BANK'S POVERTY REPORT WHITEWASHES THE PAST DECADE

Sets Stage for More Adjustment and Suffering in the 90s

By Doug Hellinger

This July, the World Bank issued its *World Development Report 1990*, the latest in an annual series that seeks to present the state of the development process in the Third World. This year's theme is poverty, a curious choice given the rising criticsm worldwide about the Bank's contribution to the deepening impoverishment of millions of people around the globe.

The Report is marked by a remarkable modesty on the part of the Bank. For an institution that has claimed to be the major force promoting development in the South during the second half of this century, it is almost totally silent about its role in the 1980s. Given the disastrous record of the past decade, particularly in Africa, Latin America and the Caribbean where the Bank has most prominently pushed its structural adjustment programs, perhaps this is not surprising.

Although there is an initial attempt to paint a rosier picture of the "lost decade" by utilizing aggregate statistics including figures from Asia, the Report rather quickly admits the depth and breadth of the crisis. It concludes that in recent years, the incomes of the poor in much of Latin America and most of sub-Saharan Africa have declined. The implication, however, is that this is still due to the 1970s' recession and a series of external shocks — shocks, by the way, that the Bank staff, as economic advisors to Southern governments, did not predict. Not only did this lack of foresight increase these nations' vulnerability to shifts in international markets and help propel them into debt, but the Bank still

insists that their 'client' countries continue to free domestic resources to produce for shrunken Northern markets offering rock-bottom prices for Southern exports.

Similarly, the Bank is very selective in its choice of country case studies designed to demonstrate the effectiveness of adjustment policies. Ghana is still profiled as a success story, despite ample evidence of the declining economic status of much of the Ghanaian population over the past few years (a trend which has worsened since the bottom fell out of the international market for cocoa on which the Bank based much of the recovery program). The case of Jamaica, which suffered a decade of failure with adjustment under Prime Minister Seaga, a close friend of the IMF, is mentioned in passing but never analyzed.

During this week in Washington, non-governmental activists working at the grassroots level around the world have articulated the devastating social, economic and environmental impacts of these orthodox economic reform measures in these and dozens of other countries, but neither these views, nor those of a growing number of disenchanted Bank staff, are considered in this volume.

Equally disturbing as the Report's skewed analysis is what it chooses not to consider as part of its proposals for change. First, by not questioning the basic assumptions underlying the Bank's and the IMF's adjustment package, nor closely examining national economic performance under adjustment (in terms of continued debt burdens, real wage levels, income distribution, etc.), it is able to advance the notion that the current adjustment path is a viable — in fact, the only — way to go in the 1990s.

Second, it dismisses essential elements of an alternative approach which focuses on equity, production for local needs and environmental sustainability, in a way that indicates how politically, biased and pre-determined the Report and its findings are. The redirection of public policy, planning, investment and assistance to support food-based agriculture and the maximization of local linkages is not discussed.

Agrarian reform, including land redistribution, which is essential for equity and efficiency in agricultural production across so much of the South, is handled in a more interesting manner. In one breath the Bank acknowledges, for one of the few times, the major contribution that extensive land reform made to broad-based, poverty-reducing growth in such favorite Bank success stories as South Korea, as well as Japan. In the next, it claims that effective land reform is almost always politically unrealistic in the absence of a major upheaval.

We are left with the clear message that the Bank has no intention of siding with the poor and conditioning future financing to borrowers on their implementation of such measures, as it has in insisting on the execution of adjustment programs. Increased access to credit and education are suggested as more effective ways for the poor to move down the road toward capital accumulation.

> ***" The devastating impact of the Banks adjustment measures are not considered in the Report***

Typically, peoples' participation is given lip service as an essential element of any economic program aimed at effecting lasting change; so essential that it receives one—rather inconsequential—paragraph at the very end of the study.

Continues BackPage

POVERTY from page 4

Without the slightest bit of embarrassment, the authors do call for investment in another aspect of what might be considered a more people-centered development program. After a decade of promoting cuts in national budgets that have destroyed social-service programs and placed health, education and other basic services increasingly out of the reach of the poor, the Bank now tells us that "...basic services need to be expanded so as to reach the poor...(b)ut the supply of funds is being squeezed."

With schizophrenic arrogance, it lectures all us unsophisticates that "(e)fforts to reduce poverty are unlikely to succeed in the long run unless there is greater investment in the human capital of the poor." While this apparent change in policy is welcomed, it is a predictable response to the mounting pressure from the grassroot level to move their governments away from adjustment programs. It will be interesting to see how fundamental, as opposed to symbolic, the institution's commitment and change in this area will be.

The other specific recommendation that is set forth is less surprising. The "productive use of the poor's most abundant asset — labor" is consistent with the overall dominant economic model in which low, controlled wages are a key to the central processes of liberalization, privatization and export production. While the possibility of more jobs is always appealing, there is a disturbing, though expected, lack of discussion of the need to deregulate wages and promote workers' rights, including the right to organize, in export-processing zones and other areas of the economy.

Despite the efforts of some Bank staff to change the institution's emphasis as it moves from country to country applying the special leverage it receives from its place in the international financial community, this is a political report from start to finish, designed as a cover for the perpetuation of orthodox adjustment programs across the South in the 1990s. The report's dishonesty and public-relations intent, and the continued suffering to which it will contribute, raises serious moral questions about its architects and promoters while further establishing the need and basis for renewed activism against adjustment programs.