# World Bank ignores own failure

LETTERS TO THE EDITOR: Financial Times, Jun 23, 2000

From Mr. Stephen Hellinger.

Sir, Your June 20 article on the World Bank's report on the need for social protection policies to complement liberal economic reforms in Latin America are as misleading as the report itself. The problem is not the "perceptions" of the region's inhabitants that they are now economically more insecure. Their impoverishment and insecurity have been realities since Bank-prescribed structural adjustment policies were first implemented in the 1980s.

Those policies have had a devastating effect on domestic economies, a fact that is lost in the Bank's litany of aggregate macroeconomic statistics. Labour-market "flexibilisation" measures have simultaneously reduced wages, benefits, job security and the demand for local goods. High interest rates have starved the producers of those goods of needed capital. Together with precipitous import liberalisation, these policies have wiped out massive numbers of small and medium-sized enterprises and farms, gutting national productive capacity, driving workers and their families into survival modes and abroad, and destabilising banking systems. At the same time, the privatisation of public utilities and services has jacked up prices and reduced access.

These realities are being documented by SAPRIN, the global civil-society network that has engaged Bank president James Wolfensohn and his staff in a four-continent assessment of the impact of adjustment policies. The Bank has so far ignored this and other evidence of the failure of its own prescriptions, as it acquiesces to the priorities of the US Treasury. Once again, it is tinkering with patchwork social measures that divert attention from the core issue. Until the economic policies themselves are addressed, the region will continue to be wracked by social, political and financial instability.

*Stephen Hellinger*
*President, The Development GAP*
*SAPRIN Global Secretariat,*
*927 15th Street, NW*
*Washington, DC 20005, US*



---

# Further proof of failure of World Bank policy

LETTERS TO THE EDITOR: Financial Times, Jul 4, 2000

From Mr. Stephen Hellinger.

Sir, Not only does Professor Ira Sohn (LETTERS TO THE EDITOR: Financial Times, Jun 30, 2000) misrepresent what I wrote (Letters, June 23), he also unwittingly contributes to the condemnation of World Bank policies in the process. Nowhere in my letter do I refer to the 1980s as Latin America's "golden age". To the contrary, World Bank adjustment lending, which began in 1980 and reached Dollars 3bn and more than one half of the region's countries (excluding the small countries of Central America and the Caribbean) by the mid-1980s, helped push Latin America's economy into the downward spiral that he so well documents.

Mexico, once the Bank's poster child, is a case in point. Since it began adopting Bank and International Monetary Fund policies in 1982, wages in that country have lost two-thirds of their purchasing power. The government is bailing out the failed private banks to the tune of a cool Dollars 100bn, a sum equivalent to the social security payments owed all Mexicans for the next generation.

Meanwhile, migration to the US continues unabated. The world has indeed "moved on", as Prof. Sohn puts it, and it is not a pretty picture.

*Stephen Hellinger*
*President, The Development GAP*
*927 15th Street NW,*
*Washington, DC 20005, US*



[Return to The Development GAP Home](http://www.developmentgap.org)
http://www.developmentgap.org