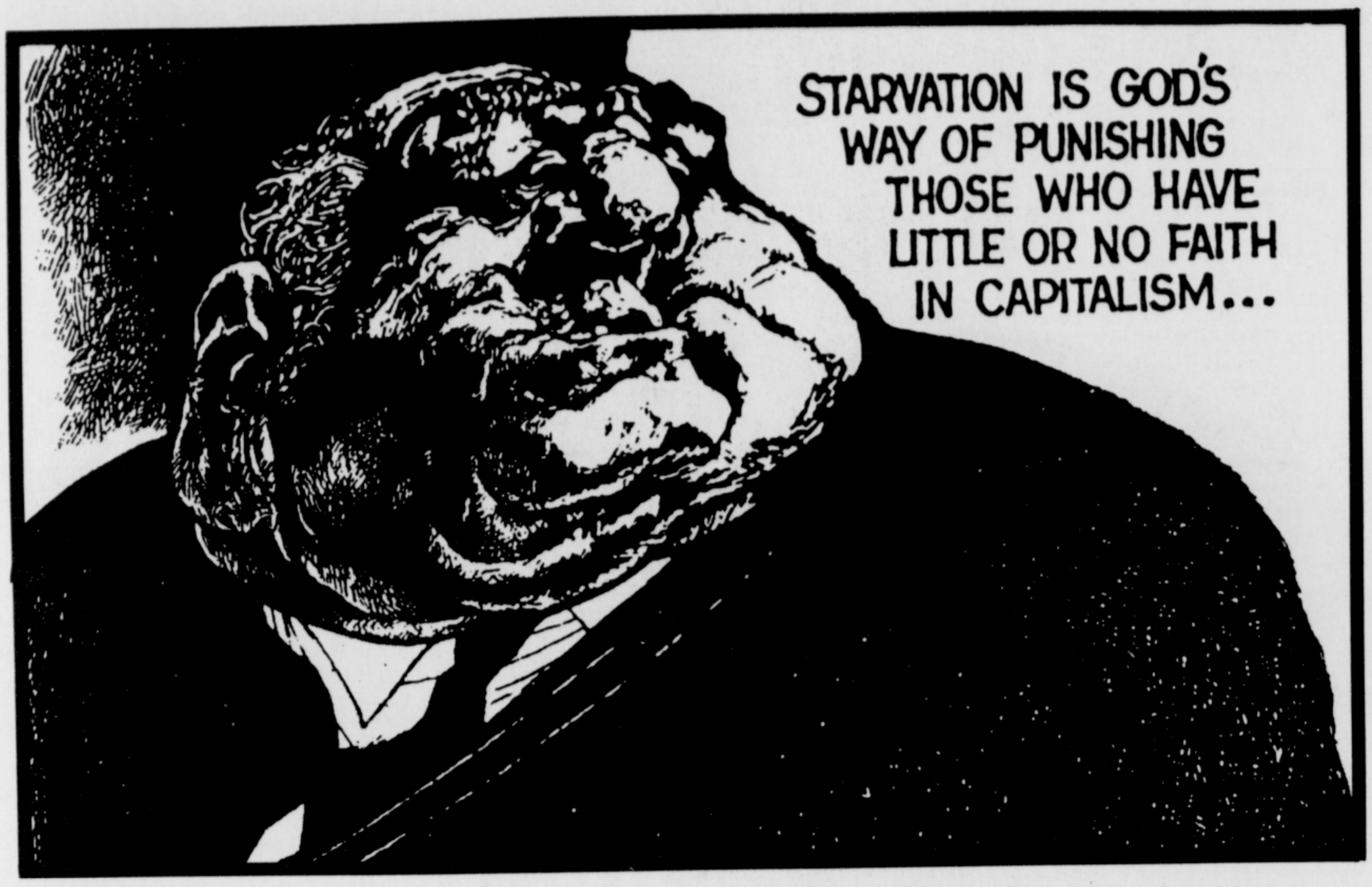

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THE WORLD BANK
& THE IMMISERATION OF THE 3RD WORLD

BY HARRY JOHNSON

Robert S. McNamara's recent apology for the Vietnam War comes too late to make much difference. There is still time for him to apologize for the environmental, economic and social devastation in 3rd World countries caused by policies of the World Bank which he presided over from 1968 to 1981. These policies continue.

Through the 1960s and `70s, the World Bank focused on financing large projects like hydroelectric dams and highways into rain forests, etc., which were intended to increase productive capacity in the borrowing countries, but resulted in enrichment of local elites, dislocation and impoverishment for workers, and destruction of the environment.

During the 1970s Northern, frequently American, banks made big loans to 3rd World countries. Falling market prices for 3rd World products left debtor countries unable to pay back loans, or even to keep up interest payments. The World Bank, seemingly wanting to protect American banks, stepped in with loan offers which included Structural Adjustment Programs as part of the package. There were few Southern governments willing to accept the offered conditions, until 1981-82, when the debt crisis ballooned.

Structural Adjustment Programs (SAPs), or austerity programs, were designed primarily to ensure the ability of debtor nations to repay their loans, or at least "service" them -- keeping up interest payments for the short- and long-term. The second focus was to reduce the involvement of 3rd World governments in their own economies -- to get them to stop protecting local industries with trade barriers, tariffs, and financial support. Government owned businesses were to be privatized. The SAP was to eliminate restrictions on foreign capital, giving foreign investors and transnational corporations a freer hand in their economies. Governments were further required to cut back on public expenditures, except for export subsidies and spending for "security." Monetary policies were to be deflationary, helping lenders at the expense of massive unemployment in somewhat the manner our Federal Reserve raise interest rates to guard against inflation; each 1/4 point of interest rate increase generates the loss of 1/4 million jobs.

The SAPs worsen indigenous trends toward inequality. Elites benefit from bargain-basement acquisition of government owned enterprises. Agriculture must also be geared for export. Agribusiness combines gain control of most good cropland, driving peasants and subsistence farmers off the land. Higher unemployment and currency devaluation depress wages. The governments are also forced to drastically reduce expenditures for health, education and services to the poor. You can see the need for SAPs to continue to support "security" operations (army and police functions) as poor majorities are driven to desperation. Countries which faithfully carried out their SAP were often sites for rioting and bloodshed. The rebellion in Chiapis, Mexico, in January 1994 was a direct result of government "austerity" measures which enrich elites, drive wages down (real wages in Mexico fell 32% between 1982-92, although productivity increased by 41%) and unemployment up. Mexico's generous welfare program which consisted only of a subsidy for tortillas, was eliminated.

Effects of Structural Adjustment Programs are:

~ An increase in total foreign debt load by five, even ten times. 3rd World debt rose from $785 billion in 1982 to $1.5 trillion in 1993.

~ Collapse of industries and agriculture which produce for local consumption. People have to pay for imports of stuff we used to make here.

~ Higher unemployment and lower wages even for those lucky enough to work for transnational corporations.

~ Small farmers, farmworkers and subsistence farmers are driven off the land and into cities, swelling the ranks of the poor.

~ Health standards like life expectancy and infant mortality fall.

~ SAP countries are increasingly dependent on the North.

~ Independent studies make clear that nations receiving loans under World Bank / International Monetary Fund austerity programs during the 1980s fare consistently worse in terms of economic performance than those that did not.

Even the World Bank, in its 1993 report entitled *Investing In Health*, admits that "the private sector may in certain circumstances be less efficient in the provision of health care than the public sector. It recognizes, quantifies and takes seriously the health costs of violence against women and female illiteracy. It recognizes poverty as the single most important factor in influencing health, and...admits that untrammeled free enterprise generates widespread poverty and illness." The report's recommendations sound almost progressive: "government policies for economic growth that ensure income gains for the poor, rapid expansion of education (especially for girls), government regulation of health insurance markets, coordinated government purchase of generic drugs as opposed to reliance on the 'free market', and the expansion of other efficient public health programs, including a strong preference for preventive, primary care over curative hospital care."

The report correctly condemns widespread alcohol and tobacco use but does not mention the role of the U.S. government in aggressively trying to open new markets for U.S. tobacco products. The World Health Organization has said, "intensive and ruthless campaigns on the part of transnational corporations are directly linked to smoking increases in the 3rd World."

Walden Bello and Shea Cunningham write in their book *Dark Victory: The U.S., Structural Adjustment & Global Poverty*, "By the end of the 12-year Reagan/Bush era in 1992, the South had been transformed: from Argentina to Ghana state participation in the economy had been drastically curtailed; government enterprises were passing into private hands in the name of efficiency; protectionist barriers to Northern imports were being eliminated wholesale; restrictions on foreign investment had been radically reduced; and, through export-first policies, the internal economy was more tightly integrated into the capitalist world market."

IMF and World Bank austerity plans consistently require budget cuts, deflationary monetary policies and wage restraints which put the burden of adjustment on the impoverished. The poor majority, who do not share in the gains of productivity growth, still must endure the pain of providing resources to those who do benefit from the growth.

Edward Herman writes in Z Magazine, "The benefits of growth in Mexico and Brazil, both in the past and today, have flowed almost entirely to the affluent 20-25% of the population, plus, importantly, to foreign transnational corporations and banks. The residual majority is seen by the leadership (and by IMF and World Bank officials) largely as means to elite ends, and concern for its well-being almost invariably reflects worry that it might cease to be apathetic and upset 'stability'. The condition of the majority therefore constitutes a 'management problem', and considerable thought is given to allocations of resources, strategically placed, that placate, divide and immobilize them."

Herman goes on to point out that 3rd World leaders who attempt to redress some of the inequity, like Adolpho Lopez Mateos, Mexican president 1958-64, and Luis Echeverria, 1970-76, can suffer strong adverse reactions from the international business community, including large reductions in private investment, which makes change impossible. "The experiences of Allende (Chile, 1973), Goulart (Brazil, 1964), Bosch (Dominican Republic, 1963 and `65), Arbenz (Guatamala, 1954), and the Sandanistas (Nicaragua, 1979-90) show that military intervention, sponsored or supported by the U.S., is a very real possibility where there is too much 'straying' beyond the boundaries of service to local and expatriate elites."

In the U.S., structural adjustment of the economy has come in the form of Reaganomics, and continues in the Contract With America: deregulation of business, big reductions in tax rates for the rich, gutting the New Deal and War on Poverty safety nets, attacks on workplace and consumer safety and environmental protection, and government-led assaults on unions.

Jeff Faux, wrote in the American Prospect (Fall 1994), "The...more pressing task is to reinvent the global economy, eliminating the conditions that prevent every nation from achieving full employment at rising wages." Faux writes that the priority items on this agenda include:

~ An agreement to dampen global financial speculation, including the imposition of an international security transfer tax as suggested by economist James Tobin.

~ A strategy to synchronize advanced nations' macroeconomic policies.

~ Relief for the debt burdens that still plague too many developing nations and an end to demands by the World Bank and other financial institutions that developing nations follow destructive export-led growth strategies as conditions for aid.

~ An international bill of worker and environmental rights as a requirement for any nation wanting to participate in world trade and financial markets.

McNamara, putting your weight behind these ideas to help slow or even stop the immiseration of 3rd World peoples would go a long way toward making amends.

Harry Johnson lives in Astoria. A frequent contributor to the NCTE, his most recent article, ***Welfare Reform for the Rich***, appeared in the Marpril 1995 issue.