common future' could be created 'permanently better' through 'progress' vis-à-vis human agency; and, (b) a sense of reverence for prior knowledge (Tucker 5-6; Dichter 50; Rist 39). It will be argued that these factors are the ones that affected the construction of the contemporary understandings of development and economic development. Of utmost importance - in terms of the mentioned forms of development - is the fact that all conceptions, interpretations, and understandings that emerged during this period shaped one-another through a process of reinforcement premised on a cultural dynamic. This was (and still is given the fundamentalist arguments regarding knowledge in the preceding chapter) at once tautological (due to the new vision of Western primacy in knowledge and culture) and subsequently exclusionary - as non-Europeans were not accorded a place in this newly emergent discourse and were given no role in shaping the new and universal future which euro-human agency could create. The philosophical and political discourses during the

[54] It is not only perceptions and interpretations that were changed during the Enlightenment. Political, social, and economic organization changed as well as the finer and broader aspects of culture and cultural interpretation (art, poetry, theatre, as well as music). Although these have all been recognized effects, exploring them does not lend any qualification to the arguments put forth in this section or in this study generally. Therefore, this examination will be placed aside.

Enlightenment caused a substantial shift in thinking regarding the preconceived limitations surrounding European human agency's ability to achieve. These perceptions have persisted and have had explicit effects in the postwar development discourse. An example of this, is the failure of 'The Big Push' theory applied in the development context.

'The Big Push' was premised on implementing simultaneous development programs where numerous sectors of an economy would be established with the intention of creating widespread growth. Even with this basic description (which is admittedly crude but captures the essential mission of the project) we can locate a few points of discussion with regard to human agency. The first being that humans can create a better future for themselves - either through creating and implementing theory or through the actions of agents in the development context. The role of human agency in this is also reinforced through the primacy of industrial technology. Technology is seen as the foundation on which growth and development can be realized. The second is that this project is designed to reach a predetermined economic limit (a 'perfect state' to use Aristotle's term) - one that has been constructed outside of the specific development context. Achieving or reaching 'the developed state 'through the application of policies, is a direct product of rationalist, Euro-Western economic discourse - meaning the successful application of development theory depended on a rational agent putting it into practice. These arguments are not without grounds. Upon the continual failure of the Big Push model, most notably its obvious contributions to creating more impoverishment, contemporary academics, including Rosenstein-Rodan, admitted to its fundamental errors. Mehmet cites their arguments as well as his own critique of the model:

> Technological imports from the West were in complete disregard of the abundance of labour...it was admittedly optimistic in a development context due to its rationalist assumptions...[further] it as admittedly Eurocentric: it was exceedingly pro-capital and it totally ignored questions of ownership of capital imports from the West and the distribution of value added generated in the growth process (64-67).

A characteristic of contemporary development which remains largely unquestioned is the fact that prior knowledge is implicitly used - with strength - to found contemporary interpretations and observations of phenomenon as well as new forms of knowledge relating to this area.

Rist cites that the during the Enlightenment knowledge came to be understood 'as cumulative, but only giving more than their due to the recognized authorities, and suggesting it would be difficult to go beyond them [sic]' (35). Prior knowledge was referenced and revered in order to legitimate contemporary forms of knowledge and explanations. The mentioned practices came into currency during the Enlightenment and have had clear and lasting effects on contemporary formations of knowledge, particularly in reference to development. In one sense this renders particular forms of knowledge based in particular Euro-Western-centric discourse tautological and therefore above the sort of questioning that could fragment the entire discourse - the knowledge takes the shape of a fundamentalist doctrine. Consequently, this creates a hierarchy of knowledge where *other* forms are marginalized in terms of their value.

An example of an effect of tautology on knowledge construction is (as we have alluded to already) Aristotle's naturalism. Although perfectionism arguably reached its pinnacle in 19th century positivism, developmental perfectionism was a central component of Aristotle's philosophy. In economic development, the envisaged perfect state, is a capitalist one. This is evident through the economic development models that emerged from Western economic discourse. Not only is development focused on achieving this state, it is understood to be the natural end point, achievable through progress and growth. 'Progress' and notions of 'the future' were built upon during the Enlightenment when a daily vision of a better future was seen as achievable through human action (Dichter 50-1).

'Economic development' was introduced to the English -seemingly without question - by Marx in 1887. The European rationalist foundations on which economics had been premised had long since been legitimized, not only through the success of capitalist development (to that point), but also due to the primacy of European epistemology and that of the Western World. Further, the meaning of development, and to be engaged in it, was already understood in philosophical and scientific terms. The meaning of 'economic development' was derived through an unconscious combination of epistemological traditions and applying it to explain socio-economic and political change, was not seen as a stretch - when looking retrospectively, stages of development could easily be discerned. Both Rostow and Marx saw these stages, although in a linear and deterministic way, as representative of how social relationships would - or should, in the case of Rostow- transform. This universal perception of change can arguably be attributed to the way in which non-Euro/Western experiences were considered irrational (backward) or considered without value due to the exclusionary nature of Euro-Western-centric discourse.

At this point there is one conceptual gap which remains to be accounted for and explained: how did development, seen as 'unconscious process', come to be understood as a process that could be constructed and applied? Dichter identifies the mentioned distinction by way of referring to the former as ''d'evelopment' and that latter as ''D'evelopment' (48). The lower cased development refers to a process that was not intended (i.e. focused to reach a specific end) but happened due to a complex series of interactions that cannot be reduced to one single factor (ibid). The upper cased development refers to an applied process that is constructed, and possibly implemented and carried-out, by secondary agents with specific objectives in mind (ibid). The emergence of these different perceptions of development first emerged in the period of 1838-1854 (Arndt, *Semantic History* 461-2). Development, as an applied process, emerged in the Colonial context of Australia with specific reference to a planned process of capitalizing on resources in order to build infrastructure.

> ...in Australia the transitive use of 'development' was continuous and common from the middle of the 19th century onward - side by side with synonyms such as 'opening up our natural resources' or ' the steady occupation and proper advancement of the Colony'...In Australia's hostile environment, where settlers from the earliest convict days had to contend with drought, flood...*economic development did not happen.* It was always seen to need government initiative, action to 'develop' the continent's resources...(ibid, emphasis added)

It is interesting that Arndt notes that 'economic development did not *happen*' until the British government intervened - allowing us to assume there was some economic effect realized once intervention occurred. However, there is no account provided of the social effects of implementing these programs[55]. Further, there is no account of

[55] This may not be a fault of Arndt's but a consequence of the conscious or unconscious actions of

how indigenous economies or economic relationships were able to function prior to the continent being colonized.

It would be naïve to think that the native inhabitants of this continent did not have forms of economic relationships with one another and between larger groups of people or a proven means to tolerate the environmental conditions which were termed 'hostile' by the new Europeans inhabitants (Arndt, *Semantic*). Instead of attempting to adapt to the native inhabitants' Economic relationships, European economic social relationships and knowledge - with their corresponding political and economic infrastructure - were transplanted and placed above local practice and knowledge in the form of hierarchy. Consequently, the Australian context is the birth place of two 'firsts' for development: the first instance in which development was planned and carried out by government; and, it was also the first instance in which local practice and knowledge was subordinated in the development context.

Both of Arndt's pieces reveal that the Australian instance, and ones that followed, were largely concerned with capitalization. Development was basically understood in terms resource extraction and the provision of a minimum level of support and government intervention to allow *Europeans* to live on other continents, as in the case of Australia. Given this, it becomes relatively clear why development came to be associated with an engineered and planned process during the postwar period. Further, implementing a Eurocentric socio-economic or political discourse in this context would obviously be successful - the new inhabitants were still Europeans, but living in different geographic. Through this experience, arguably, a precedent was set as to what could be achieved through engineered development initiatives;

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those that authored the sources which he referenced .

however, throughout the early 20th century and during the interwar years 'economic development was used…to denote the development or exploitation of natural resources' (Arndt, *Semantic History* 464).

II) The Postwar Development Approach & Poverty Reduction

To say one more word about preaching what the world ought to be like, philosophy always arrives too late for that. Hegel, *Philosophy of Right and Law*[56]

The purpose of this section is to examine how the Bank's poverty alleviation objectives have been pursued through policy with the aforementioned ideational underpinnings and what outcomes have emerged. Two complementary arguments will be established. This first being that the existing meanings and understandings of development from the periods preceding the postwar era became embedded in postwar development due to two general factors: 1) the persistence of Western dominance in the international political economy and the creation of the Bretton Woods System; and, 2) the dissolution of colonial empires and the emergence of the Third World nations. These two general factors were complemented by three equally important factors which contributed to shaping postwar development into a defining normative feature of the period: 1) U.S. dominance in the postwar period; 2) the socio-economic and political outcomes of the Depression and the U.S. policy approaches constructed to address them; and 3) the potential of overproduction in the U.S. and the success of European reconstruction.

In order to understand how the macro and micro and components of the postwar economy influenced the construction of development, these factors have been divided into two general groupings. Accordingly, examining the first two factors can be used to explain why the postwar development approach emerged. The other three factors can be used to explain why and how the postwar approach came to be understood as it did. 'Western dominance' is a general category with broad socio-economic, political, and philosophical meaning. One such connotation that may become apparent in this phrase may echo arguments made in Said's *Orientalism* (2003): how the Western world evaluates and understands non-Western peoples, their knowledge, and their social and political organization. When examined in conjunction with the second general factor - the end of the colonial period - we could assume (but not definitely conclude) an emergent 'Third World' (or Second World for that matter) would become subordinate in any international context in which Western dominance prevailed. In short, these factors allow us to generally understand how Western dominance affects socio-economic and political dynamics.

Incorporating the micro components of this period into the broader context mentioned will allow us to understand how development became a defining normative feature of the postwar period (Seers 1977). Although the concept of postwar development was constructed in-line with the existent Western/Eurocentric understandings and meanings of development (that have been discussed) and the liberal principled framework of the postwar order, the productive capacity and material capabilities of the U.S. added a new dimension to this idea - just as it shaped the emergent postwar liberal norms in the first chapter. These macro and micro components interacted in a dynamic manner that allowed for existing meanings of development to influence, and ultimately become embedded, in postwar development policy approaches and those focused on poverty reduction. Further, these approaches gained greater force when they became institutionalize in the policy framework of the

[56] qtd. in Leys 3, *The Rise & Fall of Development Theory.* 1996

World Bank due to the power and legitimacy of this institution[57]. It will be concluded that the mentioned manner in which the postwar approach was shaped, and the latent meanings that became embedded, had clear and negative effects on the poverty reduction and alleviation policies of the World Bank.

The second argument that will be presented is that the emergence of poverty reduction initiatives in the postwar development discourse are essentially misplaced and that dominant understandings of development and dominant development policy approaches cannot be considered sound frameworks for poverty reduction - although they have been consistently considered as such since poverty reduction emerged as a primary focus of the Bank. Poverty and conditions of impoverishment are not stages in development - although Western-centric conceptions of development (as a process) comprised of necessary stages allows this understanding to persist. Nor is poverty a 'problem' that can be solved through the application of general formulae - although the European and Western states have constructed economic theories and policy approaches to address instances in their own states. Nor can poverty be addressed through fostering economic development - although in retrospect the current dominance of the Western World and U.S. specifically can be understood in terms of accumulating wealth. Finally, 'the solution' to poverty may not be considered a solution at all as it may be founded on irrational and incommensurable terms relative to those in the dominant development discourse. More plausibly, the solutions may emerge from a new discourse with its own norms and principles that are specific to the general and specific characteristics of impoverishment as they occur in and

[57] Where the former and latter features were founded on: 1) the collective power of member states and the overwhelming concentration of Western interests; and 2) the legitimacy and authority of the Bank which was derived from its: I) cooperative organization; II) knowledge; III) the knowledge base's

throughout different contexts.

Placing Poverty Reduction in the postwar approach

Why the 'postwar approach' [58] *emerged*

Thus far, this study has shown that prior to the postwar period, development was an idea that already had significant force. Therefore, 'postwar development', although acquiring a normative position in economics and politics, was a concept premised on an idea that already had a significant place in Western culture and was a defining characteristic of Western thought and Western identity (Tucker 3-6). Development, understood as: a process comprised of individual stages that could be reached, and passed through, by the actions of human agency where its end was the material realization of the perfected form of the original purpose for which development was initiated - was, and still is, a defining characteristic of Western culture. Progress could be initiated - and not granted by Providence - and guided for purposes that the economic and political Man chose (Huntington 145).

I argue that the existing force and influence of this concept increased in the postwar period for a two reasons, the first being that it became embedded in the Bretton Woods System, specifically the World Bank; and, the second - stemming from the first- being that development became part of economic science. Although the Bank had only recently emerged as an institution that would contribute to establishing postwar economic stability, its dominance in economic development was already becoming established and its knowledge was coming to be recognized as authoritative in this new field. The Bank's monopoly on development knowledge -

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association with scientific economic discourse.

[58] Myrdal (1970) uses this phrase to characterize postwar period development initiatives. This term has been adopted here because it aptly characterizes the unique nature of development in this period relative to those that preceded it.

which was and is based on Western economic theory - was complemented by the existing perception of the dominance of Western knowledge that has been mentioned in the preceding section. In effect, the knowledge of the Bank was, in a sense, destined to become dominant due to: (a) the concentration of Western conceptions of its knowledge in the Bank; (b) the dominance of Western interests which shaped the discourse of the Bank (and the Bretton Woods System); and, (c) the concentration of Western capital within the Bank.

This dominance was also supported through universalistic assumptions that the experiences of 'Western progress' were typical, and would occur generally - or else could be induced and guided. Such an understanding was to have a significant impact on how poverty solutions would come to be understood as effective.

> The words 'development' and 'modernization' were coined by spokespersons for the West to characterize the efforts of others whom they implicitly assumed to be destined to achieve their levels of consumption...
>
> This was based on the postulation of an evolutionary scenario ... Westernization gained the status of a universal goal and destiny (Tucker 7)

Combined, this in-part legitimized the widespread application of Western economic theory in underdeveloped countries without forethought of potential negative outcomes (Frank 159; Mehmet 4; Myrdal 10). Creating economic growth was seen as the solution to instances of widespread impoverishment in and among developing countries which was characterized by stagnant growth and low national incomes. Specifically, economic growth was seen as the primary force which could ignite progress in underdeveloped areas as this had been the Western experience - this was not only proven theoretically but also substantiated by looking to the historical experiences of the West and Europe.

As the Bank was to have a central role in the postwar international political economy, the decision to place development in a dominant position on the policy agenda allowed it to have a central role in development as well. This forum, shown to be constructed to serve the Western -specifically U.S.- postwar material interests, necessarily preserved Euro-Western conceptions of development, and subsequently added more meaning to the idea, given their recent experiences in the interwar and war years. The dominance of Western interests in the Bank and the Bretton Woods System was unique among the United Nations institutions that emerged during this period as the break-up of colonial empires saw other UN institutions having to integrate new sets of interests as the new states gained membership.

This concentration of Western interests (and also Western capital) allowed for Euro-Western understandings of development that existed prior to this period to become embedded in this forum. Conversely, other international fora, such as the UN General Assembly, SUNFED, UNDP, and UNCTAD were constructed without the explicit intent of serving Western postwar interests which were premised on creating a trade and monetary regime to facilitate economic stability. Therefore these fora were able to generate alternative development solutions but were marginalized and discounted by the Bank as a result. When the above explanations are examined together, we can conclude that the development discourse of the Bank initially attained its force, authority, and legitimacy due to a combination of: its historical place in Western knowledge; self-affirmation vis-à-vis its scientific economic premises; postwar realities concerning power, material interests, and capabilities; and institutionalization and internationalization of Euro/Western discourse. Therefore, the whole source of development's force in the postwar period was comprised of the historical antecedents - which formed the basis of its modern meaning - and the material capabilities of its member states and the recognized legitimacy of the forum (the Bretton Woods System) which adopted its usage in the postwar era.

The concept of development took on unique and explicit economic and political meaning, as well as an explanatory capability, when it emerged within the postwar liberal normative framework. However, the naturalist, universal, and teleological undertones from previous periods were preserved as well. A consequence of this - which will be discussed below - is that development alternatives which emerge from outside the dominant discourse are placed below accepted principled and normative approaches because they are deemed to be inherently irrational and incommensurable with dominant approaches.

Before the Second World War, concepts such as 'the Third World', 'underdeveloped', or 'developing' countries did not exist and therefore unique to this period (Thomas et. al. 2; Tucker 7)[59]. However, these terms did not simply derive their importance from the fact that they emerged in the postwar period. The force of these ideas was generated by the fact that they reflected a specific Western and European understanding of non-Western and non-European states and their material conditions during this period. Further, this understanding was premised on Western-Eurocentric socio-economic and political terms and also one that reflected the new power relations of the postwar period.

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[59] The discussion of the concept of the Third World that will be provided is not complete and much could be added in terms of discussing the diversity that existed in pre-colonial times. Specifically, incorporating Fanon's arguments from *The Wretched of the Earth* (1961) and some components of historical surveys - such as Bujra's in Thomas et. al. 1992 would do much in this regard. However, these insights and arguments, although important in understanding causes of 'underdevelopment' and

In terms of geopolitics, the dissolution of the colonial powers effectively led to the emergence of conceptions of the Third World, underdevelopment, and underdeveloped countries. As Mehmet cites:

> The label 'Third World' itself was a postwar invention that was originally coined by Alfred Sauvy...The Third World, emerging out of colonialism was suddenly discovered as lacking the autonomous capacity for development...without inquiring into the history of underdevelopment [Western economists] rushed forward with...US-Eurocentric prescriptions and paradigms to reconstruct the Third World...postwar Third Worldism, [sic] born out of Western ideology, bore little resemblance to the domestic needs and requirements of developing countries (56-7)

Of equal importance are Myrdal's arguments which assert 'that the existence of colonialism, shielded the rest of the world' from the material realities, or rather the material deprivation, that existed within these countries (Myrdal 275).

> The 'Third World' emerged from the dying body of colonialism. Named in 1952, this general group of nations has come to include almost all of the countries in Latin America, the Caribbean, Africa, the Middle East, South Southeast Asia and Oceania - this is most of the peoples and states of the world with the exception of the OECD countries. (Mason 1)

> Had the agenda [of the World Bank] been drawn up five years later, development would have had a seat at the table...Franklin Roosevelt had said that economic disease is highly communicable. It follows, therefore,

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its persistence, fall outside the focus of this study.

> that the economic health of every country is a proper matter of concern to all its neighbours...what delayed the emergence of this awareness of poverty was that in the early 1940s the poor countries did not yet exist as a category. In 1942 the greater part of what is now called the third world [sic] consisted of colonies...development policy in concept and practice consisted principally of colonial administration. At Bretton Woods, colonies were the backyards of member countries, not a subject of diplomatic commentary (Kapur et. al. 65-6)

During the colonial period, the material conditions of the colonies - such as impoverishment - were the responsibility of the colonial powers alone and could therefore only be addressed by them (Myrdal 6, 276; Mehmet 56). Further, intervention in the colonies through internationally concerted policy efforts or aid coordination with intentions of addressing poverty, would have been seen as interference in the affairs of autonomous states - meaning the colonial powers. This is arguably the most persuasive reason as to why pre-World War II aid and technical assistance for impoverished nations came from charities as well as religious and philanthropic organizations (Finnemore 93). Assistance from these bodies fell outside state-state relations and could therefore be reconciled in this manner.

The end of colonialism allowed a new reality to emerge that revealed the former colonies had been 'left behind' in economic and technological terms relative to the experience of the Western World. Selecting the means to facilitate closing this gap was influenced by the ideational dominance of the West and the postwar power relations and material capabilities. Mehmet argues that the exhibition of Western states organizational capacity and their success in achieving economic growth was one factor which contributed to this dominance. It was partly through these experiences - as well as the others that have been mentioned - that the postwar development discourse came to embody the understanding that Western and European economic development could be experienced universally. From this, policy makers hypothesized all states should, and could, achieve Western styled growth in order to realize Western prosperity. At this juncture we need to examine how, and to what degree, historical understandings of development coalesced with the dominant material interests of the postwar period and how this combination of factors undermined the poverty reduction objectives of the development program.

The reconfiguration of the postwar political economy allowed for the nature of potential policy responses emerging from the Bretton Woods System to be defined in terms that would serve Western economic and political interests. A specific example of this is the manner in which economic growth became associated with and later defined, economic and political development. The emergence of this association was reflective of the West's - specifically the United States' - position of dominance in the world in terms of capital, philosophy, and productive capacity (Chew & Denemark 1996; Helleiner, *Reemergence*; Mehmet 1995; Said 2003; Tucker 1995). At this particular point in history, the effects of using a specific liberal principled and normative framework to establish a cooperative international framework and analyze the postwar challenges was particularly detrimental, especially in terms of addressing poverty. I put forth this argument in light of the approach that was taken toward the emergence of new states which added more political and economic diversity to the postwar political economy. First, the 'Third World' was seen as a unified *body* and such an understanding allowed a certain degree of continuity to emerge when developing policy. Second, the discourse emerging from the West spoke of 'underdeveloped' countries and made no mention of the diversity of those countries, their populations, or the affect they may have on development solutions. Third, 'underdevelopment' was seen to render each nation a 'blank slate' which could adopt a development framework without substantial challenge or failure.

These three factors reflect that the terms which came to be used to interpret and understand these 'new' instances were narrow and therefore oversimplified existing conditions. An example of this can be seen if we recall that in defining poverty, there is a tendency - if not an unspoken obligation - to define it explicitly in economic terms, specifically those referencing consumption. As Vandermoortele (2002) has argued, "poverty is now broadly interpreted as multidimensional yet its principle measure remains one dimensional at $1/day" (380). Poverty is still dominantly defined in terms of consumption and its primary solution is seen to be economic growth (World Bank, *2000/1*). In fact the persistence of poverty is also understood to be a persistence of underdevelopment. For example, when poverty reduction re-emerged in the 1990s the Bank's president stated "poverty reduction is a benchmark against which a development institution [and its approaches] must be judged (Townsend, *Human Rights* 358; Laderchi et. al. 2).

Development Norms and Poverty Reduction

We now need to explain how the normative aspects of development took shape. The construction of the postwar approach to development was cumulative in the sense that it embodied the dominant interests of the U.S. and the 'Western modernist position on socio-economic knowledge, organization and [was followed by Western philosophy]' (Chew & Denemark 1). Consequently, the challenges of the postwar world were understood in Western socio-economic and political terms. As we have noted above, development came to be thought of and practiced as an applied process almost 100 years before the postwar period. However, postwar economic development was unique because it was no longer simply a consciously applied project to capitalize on resources. Postwar development was 'understood' to be a natural, progressive, and universal process that could be applied anywhere and everywhere. This application, implicitly guided by the West through their ideational and material influence, and explicitly by their technical support and position of dominance in the postwar period, could elicit the social and economic change necessary to become developed.

> Never in history had a country been so economically powerful and its citizens so individually prosperous...the 1939 the GNP in the U.S. $90,500 and in 1945 it ballooned to $211,900....the industrial production was double the average of the five prewar years...the U.S. produced half the world's coal, 2/3 of the world's oil, and ½ of the world's electricity. (Mason 419)

> ...*idealization* of the West *accelerated* under a new American vision, mirroring the shift of the economic centre of gravity from the eastern to the western Atlantic:...Eurocentricity was therefore broadened into US-Eurocentricity. (Mehmet 55, emphasis added)

When Mason's account of the United States' unmatched productive capacity and material capabilities is considered in conjunction with Mehmet's arguments it becomes evident how this particular understanding emerged due to a combination of postwar interests; the dominance of the United States in the postwar world - particularly during the creation of the Bretton Woods System; and, existing Eurocentric concepts of development. The combined affect of these forces on postwar development was complemented by their institutionalization in the Bank. Although the Bank is only *one* institution among many which is concerned with development, adopting this particular discourse could only have happened in the Bretton Woods System - this was the only postwar institution explicitly charged with the task of ensuring postwar economic stability. As economic instability was a major contributing factor to the emergence of the Second World War, ensuring continuity in discourse and practice was seen as essential. This responsibility, combined with the fact that its most influential member was also the world's single postwar economic power, allowed for an essentially Eurocentric discourse to emerge that was definitely shaped by U.S. interests.

We have discussed pre-World War II conceptions of development at the close of the first section of this chapter and cited its first application by the Western world. In the Australian instance of development, development was pursued - in a consciously applied manner - to facilitate resource capitalization and infrastructure construction. However, although this was the first instance in which economic development was applied with the intention of reaching a specific material end, this instance of development was not associated with: a sense of moral duty on the part of state actors; an internationally coordinated action in terms of deploying aid or technical assistance; or, following a specific normative approach guided by dominant principles. Further, and of equal importance, is the fact that this initiative was not intended to alleviate or reduce impoverishment, increase national income, or remedy stagnant growth. The fact that poverty reduction has come to be understood as a condition that can be achieved through inducing economic growth is a particular understanding that is unique to the postwar period for a number of reasons.

One factor was the successful application of economic growth models in rebuilding postwar Europe and how this may be replicated to address other circumstances in other contexts. Europe was reconstructed with the help of financial aid but also with the help of economic theories that were specific to the social relationships and material capabilities of European states. In the instance of reconstruction, development was pursued but not with same intention as Third World development. European reconstruction and development was done under the auspices of rebuilding European economic capacity as well as social and political stability. This type of development was premised on capital intensive investment and applying technological innovations to stimulate economic growth (Mason & Asher 1973; Kapur et. al. 1997). It is important to keep in mind that this process of development was employed expeditiously as the sound and maximum function of European markets was seen to be essential in absorbing the increased productive capacity of the U.S. economy. 'Development through growth' and 'development as growth' became synonymous phrases and legitimized through the success of European reconstruction initiatives which were based on pro-growth economic development programs. In turn, this success also legitimized the Western/Eurocentric ideational underpinnings of these theories.

Although European reconstruction and development was not intended to address poverty, the success that resulted could not be ignored. A second factor that is drawn from Myrdal's work (1970) is the fact that economic growth played a significant role reversing the negative effects of the Depression (7). The U.S. social, economic, and political experiences of the Depression allowed the U.S. to identify with the newly emergent internationalization of Third World realities of deprivation (Myrdal 1970). Although the causes of these separate and disconnected instances of deprivation were unique, U.S. policy makers gained a sense of common understanding for the causes of Third World. Specifically, material deprivation was seen as source of impoverishment - given the U.S. experience – which could be remedied through the constructing and implementing of policies focused on stimulating economic growth. However, the U.S. experience of economic growth lead by state planning - in conjunction with the planned and engineered process of European reconstruction - allowed economic development to be understood as a mechanized process that could be constructed in order to achieve desired material ends, independent of context. Arguably, Myrdal gives too much credit to 'economic growth' as a force that emerged due to market dynamics alone and does not examine the role of the state in creating this environment. If we were to refer only to his arguments, it would not be possible to discern that there was a normative shift between the liberal fundamentalism of the interwar years and postwar liberalism. Consequently, we would also be unable to determine the degree to which the American state, and social forces within it, influenced the normative shift of postwar liberalism and how this affected the Bretton Woods System and policy fundamentals of the Bank.

The Western tendency to understand their historical and immediate socio-economic and political experience as universal and, the perceived congruence between growth and development and economic growth and economic development comprise the third factor. This perception, premised on the former relationship being a dominant understanding, found a place in, and was reinforced as, a proper course of action in Western economic discourse when we recall how naturalism, growth, and development - as well as the role human agency assumed in initiating and directing human progress and development - became melded into a single concept emerging in antiquity and becoming reaffirmed in modernity.

Using Western experiences as a point of reference was detrimental in establishing postwar development as historical perceptions of non-European peoples, specifically the value of their knowledge and modes of political, social, and economic organization were embedded in these experiences (Said 2003). Therefore, they were implicitly transferred into contemporary development practices. These historical perceptions, combined with the material capabilities of the West following the war and the creation of the Bretton Woods' principle and normative framework provided the foundation for which Western/Euro authority could be established in this new discourse. An important effect to note is brought to light by Tucker.

> Discourses of progress, development, and modernization are constructed on the basis of false polarities of 'traditional' and 'modern'. These temporal metaphors used to conceptualize otherness and distance in historical time are transposed on to spatial realities and used to design normative development trajectory...These false and mutually exclusive polarities are united by an evolutionary discourse that postulates them as sequential stages of development. History is reduced to a scale of progress which societies are mapped....In the real world there are no traditional societies, only ways

of looking at societies as traditional. (8)

The force of these authoritative manifestations becomes evident as we examine the emergence of what Rist has labeled, 'terminological innovations' to 'describe' the new postwar realities (72). A more revealing term for these innovations could be that they *prescribed* meaning to the conditions that existed in the former colonies. I suggest this term because 'underdevelopment' - which came into currency as a result of its use in Truman's Point Four (ibid; Tucker 7) - obscures more than it reveals in terms of the specific historical, material, political, and social realities experienced by, and in, the former colonies. Specifically, underdevelopment implies that becoming developed may remedy that condition.

As we have traced the emergence of postwar development and how historical meaning has been transposed from preceding Western-Eurocentric discourses, it has become clear that the production of meaning and authentication of discourse - and its components - is related to power relations, material interests, and material capabilities. An equally important factor to highlight is that those objectives which stand to serve dominant interests the most acquire a particular primacy - in this case the objective is economic development. The affect of this primacy is that the process by which this objective comes to be satisfied becomes normalized and established as 'best practice'[60].

In terms of poverty reduction and alleviation things were much different as poverty was neither a normative feature of the postwar order or a component of political and economic discourse. Addressing poverty emerged as a priority in the late

[60] The Bretton Woods System and the World Bank specifically was able to facilitate the construction of the normative aspect of economic development through its concentration of Western economic and political power and the primacy of Western-Eurocentric discourse.

1960s due to McNamara's vision and actions. This is important to note as we recall the essential features of norms that were established in the first chapter. Norms emerge due to power relations, material interests, and material capabilities but also because they are able to work within a specific principle framework without contradiction. In the first chapter it was argued that the emergence of norms is the result of dialectical process between competing interests which compete for primacy within a principled framework. Although these interests conflict due to the existence of essential differences, they are commensurable with the dominant principled framework. Therefore, poverty reduction could not have emerged as a norm because no dynamic was created by those that were actually impoverished. The dynamic was created out of the instances of poverty and was founded on different interests.

The assertion that economic development emerged due to a dialectical process may seemingly contradict the assertions presented regarding the knowledge of non-European peoples being subordinate to that of Europeans. However, the dialectic that is being referred to is not one between Europeans/Westerners and non-European/Westerners. Although we cannot discuss the details of the emergence of development economics, it can be said that the construction of economic development as a norm and further-on, a discourse, came about due to competing ideas in the West regarding best practices for development. This is most clear with the passing of modernization and the emergence of the Basic Needs Approach. Although both worked within the postwar liberal principled framework, each was essentially different in the process they prescribed for becoming developed.

Following from this, it can be argued that the Western-Eurocentricity of postwar discourse, on which the Bretton Woods System was predicated, posited the positions of the Third World as subordinate due to the transposition of historical conceptions and understandings of non-European/Western peoples. Consequently, establishing poverty norms, reflective of Third World conditions and experience, was not possible through a dialectic as there was not a perceived equality between Third World and Western actors. Therefore, the formation of policy approaches was done in such way that it did not conflict with postwar principles although it assumed a normative aspect because they established guidelines that could be applied. Finnemore's arguments (1996) support this assertion as well: "The precise form of poverty alleviation strategies pushed by the Bank was a product of the structure of the organization rather than anything inherent in poverty norms themselves" (91).

Consequently poverty reduction approaches, although intended to be effective, were constructed in a manner that would allow them to function in the dominant postwar liberal framework. Further, poverty reduction approaches were not established as norms but appended to the Bank's development discourse: "McNamara and the Bank [sic] institutionalized poverty as a concern and made it an inextricable part of development" (Finnemore 92). Further still, "These expressions of concern [for poverty alleviation] were not, however, connected to the foundation of the World Bank or any other development effort following the war (93).

As poverty reduction became appended to the Bank's development discourse, the dominant prescription of economic growth emerged - and still persists. Although the nature and causes of poverty became apparently more diverse, sources of impoverishment were consistently (mis)understood in Western economic terms. Kanbur and Squire (1999) make a compelling argument in this regard, citing that the persistence of measuring and evaluating poverty have remained the same since their creation more than 100 years ago:

> How would Benjamin Seebohm Rowntree assess the evolution of thought over the last quarter of a century from the perspective of his investigation into poverty in the City of York at the turn of the century? We think he would have three reactions. First, surprise that the basic approach measuring poverty used by him almost 100 years ago is still very much a feature of how we measure poverty today… (23).

This is an important aspect to highlight as the instances in which poverty exists have become more diverse with the emergence of the Third World; additionally, so have the factors that allow poverty to emerge and persist.

Although poverty reduction and alleviation assumed a central position within the Bank from the beginning of McNamara's presidency until the emergence of the OPEC crisis, the policies pursued in this period will not be examined here. One reason for this omission is that these policies were new in a relatively new organization. Therefore a certain degree of institutional learning was occurring which necessarily allowed for more failures than success. A second reason is that there have been numerous critiques conducted on these approaches and the Bank has since recognized the failures in their early attempts at poverty reduction. In 1990 however, the Bank entered a self-proclaimed new era in poverty reduction and alleviation (World Bank, *1990*) this will be discussed in more detail below. The fundamentals of these policies will be examined in order to discern if there have been any essential changes to perceptions of poverty since it emerged in the Bank's earlier development discourse.

The New Era of Poverty Reduction: 1990 & Beyond

It is clear that every 10 years or so, since poverty reduction emerged as an objective of the World Bank and the international community, the strategies and policies have shifted in order to compensate for technically insufficient components, adverse effects (such as increasing poverty in both economically and socially measurable terms), or failing to meet reduction targets. Notwithstanding these shifts, the poverty reduction strategies and policies of the Bank still fail to meet their targets[61] in terms of: transferring or sharing ownership of the policy process and empowering national governments, facilitating effective participation of citizens and civil society organizations (CSOs), and, reducing the number of those impoverished.

It will be argued that the persistence of this failure is equally due to the result of the principles themselves and to the manner in which they are institutionalized within the Bank. Not all conditions of impoverishment can be accurately conceptualized, understood, and remedied through implementing liberal economic policy - this reflects a principle adequacy. This will be illustrated by examining the key components of Bank policies as outlined in some influential World Development Reports. In terms of institutionalization, another set of problems arises which can be aptly summarized by how these principles are elevated to, and reinforced in, a position of dominance (and orthodoxy) due to the dynamic relationships between capital, states, dominant interests, and social forces within the most influential

[61] In World Development Report 2000/1 the Bank cites that there was a significant decrease in poverty, and that such a decrease indicates substantial progress toward the MGD of reducing poverty by half. However, the degree to which this reduction is related to Bank policies is unclear from the research presented. Further still, the majority of this reduction has been cited as occurring in South East Asia. As mentioned earlier in this study, Japan's influence in shaping the agenda of the 1997 WDR to include a study of a state's role in development was reflective of the success Japan and other states in that region had in addressing development objectives. In the 2000/1 Report, the interventionist role of these states and their state specific strategies - which often ran counter to Bank recommendations - went unmentioned. Therefore, although poverty has been reduced in this region, it is unclear whether Bank policy and strategy had a significant role, if any.

member states. The persistence and preservation of dominant principles creates a dynamic of exclusion and marginalization in terms of which non-state actors can influence poverty reduction policy at their respective national levels, and, the degree to which national governments will conform to the principles and norms of Bank policy and exclude discussions of viable and more effective (yet non-conforming) alternatives.

We cannot assert, however, that the liberal economic policy prescriptions of the Bank within the mentioned dynamic are the only source of failure as it has been proven elsewhere that civil conflict and human security issues also play a substantial role in allowing poverty to persist and subsequently act as a catalyst in policy failure (Sen 1999). We cannot discuss these issues here although we will examine the degree to which the liberal principled and normative aspects of these policies have contributed to the failure of these policies. Another important omission to note is that we cannot examine the affects on policy failure on women, children, and ethic minorities as these instances are not a focus of this study and cannot be examined at this time.

First, for the sake of clarity, the distinction between strategy and policy will be highlighted. Although this is largely an issue of semantics, bringing it to light will allow us to reconcile changes in language which have emerged in Bank research and publications over time and explain that this difference is not indicative of substantial changes to the policy framework or dominant approach. Second, we will examine the central aspects of poverty reduction policies in order to argue that liberal principles have persisted into the new era of poverty reduction and that there has been no fundamental change in approach. Additionally we will examine the degree to which the concepts of national ownership and empowerment have successfully factored into poverty reduction policies and what the effects of this have been. Third, we will examine some outcomes of the Bank's policies in order to argue that the principle foundations have played a significant role in the failure of these policies and the marginalization of alternative strategies[62].

This portion of the study will also examine specific policies of the Bank and some of their central components. Specifically, we will examine the ownership and empowerment dimensions of the Bank/Fund initiative which began in 1999 - the Poverty Reduction Strategy Papers (PRSPs). PRSPs are developed by national governments, in partnership with International Financial Institutions (IFIs), CSOs, and citizens- especially the impoverished - through Participatory Poverty Assessments (PPAs). The PRSPs came about due to the past concerns that the Bank and Fund had a standard policy framework which would be implemented into all contexts of poverty. The strategy which forms the premise of PRSPs is that the involvement of recipients and civil society will create a sense of ownership and empowerment and allow for more effective and context specific strategies to emerge. Extensive research has shown that although PRSPs are premised on inclusion, they depart very little from the strict economic orthodoxy and conditionality of the earlier adjustment programs. Basically countries are 'allowed' to structure programs within the principle and normative framework of Bretton Woods System.

The PPAs are broad-based information gathering initiatives where Bank staff interview those experiencing poverty and extreme circumstances of deprivation. The

[62] A detailed discussion of policy alternatives is not the focus of this study and will therefore be omitted. The important aspect to highlight in doing this is that preventing the consideration of alternatives to enter the Bank policy process prevents the emergence of a dialectic which could result

information gathered from these activities is prominently featured in WDR 2000/1 as well as the Bank's website via the Voices of the Poor portal. The purpose of these assessments is to develop a more comprehensive multidimensional understanding of poverty. The outcomes of these assessments have been integrated into the Bank's documents. They have not, however, affected the Bank's dominant policy framework to a substantial degree.

i. *Strategy vs. Policy and Realizing Ownership and Empowerment*

Since the release of World Development Report 1980, the Bank has attempted to develop more inclusive poverty reduction strategies to facilitate national ownership and empowerment and, be more specific to unique circumstances of impoverishment in each country. These strategic components were adopted in response to the clear ineffectiveness of Bank programs that either failed to meet their poverty reduction objectives or increased the magnitude and intensity of the current condition. Therefore, these objectives were framed as progressive relative to policies that were created during the Bank's early history.

In terms of depth, however, the revisions in *strategy* were -and still are - insignificant and remain only at the level of language. This is important to emphasize for if one were to conduct a comparative analysis of poverty reduction strategies one would notice a marked change in the use language since poverty became an objective of the Bank in the late 1960s. From this, one may be inclined to conclude that the change in language is indicative of a change in principled approach. Although the strategies of the Bank have come to include terms and phrases such as 'empowerment', 'country driven development', 'participation', and 'ownership', the

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in a more inclusive and effective normative framework to emerge.

premise of the framework for poverty reduction policies - now based on the Comprehensive Development Framework (CDF) - has maintained its liberal principled and normative framework.

From the outset, it should be mentioned that 'poverty reduction strategies' and 'poverty reduction policies' are understood to be synonymous. However, there is a subtle - yet fundamental - difference between strategies and policies which needs to be highlighted in order to account for the change in Bank's language but persistence in fundamentals. The 'strategies' are seemingly constructed for political purposes. They are tools that have been used to build institutional and international consensus on new directions for Bank policy[63] - meaning that they are developed in order to create a specific understanding around forthcoming policies - rather than be utilized for practical application in policy. Of equal importance is that this particular use of specific language implicitly seeks to balance the unequal power relations within the Bank that preserve its dominant liberal mode of thinking and policy framework. A small, yet explicit example of this is the Bank's *inclusion* of its critics arguments. In World Development Report 2000/1, the Bank includes excerpts of Townsend's and Sen's arguments in order to illustrate that the understanding of poverty is becoming more multidimensional (World Bank, *2000/1* 15,23). Although the Bank cites these arguments, it is clear that there has been no substantial difference in policy approach to address this newly understood multidimensionality. One glaring fact that illustrates this is that poverty is still conceptualized in economic terms - income and

[63] It may seem redundant to mention that institutional and international consensus is derived in this manner given that only a small portion of the international community does not hold membership in the Bank. The use of these different terms is meant to reflect that the consensus is also built among non-state actors - such as Civil Society Organizations, individuals, and non-CSO designate groups - for which the Bank has no formal institutional framework to accommodate.

consumption levels - even though poverty is now understood as having an over-arching social dimension that requires more than economic growth.

Townsend (*Human Rights*), Kanbur and Squire (1999), and - much earlier- Seers (1977) all respectively argue that measurement in terms of a poverty line (national or international) or national income (to use Seers' argument), even for the purposes of aggregation, is highly inaccurate and does not sufficiently capture the dynamics of the poverty experience. Townsend emphasizes that: 'poverty is now broadly interpreted as multidimensional yet its principal line of measurement remains one dimensional at $1/day' (*Human Rights* 380) [64]. Although Townsend's argument came after the now bench-mark report, the poverty line is still used as the measure for poverty reduction; further still, economic growth is still supported as the primary source of poverty reduction and social development (World Bank, *2001*; *2003*). In terms of the latter points, we can recall the arguments made previously about development and growth as a seemingly universal process. These arguments will be taken up in detail in during the second portion of these arguments.

World Development Report 1990, entitled *Poverty*, introduced what is now considered a 'traditional view of poverty' (World Bank, *2001* 15): 'poverty is the inability to attain a minimal standard of living and pursue social development such as education and a basic health' (World Bank, *1990* ch.2). Although the introduction of social indicators to measure different dimensions of poverty seemingly recognizes the multidimensional character of poverty, the policy prescriptions have clearly, and persistently, reflected the Bank's dominant liberal economic, and one dimensional rational. Of equal importance is the fact that those groups that have the greatest

[64] The international poverty line was recently increased to $1.08/day based on a revised median value

potential to transform policy approaches so as to address the multidimensional aspects of poverty specific to each country experiencing poverty [Civil Society Groups (CSOs) and national governments] are consistently excluded (to varying degrees) from the substantial portions of policy creation and decision making process - thus highlighting another instance where the language of Bank strategy and practice (policy) are not consistent.

When analyzing the outcomes of the process and application of Poverty Reduction Strategy Papers (PRSPs) [and their Interim versions (I-PRSPs)] the research of McGee and Norton (2000); Khor (2003); Stewart and Wang (2003); and the collaborative efforts of the Bretton Woods Project reveal that, regardless of the inclusive language used in Bank strategies and working papers, liberal principles still form the core of Bank poverty reduction policy (the CDF) as they are preserved and reinforced through the capital contributions of powerful Western states - most notably the United States. The exclusion of CSOs from the policy process, and the self-censorship of national governments in proposing effective policy alternatives, constitutes a policy failure in terms of facilitating empowerment and inclusion (Khor 2003). The existence of these facets stands in stark contrast to objectives put forth as early as 1991 in Operational Directive 4.15 (rev. 1993), *Poverty Reduction*. Further, examining the excerpt below also brings to light a significant shift in language from 1993 to the present- significant because the change seemingly leads to more inclusiveness yet lends nothing in terms of operational capacity in terms of policy.

> 39.*Popular Participation and NGOs*. Effective implementation and operation of most poverty-reduction projects require the active involvement

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(Townsend, *Human Rights* 380).

> of the beneficiaries. Active beneficiary participation also should be built into earlier stages of the project cycle. Participation is most critical to the success of projects designed to help specific groups of people. It is important, for example, in family planning, community health, food security, urban upgrading, nutrition, and community water supply projects. Public consultation on environmental issues and adjustment programs can improve the design of and build public support for large-scale investments and policy decisions. In many countries, the basic institutional processes for reconciling competing claims between socio-economic [sic] groups are weak.
> Especially in such settings, popular participation requires careful planning, management, and supervision; the effectiveness of popular participation can be enhanced by the existence of a social policy framework. Because of their proximity and first-hand knowledge of the needs and interests of the poor, NGOs can provide a useful link between official planners and project beneficiaries. NGOs have shown that their programs can reach the poor often more effectively than programs managed by the public sector, especially when NGOs are brought into the early stages of project preparation. Subject to government sensitivities, Bank policy encourages task managers to involve NGOs as appropriate--particularly grassroots and self-help groups among the poor--in project identification, design, financing, implementation, and monitoring and evaluation. (OD 4.15)

In 2003, *Issues and Options: Improving Engagement Between the World Bank and CSOs*, the Bank's Civil Society Affairs Team cites that changes in language from NGO to CSO was due to the fact that the former term 'too narrowly referred to professional and non-profit organizations' (ii) and that the Bank came to understand civil society as 'the arena in which people come together for the exercise of pursuing common interests - not for profit or political power - but because they care enough to take political action' (qtd. on 3). Although the importance of engaging CSOs and national governments in the policy process has been recognized numerous times in Bank strategies, the degree to which engagement has been pursued; at which stages it has been integrated; and, the affects of this on policy creation has been mixed.

In their research entitled, *Do PRSPs Empower Countries and Disempower the World Bank, or is it the other way around?* Stewart and Wang (2003) conclude that since the objectives of ownership, empowerment, and engagement have emerged in the mainstream discourse of the Bank, there has been no substantial changes in policy relative to the fundamentals of the Structural Adjustment in the 1980s:

> If programmes were truly nationally controlled, we would expect to at least see some PRSPs exhibit strategies that differ from the standard policy prescriptions of the past ...the fact remains that there is very little among programmes and many are the same adjustment programmes...there still is a lack of an explicit [and unique] link between macroeconomic policies and poverty reduction...poverty analysis and macroeconomic strategies are two independent sections of the PRSP with few explicit links between the two (19-20).

Similarly, McGee and Norton (2000) highlight another important aspect of this and that is the difference between consultation and joint-decision making. The Bank outlines the numerous forms of participation that CSOs can have in the policy process depending on expertise, funding abilities, transparency, and representation: dialogue;

consultation; and shared ownership/decision making (World Bank, *Issues* 12). However, the Bank does not have a formal framework in place that allows for consistent practice and application in this area[65]. What most research in this area indicates, however, is that the Bank's relationship with CSOs is largely dictated by the degree to which the CSO's analytical methodology and approach toward poverty reduction is compatible with the dominant policy framework specified in the CDF - even though other criteria are specified[66]. Although more inclusive language has been incorporated into Bank strategies (World Bank, *2001* 12; *2002* 6), inclusion has proven to be dependant on the CSOs' agreement and adherence with dominant Bank practice. This has not only affected the relationship that CSOs have with the Bank but it has also affected CSOs' relationships with national governments when they are constructing their national dialogues. CSOs have experienced governments attending consultations with PRSPs already drafted or preconceptions of what the particular approach will be (Stewart and Wang 15-16). Such experiences are contrary to the assertions made in WDR 2000/1: 'The poor are the main actors in the fight against poverty. And they must be brought to centre stage in designing, implementing, and monitoring anti-poverty strategies' (12).

Given the above, it seems that the Bank is using the notion of CSO involvement for the purposes of social validation in the international community and

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[65] Conversely, Good Practice (GP) statement 14.70 (2000) could be cited as a sufficient indicator as to what criteria the Bank considers acceptable for CSO partnership selection. Although paragraph 15 outlines the criteria for CSO selection for partnered/joint-decision making initiatives, this document is not considered to be an authoritative document and only means to serve as suggested practice.

[66] (a) credibility: acceptability to both stakeholders and government; (b) competence: relevant skills and experience, proven track record ;(c) local knowledge; (d) representation: community ties, accountability to members/beneficiaries, gender sensitivity; (e) governance: sound internal management, transparency, financial accountability, efficiency; (f) legal status; and (g) institutional capacity: sufficient scale of operations, facilities, and equipment. (ibid)

in national civil societies in order to create the image of a more inclusive and more flexile policy process. Conversely, research presented in a Bank/Fund 2002 document entitled, *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Early Experience with Interim PRSPs and Full PRSPs* argues that acceptance of PRSPs has been gaining international acceptance due to increased feelings of ownership among recipients:

> There has been widespread agreement of the PRSP approach to date: a growing sense of ownership of most governments…and both government representatives and many civil society organizations from diverse settings have voiced commitment to this process; a more open dialogue…; a more prominent role for poverty reduction in policy debates…;an acceptance by the international community of the principles of the PRSP approach…(6)

However, the ability of indebted states to develop PRSPs that are independent of the CDF has been a topic widely researched. The general conclusion has been that countries draft I-PRSPs and PRSPs in-line with Bank principles at the cost of limiting, or completely excluding CSO involvement and consequently limiting the emergence of real ownership - regardless of perceptions. The purpose of I-PRSPs is to secure immediate debt relief through the Highly Indebted Poor Country Initiative (HIPC) by way of proposing a draft for a sound foundation for pro-poor growth policies of the PRSPs. The potential for recipient states to initiate and/or promote change within the Bank - through creating I-PRSPs (and also PRSPs) that are contrary to Bank orthodoxy - is limited at best due to their lack of capital contribution to the Bank's resources.

Further, the ability to incorporate un-orthodox policy frameworks is inhibited by the existence of the Bank's *Strategic Framework* which was introduced in the *Strategic Framework Paper* (2000). The impetus of this strategy is ensure that the actual behaviours of all actors involved in poverty reduction are in-line with the Bank's organizational values; further, this framework emphasizes the growing importance of: the private sector for poverty reduction; rapid technological advance; and, the importance of civil society (World Bank, *Strategic*). The effects of developing a private sector and fostering technological growth have been mixed for both states (on a macro level) and the impoverished. However, the Bank's new policies are structured with the intention of creating the fastest measurable results within a period of three to five years as this is their project evaluation window.

In some cases, there have been positive measurable economic results in this period as well as increases in social indicators like nutrition status and enrolment rates. At the same time, however, there have been no substantial correlations drawn between increases in social indicators and implementing the *Strategic Framework* objectives, no indication that the positive economic outcomes (such as growth and sector development) are sustainable or if they will positively affect local entrepreneurs, and no indication of whether or not pursuing these objectives will have negative long-term social effects. It would seem that even though WDR 1990 recognizes the inadequacies of universal models for poverty reduction (46) and also recognizes that it is common for unanticipated effects from reform to emerge and adversely affect the poor (36), there have been no substantial changes in the policy framework to reconcile this - only changes in strategy.

As the Bank is primarily concerned with creating a policy environment that is conducive to facilitating the fastest measurable results, alternatives from the civil societies, recipient governments, and CSOs are heard, but not incorporated or integrated into final policies in order to create macroeconomic stability. This results in the emergence of principle and normative continuity between the national policies and Bank principles under the auspicious of facilitating debt relief, aid transfers and increased private capital flows. An April 2003 report by the Bretton Woods Project cites that 'cash strapped governments may feel that they cannot listen to their citizens when it could...jeopardize flows of external assistance' (Bretton Woods Project, *Results*). The concepts of ownership and empowerment which emerged largely in the 1990s, and became currency with the release of WDR 200/1, are clearly problematic as they create false understanding of how Bank policy is constructed and the effect that power relations have in this process.

Stewart and Wang (2003) provide a critique of these terms in order to discern how they affect expectations for policy outcomes based on a relatively more inclusive policy process. They assert that the terms 'ownership' and 'empowerment' have been coupled in order to create a sense that national governments and CSOs have the ability to more effectively contribute to the policy process (relative to previous periods) and promote change. However, when the concept of ownership is closely examined, they conclude that it cannot be applied to the policy process as clearly as it can in the instance of private property - from which the term is borrowed:

> Ownership is borrowed from the realm of private property over goods and land, where it generally has a well-defined legal meaning, but also involves a psychological aspect of the perception of possession. In policy the legal aspect disappears and we are only left with the psychological aspect (3)

It is clear from arguments made elsewhere in this study that it is not possible for member states within the Bank to have any degree of ownership on the production of knowledge and information without having institutional power which is derived from their capital contributions to Bank resources and also their respective capital and productive capacities. The notion of ownership, which has been a defining feature of Bank strategies over the last 10 years, has proven to be a concept without substance. The Bank has asserted that obstacles to increased ownership are as much the indebted countries as they are their own.

The Bank has asserted that the challenges to increased ownership are - by and large - centred around issues of transparency (both for CSOs and governments) and how this may allow for corruption to emerge and persist (World Bank, *2001* 65). However, numerous studies conducted by research groups and CSOs (Catholic Relief Services, Christian Aid, CIVICUS, The Bretton Woods Project, and Eurodad) have indicated that the exclusion of CSOs from the construction of the technical economic aspects of PRSPs is largely due to the principle nature of the PRSPs and how power relations within the Bank are structured to preserve them. These poverty reduction strategies require approval of the Bank's board at an interim and final level where the former allows for debt relief to be disbursed.

One such aspect relates to the timelines that are imposed by the Bank while drafting I-PRSPs and the affects these deadlines have on gathering accurate information; facilitating inclusion; and, fostering a sense of ownership and empowerment. Stewart and Wang (2003) argue that the incentives to complete the PRSPs as quickly as possible compromise the quality of research that is conducted:

> The Mozambique Debt group (2001) reports that 'the consultation process was driven inordinately by a deadline for the completion of the PRSP,

> which even with good faith on the part of the government provided inadequate time to carry out a comprehensive consultation process. In Ethiopia, the government attempted consultations in over 100 districts in 3 days (Muwonge et al 2002). (13).

The Bank's choice to implement a timeline for PRSPs is a difficult issue to address. If the process is not given a timeline, policy implementation may not occur fast enough. Current conditions may be exacerbated causing more social and economic costs and could potentially create political instability. However, the imposition of timelines also reveals some problematic fundamental assumptions regarding poverty reduction. The first being, poverty is still fundamentally understood as a condition relating to progress and underdevelopment. This, once again, suggests an influence by Western teleology. Second, it also suggests that poverty, although recognized as multidimensional, is addressed in a one dimensional manner. This undermines the pursuit of national ownership. It is simply not possible to develop a unique national strategy in 3 days; in such a case, the Bank's principles and ready-made policies would necessarily have to be used in order to have a plan completed within the timeframe. I-PRSPs are not only faced with time constraints, but also principle and normative constraints in terms of what type of approaches can be proposed.

If the proposed interim strategies are not deemed sufficient in terms of policy fundamentals, then funding will be with held and the strategy will require redrafting. Stewart and Wang (2003) cite examples where this has occurred:

> Although national governments have been agents of exclusion, it appears they may have been equally constrained in influencing the macroeconomic framework. The Honduran NGO, *Interforos* was told by government

> officials the...position regarding macroeconomic policies was not negotiable (qtd on 19).

These examples are necessary to bring to light as they illuminate the gap between Bank strategy and policy. This gap has been generated by the Bank using of language to create the image of a more inclusive policy process - one based on ownership and empowerment. As PRSPs are a new initiative, it is not possible at this time to evaluate how they have affected inclusion and participation in the long-term and whether or not these factors have made Bank policies more effective in reducing poverty. However, we can evaluate how the Bank has accommodated these new policy participants that PRSPs have empowered.

As mentioned above, there are different levels of CSO engagement in Bank and government relationships - dialogue, consultation, and shared (joint) ownership/decision making. Each implies a different relationship, premised on different levels of authority, which are determined and assigned by the Bank, and ultimately its shareholders. As the Bank acts as a distributor of power in these relationships it necessarily renders all collaborative and consultative relationships unequal as the designation of authority is determined by conformity to its dominant policy framework. In all but the last the relationship, analysis, review, and other feedback on policy need not be integrated into the final stages of the policy process. To a limited degree this is understandable as it has been cited that some CSOs do not have a sufficient amount of transparency or expertise in poverty reduction to have their research and recommendations considered. Such safe-guards are important to have in place given that poor transparency is a factor which can contribute to policy failure and corruption.

However, the levels of transparency which the Bank requires of CSOs are ones even the Bank cannot satisfy. This has been indicated by the Bank's proven failure to generate accurate and timely information and make it accessible to CSOs, national governments, and members of civil society[67]. The challenge of achieving transparency has persisted throughout the Bank's history and into recent times - despite of revisions in Bank strategy which indicate increased access is being achieved. The research of both McGee and Norton (2000) and Stewart and Wang (2003) cite that, in some cases, information cannot be accessed because it does not exist. Specifically, the Bank has not carried out sufficient follow-up research on the implementation of PRSPs and the role that CSOs have played in making these strategies more, or less, effective. This is interesting to note because as the Bank continues to promote CSO involvement, it does not have any indication of whether or not this is harming or benefiting poverty reduction.

This is evident by the twelve-point list compiled by the Bank's own research from their Civil Society Affairs Team in 2003 entitled, *Framework for Engagement: Expansion and Constraints*. Of these points, three are relevant for our purposes:

> **There is a lack of reliable and/or easily accessible information to evaluate and track Bank-CSO engagement.** The Bank cannot currently provide an accurate institutional picture of the amount of its funds

[67] Although comments on the affects of the Bank's institutional capacity on their relationship with CSOs may seem out of place, I argue that this is an indication of the Bank's preference to allow states to hold primary decision -making power. Admittedly, not all CSOs are interested in proposing alternatives to the mainstream discourse. One reason for this is that it would affect their ability to receive Bank funding and participate in decision making. Therefore, one could not argue that the current structure in place has been intentionally constructed and preserved in order to only marginalize alternatives as it has proven to marginalize Bank principled supporters as well. Regardless of whether or not CSOs support the Bank's principles and norms, states still need to retain a primary position in decision making in order to keep decision making efficient and also to ensure that their interests, and those of their dominant social forces, are being served.

> channelled through or earmarked for CSOs....OED findings suggest that claims of CSO involvement in Bank projects may be inflated the existing desk-based monitoring system measures only intended, not actual involvement...**The ad-hoc institutional approach to consultation has emerged as a major source of friction between Bank-CSO relations**...Too often consultations are treated as a validation exercise rather than as an opportunity to learn and help shape recommendations before they are finalized...**Disclosure & Transparency**. ..Bank limits access to information before decisions are made... (their emphasis, 24).

It goes without argument that the Bank's poverty reduction strategies have changed significantly since poverty emerged as a dominant concern. This is evident by examining the strategic objectives of the I-PRSPs and PRSPs (Macuish et al 26). However, the degree to which the changes in strategy have materialized in policy has been disappointing. A reason for this is that the new strategies are not in-line with the Bank's dominant interests. Although the CDF - the Bank's policy cornerstone - is based on: long-term vision and strategy; clear ownership of development goals and activities; strategic partnership among stakeholders; and accountability for development results - the act of preserving liberal economic principles and policy is beyond criticism. It is clear that the Bank's ideational and structural characteristics are mutually reinforcing in this regard, perpetuating policy failure and inhibiting the emergence of substantial change. The Bank's research cites that 'the failure of Bank-CSO relationships is largely structural due mostly to a lack of outcome based monitoring' (World Bank, *Issues*). However, the persistence and subsequent source of structural inefficiencies goes unexamined. In attempting to understand how policy failure is related to structural inefficiencies, we must look at the relationship between the Bank's principled and normative framework and it most powerful member states. In doing this, it will become clear that the principle framework is being preserved by the Bank's most influential member states through a combination of their capital contribution and the power of social forces within them and the effects they elicit in the international political economy.

ii. The Effects of Persistent Policy Fundamentals: An Increase In Numbers

When studies are conducted to examine the success or failure of Bank policy, there is a general tendency to report an increase or decrease in the number of impoverished relative to the US$1 per day poverty line. Measuring an increase or decrease in these terms, however, reveals little in terms of the actual change in the conditions and experiences of those who live in poverty. Ironically, both supporters and critics *move* the human experience of impoverishment to a level of abstraction where an increase or decrease (of even 'one') in the number of the poor is seen as loss of victory for either side. Rist (2002) cites that 'some twenty years after development sought to eradicate poverty, almost 1 billion people were living in absolute poverty' (Rist 163). In more detail, Aubugre (2001) and Rochow (2003) separately cite more detailed increases: 'between 1987 and 1997 100 million more people became impoverished' (Aubugre 3); and that there was an increase in Latin America from 64 to 78 million and an increase from 574 to 622 million in South Asia (Rochow 8). Finally, the Bank cites that Europe and Central Asia faced an increase from 11 million to 24 million and Sub-Saharan Africa saw an increase from 217 million to 291 million and also cites 'that aggregate measurement of poverty can hide significant differences in poverty outcomes' (World Bank, *2000/1* 21-23).

In all cases, citing these numbers reveals little in terms of an increase or decrease quality of life[68] - how do these increases translate into human experiences of impoverishment specific to that state, or particular region in that state? As the multidimensional nature of poverty is becoming more understood, new methods have emerged in poverty analysis in an attempt to understand what increases and decreases in poverty mean in terms of human experience. The most notable of these policy tools is the Participatory Poverty Analysis. What becomes apparent is that even though policy objectives are premised on conceptions of national ownership and empowerment, they are heavily focused on creating a 'quality of life' in terms of a specific set of social relationships and socio-political organization - regardless of short, medium, or long-term effects on human experiences in these contexts.

It has become clear that the concept of 'life quality' is a cultural construct - one which is dominated by Euro-Western historical antecedents as well as perpetuated and preserved through Euro-Westerncentric international institutions. The effect of this has been that poverty reduction policies have been aimed at recreating a Euro-Western quality of life in the developing world; this has basically amounted to poverty reduction policies aimed at changing social relationships in society with the 'hope'[69] of creating positive outcomes. However, these outcomes have been evaluated in terms of their future economic benefits and not the adverse

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68 Citing Rist's research on increasing poverty is not meant to marginalize his detailed arguments regarding the other socio-political and cultural dimensions of poverty. The measurement is cited in order to illustrate that this is a popular, yet faulty, conceptual tool for characterizing changing levels of impoverishment. Although numerical measure maybe consider the most effective during this period, it is by no means effective in communicating what an increase or decrease means in terms of human experience. Conversely, it may be argued that the PPAs are a complementary tool in this regard. However, the research and information emerging from PPAs have not yet been integrated into poverty measurements and potential affects of this on understandings relating to changes in poverty levels is only speculative.

69 I bring special attention to this word as I was surprised by how consistently this term has been used

social effects that may emerge. This aspect (a period of adverse social effects directly following policy implementation) has been not been substantially addressed in Bank research and has often been briefly addressed as an 'adjustment period'. However, the long-term effects of this period emerging and the degree it will affect social institutions (families, communities, and workers cooperatives for example) is unquestioned. Although the Bank still maintains that there is a strong relationship between economic growth, market-friendly practice, and poverty reduction (World Bank, *2000/1* ch. 3,4), there have been few outside the Bank (Lipton et. al. 2000 for example) that have supported this claim

> A large empirical literature has documented that, on average, countries with market -friendly policies such as openness to international trade, disciplined monetary and fiscal policy and well-developed financial markets enjoy better long-run growth....(63)

Further to this, the Bank claims that increases in growth, in general, lead to an increase in consumption of the poorest fifth of the population and that this is essential for human development (World Bank, *2000/1* 55-59). However, former advocates of Bank principles and policies now strongly criticize this approach (Kanbur and Sachs for example). What has become clear is that economic growth and poverty reduction are mismatched objectives where the former inhibits the latter.

The World Bank's principle and normative framework has remained relatively intact since its creation in 1947 due to three factors which underlies the dynamic between Euro-Western political power and capital has facilitated the retention of their

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in WDRs (1990 & 2000/1) - a relatively technical paper based on scientific economic fundamentals.

ideational dominance. These factors are: 1) the structure of the Bank itself[70]; 2)the persistent dominance of particular social forces in these states (finance, production, and agriculture); and, 3) the affects they have in domestic spheres of these states[71] . This dynamic and its constitutive factors have been revealed, examined, and explained throughout this study; however we now need to examine if this dynamic has persisted into 'the new era of poverty reduction' and what effects have precipitated as a result. Specifically, we will see what has been identified as a consistent group of reforms which have formed the foundation of poverty reduction programs - agriculture reform, trade and market liberalization, as well as fiscal reform (WorldBank, *2000/1* 31) - and the affects these have had on poverty .

i. Agriculture Reform

Agriculture was cited as the 'main source of income for the world's poor either through self-employment or labour' (World Bank, *1990* 33). At the time of this WDR, the agrarian sectors of countries in the developing world were sustained through protectionist tariffs and government intervention in order to ensure that the poor had means of survival. Additionally, state intervention ensured that the price of food for the urban poor remained affordable. Although these measures were not alleviating poverty, it was not contributing to its increase either. Although the Bank deems these policies as economically inefficient, the protectionism and state intervention was, and is, strikingly similar to that of the United States and Britain for example (World Bank, *1990* 121). This can be considered an example of how

[70] This refers to the manner in which voting is conducted and the hierarchy within the Executive.

[71]Although the Bank's poverty reduction strategies rest on implementing liberal economic fundamentals in order to reform fiscal, trade, and agriculture policy, the Bank - as stipulated in its Articles of Agreement as well as Staff Rule 5.03- cannot involve itself directly in the political affairs of its member countries (World Bank Group, *SA* 1).

powerful states act with their interests and with those of the dominant social forces of their state when constructing Bank policy. Further, these policies inhibited countries with politically powerful agriculture sectors, such as the U.S., to have access to these markets as tariffs made their products relatively more expensive than domestic products.

In terms of agriculture, three general reforms have been widely proposed by the Bank as the necessary means to reduce poverty, especially those instances occurring in rural areas: land reform, reduced - and ultimately eliminated - protectionism, and increased technological application (World Bank, *1990* ch.3,4; World Bank, *2000/1* 66). Although the Bank has cited that 'universalizing models have not always produced universal results' (World Bank, *1990* 51) these reforms have still remained dominant, even with their proven adverse affects on the impoverished.

The manner in which the agriculture reforms have been proposed is such that they disassemble and replace non-liberal institutions without questioning the socially necessary roles they may have had. The Bank's notion of institution building is particularly interesting as it does not always refer to physical institutions or even formal laws and regulations. Institutions are understood to be informal arrangements based on norms (World Bank, *2003* 4-5). However, given the noted lack of national ownership and empowerment in constructing poverty reduction policies and strategies, it becomes clear that these norms are not emerging as unique socio-economic political outcomes in specific societies. Rather they are the norms imposed by the Bank that support its principles and policy framework. The imposition of a normative framework is problematic especially if we recall Williams' arguments regarding norms:

> norms do not exist as discrete and separate entities each having their own autonomous significance because: 1) norms are embedded and connected to other norms and ideas in a complex and changing patterns and, 2) social actors cannot act on one norm, idea, or commitment alone because they are embedded within and confront a world in which ideas, norms, and commitments exist in complex changing relationships (Williams 558-9).

In terms of agricultural reforms, this is particularly important as the creation of institutions that regulate new market dynamics requires a significant and substantial change in social relationships - changes that elicit adverse effects that are not measurable by economic and social indicators. There are no indicators to measure the marginalization and loss of culturally significant modes of socio-economic and political organization. In addition to these effects, the implementation of these policies has also resulted in a measurable decline in growth rates in some instances:

> How, under these circumstances, can the IMF and the World Bank claim that PRSPs aim at reducing poverty [sic]? The forced liberalisation of the groundnut sector in Senegal led to a sharp fall in agricultural production in 2002. This, in turn, resulted in the decline of economic growth from 5.6 % in 2001 to an estimated 2.4 % in 2002. This translated into an income loss of roughly $200 million for a country where two out of three citizens live under the poverty line. (qtd. in Macuish et. al. 24)

The suggestions of WDR 1990 - that are also restated in WDR 2000/1 (ch. 4) - regarding market liberalization and the use technology are focused on increasing economic growth but have no proven affect on poverty reduction. The agricultural sector is one which sustains the livelihoods of the majority of unskilled labours. Further the labour intensive component of this sector, although inefficient by Western standards, allows for a high concentration of employment. The introduction of agricultural technology requires skilled workers and has resulted in the displacement of many working rural poor. This displacement has negatively affected rural families and communities as people are forced to the urban areas to seek employment, or beg. The Bank argues that institutional frameworks (norms) must follow after such reforms. However, such a suggestion rests on a misunderstanding of how norms emerge and operate in a society - norms emerge over time and do not become accepted because they are imposed. Further, the degree to which a society of displaced, unemployed, and impoverished people can come together, in any capacity, to create and loosely legitimize a new normative social fabric, is very questionable.

Liberalizing this sector has also proven to be a detriment to those in poverty; and, although it has caused a decrease in rural poverty in some cases, this decrease has only amounted (in the majority of cases) to a geographic shift to urban centres. A fundamental component of the Bank's agricultural policy is the removal of price protections, reduction and removal of import tariffs, and the implementation of land reform policies. In order to keep food prices affordable and ensure farmers and workers were paid sufficient wages, national governments would subsidize farmers to compensate for selling products at lower prices in their respective national markets.

To complement this, import tariffs were used to keep national products relatively more affordable and protect national markets protected from cheap imports. Although the removal of price supports and tariffs satisfied the Bank's market liberalization requirements, they made domestic agricultural products too costly for poor and middle income groups. Pursuing liberalization in this sector has also opened this sector to foreign investment, which has resulted in foreign ownership over domestic factors of production. Foreign investors bring capital, technology, and technical labour with the consequence being increased unemployment and lower wages. When the latter are combined with land reform, this also opens the land in this sector to foreign ownership. The reforms that the Bank proposes are based on Western conceptions of private property and ownership. From this, the central challenge is that the poor - as well as local farmers - do not have access to the same capital and credit as foreign investors and do not have the same ability, and access, to purchasing the land.

ii. Trade

Liberalizing trade through establishing physical and ideational institutions has been an initiative of the Bank since its emergence. The manner and degree to which these reforms have been pursued has shifted during the Bank's existence, although these shifts have not materialized into policy changes. Additionally, these changes have not emerged from incorporating alternative trade strategies or increasing feedback from national governments and CSOs. The Bank argues that these reforms (now) make up the smallest portion of their complete reform package (qtd. in Powel 2003 5). Increasing national ownership over policy and facilitating empowerment has not been the driving force behind this shift. The reason has been, by-and-large, a conscious and political attempt to deflect the criticism that loan conditionality - and its effects - received in the 1980s and early 90s. To support this argument, Powell (2003) quotes arguments made by former Bank economist Michael Finger that suggest that implementing trade reforms as part of loan conditionality need not be pursued in the same manner any longer as the Bank uses the support it gave in the WTO to allow LDCs access as a means to achieve this citing that 'this approach is more cosmopolitan politics [sic] than support for trade liberalisation' (ibid).

The Bank's pursuits (and originally thoses of the Bretton Woods System) to implement liberal trade reforms have its roots in the elimination of Imperial Preference held by Great Britain in the period preceding the Second World War in order to establish a non-discriminatory free trade system. Establishing this system was a central concern for the U.S government and many sectors (agriculture and industry) within the U.S. Although discriminatory trade practices persist in developed countries through the existence of non-tariff barriers, subsidies, and tariffs - which have proven adverse affects on developing economies and the poor in those countries (World Bank, *1990* ch. 8) - countries looking for Bank assistance are required to implement liberal trading fundamentals (removal of NTBs, subsidies, tariffs, and import restrictions) as part of a strategy to develop and integrate the trading frameworks of LDCs into the world economy[72]. However, the pursuit to establish liberal trade environments are not attempts to *directly* reduce poverty, as the Bank has taken the position that establishing freer trading environments is a precursor for growth which will in turn reduce poverty (Winters 2002).

> there is no a priori link between trade and poverty reduction. Instead, the poverty impact of liberalisation measures is determined [sic] by a number of variables including how tariffs are translated into price changes for the

[72] The simultaneous development and integration of LDC trading frameworks is arguably too ambitious and will not meet its growth objectives. The main reason for this is that numerous shocks (price, demand, wage, employment) will emerge in the national economies that will require policy responses. These responses may not be in-line with Bank policy objectives and will hinder international integration objections and the pursuit of national priorities because of lack of funding.

> consumer, how protection is structured, the relative importance of imports and the impacts of liberalisation on secondary markets such as those for transportation. (qtd. in Powell 2003 6)

The Bank has focused its trade agenda around 'trade related capacity building' (TRCB) and the Integrated Framework for Technical Assistance (IF) to LDCs (Powell 2003). The functional definitions of both of these initiatives render these pursuits quite ambiguous. In 2001 the Organization for Economic Cooperation and Development (OECD) defined TRCB as:

> a coherent set of activities by donors and partner countries designed to enhance the ability of policy-makers, enterprise, and civil society actors in-country to improve trade performance through policy and institutional strengthening as part of a comprehensive approach to achieve a country's overall development goals. (OECD 2001)

The Integrated Framework is a coordinated trade initiative intended on facilitating the coordination of trade-related technical assistance and promoting an integrated approach to assist the least developed countries in enhancing trade opportunities (www.worldbank.org. 9). The coordination for this initiative occurs among six IOs: IMF, WTO, ITC, WB, UNCTAD, UNDP (Powell 9). The impetus of this initiative is to bring 'deep integration' into LDCs' trade policy so they reflect liberal trade fundamentals in order to bring growth and ultimately poverty alleviation. Further, each of these initiatives reflect the Bank's new attempts to become a knowledge-bank of technical assistance for development and poverty reduction initiatives - an attempt which reinforces the Bank's dominance, its principles and the material interests that represented in it: 'The Bank brings considerable ideological and institutional baggage to the TRCB agenda…the Bank refuses to abandon its dogmatic contention that openness leads to growth and poverty reduction' (Powell 3).

An example of where this becomes clear is in the PRSPs where the dominant macroeconomic framework that is put forth by the Bank is never questioned to a substantial degree, and that alternative frameworks are never incorporated into the final strategies and policies. The implementation of liberal trading reforms has - in the majority of cases - resulted in the protectionist trade structures being removed, immediate increases prices to consumers, unemployment, and an increase in private foreign ownership. The latter is particularly significant as the change in ownership (ownership of capital, land, and resources) allows for long term damage to accumulate as business tax is reduced, environmental degradation occurs, and profits are exported. Although 'investment friendly tax environments' (World Bank, *2005*) and reduced emissions standards are incentives for business development and ultimately result in growth, growth which stems from these sources cannot be considered 'pro-poor' or conducive to alleviating poverty in any case. However, even with the proven detrimental effects, liberal trade reforms are still being pursued without any future benefits to the poor in sight, only to those that invest the capital for business development.

The lack of future benefits to the poor becomes more apparent when the evaluation process of implementing these fundamentals comes into question. In a 2003 review of the affects of implementing liberal trade reforms, the Bank found that only one out of twenty countries conducted an evaluation of implementing these reforms (Bretton Woods Project 2004). Conducting an evaluation of these reforms is clearly the Bank's responsibility as the evaluation methodologies that need to be employed are required to follow the implementation of reforms as part of technical assistance.

Other studies, however, have concluded that 'growth is good for the poor' (Dollar & Kraay 2001) and the growth from trade liberalization 'is not different in that respect' (Gallup, Radelet, and Warner 1998) (qtd in Winters 2002 32). Even with these conclusions, it is still not possible to draw any clear links between opened trade and poverty reduction specifically - only conclusions between growth and poverty reduction. Arguing for trade, based on a transitive relationship between these variables, misrepresents the individual and cumulative affects of the components of trade liberalization (foreign ownership, reduced taxes, privatization, and reduce emissions standards) on the socio-economic and political realms. What has become clear from the Bank's research and that of external agencies is that liberalizing trade - regardless of the speed at which it occurs - has adverse affects on the poor in terms of employment, health, and access to social services. Although economic indicators in the Bank's models may evaluate liberal trade as having positive outcomes (when the evaluations in fact occur) the inadequacy of their models in terms measuring and evaluating effects - other than economic ones - renders them inadequate.

Attempting to reach conclusions on the effects of liberal trade reform on the poor is a difficult task - if one were not to examine the principles of each - as there are conflicting conclusions coming from the Bank itself (Dollar & Kraay vs. Hoekman). In doing this we can conclude that the arguments of Dollar & Kraay as well as Winters are based on models with fundamentals that do not speak to the unique socio-economic and political realities of the states which are adopting these reforms[73]. The idea that growth can alleviate or reduce poverty, although based on sound economic fundamentals, are ones that cannot speak to each case in the developing world - in fact conceiving it as 'a world' is the central problem. Although the Bank has claimed that it recognizes the heterogeneity within this group of countries, its widespread application of general trade reforms indicates the contrary.

iii. Fiscal Reform

The central objective of the Bank's fiscal reform strategy is to limit government intervention in the private sector by reducing or eliminating taxes, decreasing social spending, privatization of government agencies, and downsizing the bureaucracy. These specific reforms emerged in Western and European states in response to what was considered over-spending and over-governing at the height of the Welfare State. One consequence of this was restraints on FDI and private sector operation. In light of the western experience in deregulation and decreased spending, dismantling and preventing the construction interventionist states became a component of Bank reform policy.

The ideal outcome in the pursuit to create a more 'vibrant private sector' is the effective and efficient generation of economic growth and employment. Governments cannot afford to develop and maintain the necessary infrastructure for a private sector. This is because their high levels of debts - increased short and/or long-term liabilities do not attract sustainable investment capital. However, the efficiency of state-run business is understood in very narrow economic terms and does not account for the social purposes that businesses can, and do, serve[74]. The fact that communities

[73] It should be noted that the Bank is not always the primary source from which these ideas enter into developing contexts. In the South, for example, Pinochet was cifsrculating these neo-liberal ideas.

[74] In discussions and analyses on privatization, the Bank does not question the degree to which such

and community infrastructure are built around business is overlooked. More importantly, the Bank's strategies do not incorporate adjustment period policies that might address the short term socio-economic and political effects of privatization[75]. However, the affects of these policies on poverty reduction has been unclear - by some accounts - and detrimental by others. Specifically, those that have argued that privatization has been detrimental cite that the poor in particular have experienced reduced access to services because extending infrastructure to those areas in which they live has proven not to be profitable.

Water, Land, and Labour: A Report on Forced Privatization in Vulnerable Communities, a 2003 report by the Halifax Initiative and Social Justice Committee cites that privatization has only benefited those with capital interests in the projects and have been the source of increased levels of unemployment and impoverishment. The study also cites that there have combined human and capital costs associated with the majority privatization efforts. One example is the widespread push for private control over the water supplies in developing countries (Macuish et al 11). The effect of this has been the outbreak of infectious disease and reduced access to water for the rural poor.

> ...privatization has had deadly consequences. The worst cholera epidemic in South Africa's history broke out after water was privatized, then made

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actions may affect family and community life - nor does it give intrinsic value to these entities in poverty reduction process. The necessity of constructing social networks as well as their respective and cumulative affects on the development of social and human capital is under-represented and generally goes unanalyzed in Bank research.

[75] For example, unemployment (and increased urban poverty) are cited as effects of privatizing state-run industries (Macuish et al 23). The Bank could potentially use its 'knowledge-based development' focus as a means to formulate strategies to retrain these workers while they are still employed for a new trade - building and construction for example. They could then become employed building the new urban housing they would move into when they are forced to relocate to the city. Further skilled construction labour is an asset in developing economies as the demand for creating physical

> unavailable to the poor in rural communities. The cholera infected some 160,000 people and killed 200 between October 2000 and early 2002. (ibid 5)
>
> ...introducing private control to water service and delivery creates a polarity of water availability based on who can afford to pay for it...Loss of service is probably the most contentious issue when a service like water is privatized. In South Africa 92,772 households had their water cut-off because of non-payment between 1996 and 2002...In poor neighbourhoods, where most of the cut-offs took place, non-payment is related [sic] to an inability to pay rather than unwillingness. (ibid 12-13)

The social costs that are associated with privatizing water, as well as other government agencies, go unmentioned, and more importantly, unexamined in Bank research and publications.

Deregulation, a complementary component of the Bank's approach to fiscal reform, has also created adverse socio-economic effects and is often pursued simultaneously with privatization. An example of these effects can be taken from deregulating and privatizing the electricity sector. In WDR 2000/1, the Bank provides a detail account of phasing-out utility subsidies in Eastern Europe where utility prices in Moldova reached a cost of 60% of household income and 'costs in Ukraine increased between four and twelve fold (in real terms) between 1992-1996.'(70). Similarly, Macuish cites the effects of privatizing electricity in El Salvador in 1998 where energy prices increased between 200-300%; and, the case of the Dominican Republic where prices immediately increased 51% (22). Questions need to be raised.

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infrastructure is high, therefore their labour would required (in a sustainable manner) in the future.

What are the social costs of these increases? Further, what are the long term effects of incurring these costs in terms of socio-economic and political stability? Macuish cites the research of Centro de Intercambio y Solidaridad (CIS): 'Privatization of electrical distribution...forced the rural population, particularly women, to search for alternative energy sources - a 20-30% increase in domestic work.'(23).

In both studies, however, there is no account provided for why these increases have taken place, which makes it difficult to assess the strategies of the companies involved. Private business cannot be expected to run inefficiently as their shareholders and lenders - one of which is probably the World Bank Group - are sensitive to these inefficient practices; at the same time it cannot be reasonably expected that populations absorb these costs without incidents of strikes, protests, and withholding payment for service (Macuish et al 21). The emergence of these events within civil societies indicates that poverty reduction/development strategies that included establishing these businesses are not conducive to developing human capacity. Rather these strategies are focused on increasing growth - growth in industry and national economic growth. The socio-economic and political costs of pursuing growth - through deregulation and privatization - for the sake of poverty reduction may not be immediately apparent because they cannot always be evaluated in economic terms. However, the long term effects of these social disruptions may inhibit sustainable business development and growth as well as national economic growth[76].

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76 Immediate increases in consumer prices cannot always be explained or justified in terms of increased business costs due to the government implementation of emissions standards or price caps. It has been proven that businesses in utilities and the extractive industry use long term business planning - 50 years in some cases. These plans are developed based on an analysis of social, economic, and political trends in order speculate on the direction that government policy and legal frameworks will

Privatization and deregulation have also had adverse affects on labour and health care. Although employment is disproportionately concentrated in societies' poorest before these initiatives are introduced, the affects on the labour sector prevent positive pro-poor from emerging. The labour market has been affected by privatization and deregulation through the dismantling of unions, the assassination of union leaders, and deterioration work working conditions (Macuish et al 21,25). Further Macuish cites the research of the International Confederation of Trade unions that reveals that in 2001, two union leaders were shot in Columbia for leading workers in protest against privatization; and since 2000, there was a 50% increase from 1999 in the number of union activists that were killed or went missing (24). The use of force by the state - the military in the case of Columbia - to stop protest and calls for change creates an environment in which the dominant ideational economic framework will be supported through coercion. A dynamic based on oppression is not sustainable as intentional deprivation of rights and freedoms will elicit latent socio-economic and political shocks that will contribute to instability and sound policy to help the poorest will be not be able to be implemented due to these conditions.

Oppression of alternatives, as in the case of Columbia, are not always violent, as we have discussed in other parts of this study. In Rwanda for example, the government and the Bank simply refused to consider alternatives to privatization regardless of the clear indications that such action would lead to increased

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take. Specifically, these plans attempt to (among other objectives) evaluate current and potential laws in terms of enforcement - will they be enforced? If so, to what degree? From this analysis, future costs can be factored into pricing and profit forecasts. What this means in terms of establishing a business in a developing country is that businesses have a certain degree of information relating to short and medium term costs that will be incurred. From this, it can be argued that they have the ability to introduce increased operation costs in numerous increments to limit social costs. However, such a business plan that included these strategies -ones that would reduce maximum short-term profits - would be considered inefficient and possibly be denied loans, grants, and subsidiaries from financiers -

unemployment (ibid). In a Western or European context, a loss of jobs, although detrimental on many societal levels, can be managed to a certain degree. Such an experience has undoubtedly influenced the opinions of policy makers on issues of increased unemployment due to privatization in developing countries. However, the socio-economic dynamic in these countries - as already noted- is different and market shocks may elicit deeper and more widespread effects. On the African continent for example, the labour and wages of one person support 20 members of their extended family; therefore, job loss in this context has the potential to be extremely detrimental.

The poor have also experienced immediate adverse affects from the privatization of health care and are set to experience long-term ones as well. A primarily state run sector can extend care regardless of geography or the financial capabilities of individuals requesting care. Additionally, state funding allowed salaries and wages of health care workers to remain at levels that would retain local health care professionals. However, the extension of service in this manner has resulted in this sector accounting for a substantial portion of national budgets. The Bank's focus on privatizing health care has resulted in the reduction of rural service provision [as in the case of India (Macuish et al 26)]; implementation user fees (as outlined in the 2000 Tanzanian PRSP) and subsequently the creation of a two tiered health system; and, the reduction of health care staff due to downsizing staff and the dismantling of unions. However, privatization has been pursued under the auspicious that the aforementioned reductions will allow for more focused debt reduction. The reality is, however, that individuals and multinational health service providers have

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including the World Bank Group (specifically the IFC).

benefited most as governments are often paid to accept contracts - and payment is usually absorbed by corruption and is not passed on to the poor.

> A corruption scam in Sangrur Punjab provides a good example. The Bank funded US$600 million for a Reproductive and Child Health Project (RCH), which fell victim to siphoning off funds. (Macuish et al 28)

The downsizing of the health care sector in developing states is a pursuit that will not foster social, economic, or political stability in the future. The reduction in service to rural areas, although cost effective, is not indicative of a strategy that reflects any degree of national ownership and empowerment in the policy process nor does it reflect the short and long-terms needs of poor in health care provision.

Conclusion

A central and defining feature of the World Bank's failed poverty reduction initiatives is the reliance on economic growth to achieve reduced levels poverty. This has been agreed upon by the Bank, as well as its policy critics. However, few have raised the question as to why this relationship between growth and poverty reduction exists and how it came be. Raising these particular questions is essential to understanding how alternatives are marginalized in the policy process. Would these alternatives be better suited to reduce poverty? Examining the counterfactual is of no use to us here. However, what can be said of juxtaposing alternatives with the dominant framework is that there is a better chance of a dialectic emerging from this which could create a specific and more practical set of norms for conceptions of impoverishment.

These questions are also important because they allow us emphasize the importance of examining how meanings of ideas transform as they are carried through history and how this contributes to the dominance of Western-Eurocentric discourse. Further, it also allows us to understand the dynamic that allows the preservation of this discourse to persist. The policies of the Bank are products of numerous processes interacting with one another; the first being the relationship between capital and productive capacity within its dominant members. The second is the relationship between the capital of states and the Bank's decision making policy making process. Through both of these, policies are created that are in the interest of Western states and also reflect the experiences of the historical development into advanced capitalist societies

Conclusion

Attempting to isolate a single source of failure for the World Bank's poverty reduction policies is not practical nor is it accurate - that is why this study has taken a multidimensional approach. In terms of social forces, it has been shown that they have played a decisive and influential role in shaping the postwar order, the Bretton Woods System and the normative framework of the World Bank. Specifically, the dominant social forces within the United States gained substantial international influence within the postwar political economy due to their respective material capabilities and the relative weakness of other states and the social forces within them. The changing context of the international political economy, starting at the beginning of the interwar years, afforded these forces to attain their dominance. Of equal importance, it should also be noted that these forces emerged within a specific context with the result being the emergence of a new normative framework to serve dominant interests as well as immediate and future material ones.

The definition of poverty, as well as the general objectives of reducing and alleviating poverty, is void of mentioning of above dynamics. The emergence of postwar norms was based on a constitutive relationship between principles and norms and the actions of states and social forces within this particular liberal principled framework. When poverty became a concern in the postwar period, the nature of this concern was not such that it would be conducive to creating specific norms to examine and address the issue. Further, the norms used to frame poverty reduction objective did emerge for the diverse instances of poverty. This has proven to be detrimental in understanding the causes and potential solutions for poverty as well as constructing adequate policies that can work within non-European/Western contexts. From this, it can be determined that a limiting factor for policy change comes from the persistence of liberal principles within the Bank's policy process first and foremost. However, the nature of this persistence has proven to be a very interesting issue, especially in light of how the Bank has openly been supporting the engagement of more actors in the policy process.

The inclusion of more actors will not, and has not, resulted in more successful policy application for a number of reasons. The first being that structure of authority within the Bank is conducive to supporting the interests of the Bank's most powerful members. The manner in which the president is appointed and the voting of the Boards all protect the integrity of the Bank's principles. Second, the Bank's knowledge is based primarily on economics -a field considered to be scientific in its own right as well as universally applicable. This perception is derived from a history of relatively successful theoretical applications in European and Western states. The fundamentals have been proven for those that control the Bank so introducing alternative development and poverty reduction solutions is not seen as reasonable.

The attempting to identify an essential difference between mainstream and alternatives leads to an interesting and illuminating historical examination of the historical antecedents of European and Western development discourse. The value of non-Euro/Western discourse has been considered less valuable long before the Bank was conceived and these perceptions were carried forth into the postwar world by virtue of this period's dominant actors, and also the establishment of the Bretton Woods System. The development initiatives of the Bank, which the earlier attempt of

European reconstruction, were seemingly due to a sense of duty, as well as security issues specific to the Cold War period. In either case - to develop because of an inherent sense of duty or for security interests - development was trapped in Western teleology with the effect being that the pursuit of development was the achievement of Western socio-economic and political organization. It was a project in socio-economic and political transformation with it effects being unanalyzed and unevaluated.

The transition from development to poverty reduction is interesting because a relationship between the two was never substantiated or clearly established. Once again we looked to the possible influence of historical antecedents and found that growth and development had a history as long as written discourse itself. However, this relationship was established to explain a natural phenomenon - not one based on multidimensional dynamic interactions such as socio-economic and political changes. Regardless, growth was understood to be the way in which development occurred - in terms of poverty the required growth was of the economic kind.

Growth for development and poverty reduction has been a persistent and Best Practice of the Bank since the objective of poverty reduction emerged. Notwithstanding numerous changes in Bank strategy, the principles and norms underlying the policies have remained essentially the same. Accordingly, a consistent agenda for reform has persisted with some key components being agricultural, fiscal, and trade reform. These reforms reflect a persistent approach as these issues were central to debates which shaped the postwar order and the Bretton Woods System. The effects of these reforms have been well researched in other studies and the unifying feature of them is these reforms are not conducive to reducing or alleviating poverty, only establishing economic relationships and institutions based on liberal fundamentals.

When introduced, the Poverty Reduction Strategy Papers had much optimism surrounding them as they stood to empower the impoverished by increasing their ownership stake in the policy process. However, this amounted to only a change in strategy for reshaping the much criticized loan conditionality that was part of Bank lending in the 1980s. The optimistic evaluation did not look far enough into the Bank's history or its ideational framework to find that alternatives that were not principally commensurable would be excluded from consideration in the policy process.

Poverty has persisted in most of the world because of a principle misunderstanding of its causes, indicative through the prescription of inadequate policy. Those things that often define poverty and impoverishment - lack of wealth, insecurity, feelings of vulnerability - are truly its characteristics. However, within the Bank's dominant discourse, these are understood to be challenges that were surmounted on our way to becoming developed. The success experienced by the Western and European states allows us to incorrectly conclude that these policies may be applied universally with success when addressing poverty. However, amidst these successes were unique market crashes, recessions, and depressions, all of which shaped our theory and policies in very specific ways. Ways that may not be compatible with social relationships present in other contexts.

The Bank's technocratic approach to poverty reduction still ignores the human element of poverty and the potentially meaningful contributions that could be made. Further, this approach renders socio-economic and political interactions in these countries abstract. Although new strategies, such as Voices of the Poor and the Participatory Poverty Assessments, attempt to address this, these projects are, by all accounts, underdeveloped in terms of being able to successfully integrate their findings into the policy. We must keep in mind that liberalism was institutionalized because it was thought it could best address the circumstances in the postwar period best. Further, the norms which emerged were deemed best – by those dominant states and social forces - to achieve their desired ends. Poverty reduction emerged due to the vision of one Bank president and newly emergent international realities - there was no normative framework constructed to guide, and, more importantly, support these actions. Consequently, failure has emerged and persisted because unsound principles are used to address this diverse challenge.

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