

Is the World Bank Partisan?

Written by Katerina Wolpert Grassi

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KATERINA WOLPERT GRASSI, JUN 21 2013

In the current political climate, where politics and economics are interlinked in 'complicated and puzzling ways' (Polyani 1957; Gilpin 1987 cited in Jackson and Sorensen 2010: 182), the World Bank and various other international financial institutions have come under heavy criticism for their part in what is perceived to be an extension of old imperial policies. Questions of partisanship, being 'prejudiced in favour of a particular cause' (Oxford Dictionaries), neo-colonialism and self-interested policy-making have haunted the World Bank since its endorsement of structural-adjustment programmes in the 1990s (Rowden 2001), and it is this criticism that has prompted the debate over just how biased the World Bank really is. Thus when regarding the concept of partisanship in the World Bank it is important to note that we mean bias towards the ideology of the 'global north' (Odeh 2010: 338), following a western model of norms and values. Before addressing this question of bias, or political alignment in the World Bank, it is important to establish whether or not anything in the political can ever be nonpartisan, especially when considering it in the context of the International Political Economy (IPE). Although endorsers of economic liberalism would argue that it is important for the political to remain impartial, it is ultimately the mercantilist argument in favour of necessary bias that proves most convincing. Thus although the World Bank maintains that it is 'like a cooperative' (World Bank Group) it is clear that not only is it dominated by a western value system, but that it is not, and cannot, be nonpartisan. This shall be made clear both ideologically and physically; 'the accusation that...(it is) neo-colonialist has been argued in two ways: how the Banks were set up and how they operate.' (Watters, Marston and Cleaver 2008: 69).

In order to better address this question it is first necessary to understand why, in the newly globalized world, it is impossible for politics to ever be nonpartisan, especially in IPE. Mercantilism is an ideology that views economics as a tool of the political in pursuing the national interests of states; malevolent mercantilism in particular argues that states exploit the international economic system through expansionary policies (Jackson and Sorensen 2010: 184). This ideology is not a new concept; it has dominated economic ideology for 250 years (Ekelund and Herbert 1975: 61), yet it can be seen to be increasingly applicable to the modern political economy, not least because it is strongly supported by realism. As a theory, realism focuses on a pessimistic approach to moral progress and human possibilities (Gilpin 1984), and it is this self-interested "reality" that has been accepted by political scientists for centuries. Thus it supports mercantilism in arguing that states use economics in order to further their national interests in the political field at any cost; '...history instructs many...that economic competition is a form of war in which some win and others lose.' (Fallows 1994: 231). It can therefore be seen that economics is essentially just another platform for states to pursue their national interests and further themselves politically; thus mercantilists argue that it is impossible for anything to be nonpartisan in IPE, or indeed politics as a whole. Although economic liberals argue that the absence of politics in economics is key for cooperation and prosperity to transpire in IPE (Jackson and Sorensen 2010: 187) it's fatal flaw is in failing to prescribe the conditions for this to occur. Thus ultimately it can be seen that there is a practical impossibility of being nonpartisan in the globalized economic system as, like so many other disciplines, it has become fundamentally integrated with the political (Woods 2008: 244-260), thus increasing the inevitability of partisanship. This ultimately changes the nature of this question, as it is now clear that everything in IPE is partisan, and thus the World Bank is no exception; so perhaps the more important question now is just *how* partisan it is (and perhaps even *why* it is partisan in favour of western ideology more than any other).

Institutionally the World Bank is inherently partisan, both in the way that it was set up and the way in which it is internally run. The original idea behind the Bretton Woods institutions (made up of the International Monetary Fund

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and the World Bank) was for them to 'resolve the tension between pursuit of private gain and the realisation of public policy goals in a democratic system' (Underhill and Zhang 2003: 83). This reasoning behind the World Bank is itself an illustration of partisanship, as this need for balancing of private and public interests is an innately western, capitalist problem (it also works on the premise that democracy will, or should, be present, which is a fundamentally western assumption). This is supported by the Marxist critique of capitalism, which states that since capitalism is expansive this constant search for new markets and more profits results in a conflict of interests between public and private wealth (Jackson and Sorensen 2010: 189-195). Thus at its core is an essentially western concept; even though the aims and role of the World Bank have changed since 1944 it is clear that this ultimately capitalist ideology remains prominent within its workings today.

The World Bank is made up of two key bodies, the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), which focus on poorer countries and middle-income/credit-worthy poorer countries respectively (World Bank Group). One of the main arguments regarding how the Bank is institutionally partisan is in the way in which it is governed, in particular the way the voting of member states is distributed. Each member country is allotted 250 votes plus one additional vote for each share it holds with the Bank; this means that the more developed, western states hold more weight in decision making as they are predominantly the largest shareholding members (evident in that the five largest shareholders being the UK, USA, Germany, France and Japan). Regardless of whether this is ethically or morally right (as Critical theorists would argue it is not), it is therefore evident that states with more money wield more political influence in the policymaking of the Bank. In particular the Board of Directors is made up of 25 executive directors, 20 of these represent all member states, while the 5 biggest shareholders personally appoint one each. This is highly significant for the way in which policymaking in the Bank is weighted, especially when considering that the Board of Governors, which originally held all of the powers of the Bank, have delegated almost all of their powers to this Board of Directors. Since the majority of these large shareholders share western, capitalist ideals, and are in a position of extreme power within the Bank, it is evident that this has a huge impact on the decision-making processes throughout the Bank. Erik Reinert argues this negatively impacts the effect that the Bank can have, stating that it is 'based on wilfully unrealistic economic assumptions combined with a large measure of rich-world self-interest; its effect is to keep poor countries poor and un-competitive, and to widen the divide between them and us!' (Reinert 2007).

This concept of 'them' and 'us' is key when regarding the World Bank's leadership, as it is fairly evident how strongly it is dominated by western, capitalist states. Not only is the board of executive directors weighted in favour of the biggest shareholders (as aforementioned), but the presidency of the Bank has only ever been held by American delegates. This has been called into question by a variety of critics, most notably the Bretton Woods Project who, in their letter to the governors of the World Bank stated 'It is time for the US to publicly announce that it will no longer seek to monopolize the presidential position.' (Bretton Woods Project). The main reason for this, they argue, is that since the Bank works only in developing states, it should be encouraged for these states to nominate their own candidates to increase the legitimacy of the candidate holding the Presidential position. This letter was endorsed by various organizations and charities from around the world, from Christian Aid to the Equity and Justice Working Group in Bangladesh, illustrating the global support surrounding the calls for reform of the Bank. If the obvious domination of western, capitalist states within the Bank is not evident enough in its actual institutional make up, then the evidence of countless international calls for reform surely make it clear. Thus it is evident that not only was the World Bank set up on the foundations of western ideology, but the very way in which it is run is biased in favor of these capitalist, liberal ideals, thus illustrating just how fundamentally partisan it is as an institution.

The World Bank describes itself as a 'vital source of financial and technical assistance to developing countries around the world.' (World Bank Group) and it is the policies that it employs in doing this that prove to be so controversial on the world stage. Structural Adjustment Policies (SAPs) although mainly identified with the IMF, are also a vital part of the World Bank as it 'regards them as part of a wider development reform package' (Watters, Marston and Cleaver 2008: 70). These policies are fundamentally underpinned by neo-liberalism, which in the modern day is more specifically based on commercial and Republican Liberalism. Neo-liberalism argues that not only does free trade and a market or capitalist economy pave the way for economic prosperity, but that being politically democratic also enhances the chances for economic development (Lamy 2008: 131). It is these economic policies and ideals that fundamentally make up the conditions of SAPs, and are 'revealingly, known as the Washington

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Consensus'; it is this quote from Hobden and Jones that encapsulates how strongly SAPs are influenced by western, and more specifically American ideology, and thus shows how partisan these policies are (Hobden and Jones 2008: 152). SAPs thus work 'to encourage developing countries to pursue market-oriented strategies based on rolling back the power of the state and opening Third World economies to foreign investment.' (Thomas 2008: 475). Member states are almost forced into 'liberalizing their economies and opening up to trade and foreign investment' in return for aid or debt relief (O'Brien and Williams 2010: 125) and it is these conditions that have spurred great criticism of the Bank. These SAPs therefore embody the partisan nature of the Bank, and the way in which it is politically motivated in favor of western, neo-liberal economic thinking.

Realists go a step further than this critical analysis of the Bank, and argue that not only do these SAPs illustrate how partisan it is in favor of western economic theory, but that they are actually imposed *purely* in the self interest of the wealthier, western states (building on top of Mercantilist theory). This idea that western states in the Bank encourage conditionalities on developing states for personal gain is supported by post-colonial theory. Although post-colonialism is difficult to define, it is evident that its theorists largely focus on the existence, and persistence of colonial forms of power in the modern world (commonly termed neo-colonialism). 'Neo-colonialism refers to a process through which the developed world controls the territory of developing nations through economic domination' (Watters, Marston and Cleaver 2008: 68). The idea that wealthy, western states impose themselves economically on developing states, in order to better their financial and political status, is supported by various academics. Kwame Nkrumah, the former President and Prime Minister of Ghana, argues that wealthy states exert their influence 'by monetary control over foreign exchange through the imposition of a banking system controlled by the imperial power' (Nkrumah 1965). He then goes on to argue that 'the result of neo-colonialism is that foreign capital is used for the exploitation rather than for the development of the less developed parts of the world', which many view to be illustrated in the policies of the World Bank. This realist notion that western states use economic policies, through institutions such as the World Bank and IMF, and under the guise of 'developmental policies', to dominate the global 'south' is dominant throughout the political arena; perhaps this is because 'the level of economic and military control of Western interests in the global South is in many ways actually greater now than it was under direct control' (Grovoqui 1996; Duffield 2001 cited in Smith and Owens 2001: 188).

This idea that the west uses economic means to increase its power over the global south is also endorsed by Neo-Gramscianism, a political ideology predominantly based on the works of Antonio Gramsci. Neo-Gramscianism highlights how globalization has created a platform for the west to increase its hegemonic predominance on the international system; 'hegemony filters through structures of society, economy, culture, gender, ethnicity, class and ideology' (Bieler and Morton 2004: 87). It also further supports the idea that the World Bank is a hegemonic tool used in spreading western, liberal ideals such as neo-liberalism or democracy to the global south, for the benefit of the dominant political class, the West (Hobden and Jones 2008: 150). Thus perhaps it is more accurate to say that the World Bank is in reality not only partisan, but also that its leadership ensures that it acts *specifically* in their own interests. It is also important to note that encouraging economic liberalism in the global south is of political, as well as economic benefit to the western world (as with it usually comes democratization, and thus follows a certain level of Americanization, leading to political hegemony, as well as economic hegemony of the West).

A more liberal reasoning behind why the World Bank is so fundamentally partisan is that it is based on promoting development, and on establishing how best to assist the developing world, yet there is no universal definition of what 'development' actually is. Therefore as the very idea of 'development' is subjective, it follows that any interpretation of it is partisan in and of itself. The concept used by the World Bank today can be seen to draw from the Eurocentric idea of development that President Truman presented in his inaugural speech in 1949, where he emphasized the importance of the US and its contemporaries in sharing their technology and information, while promoting the need for exports and trading. Although he rejected old ideas of imperial policies, Truman stated, "What we envisage is a program of development based on the concepts of democratic fair-dealing." (Truman 1949). This illustrates a westernized concept of development, where democratic elements are presumed and emphasized, representing just one of the many interpretations of what development means. Lemuel Odeh argues that 'Development can be understood from the point of continued advancement of man towards good living standards' (Odeh 2010: 338), illustrating a different emphasis on human development rather than the development of economic markets. It is perhaps also down to this problem of definition that the Bank can be seen to have failed in some aspects of this

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human development; 'The World Bank's own statistics show that, in many regions of the world, increased exports are not associated with increased personal consumption' (Anderson 2001). Thus raising an important question of *why* the World Bank emphasizes exports if it does not promote development of individual wealth? This can again be explained by the issue of defining development, as the Bank is interested in the development of the state first and foremost, with human development seen as a natural consequence of the former. Thus the World Bank is not only partisan, it is partisan in every single aspect of its workings as an institution, from its goals to its policies (this issue of defining development also strongly supports the mercantilist view that nothing in politics can be objective).

Ultimately it can be seen that the World Bank is fundamentally partisan as an institution, not just because of the mercantilist argument that everything in the political is partisan, but also in terms of realist arguments of self-interest and national gains. This question of partisanship and bias within the World Bank is of vital importance to the international system as the implications of this are huge; since international financial institutions have 'become even more influential since the rise of economic globalisation' (Watters, Marston and Cleaver 2008: 68) their inner workings and ideology are crucial in establishing the changing world order. Since some critics argue that the World Bank has 'thrown millions of people deeper into poverty by promoting the same harsh economic reforms...regardless of local culture, resources, or economic context' (Anderson 2001), it is therefore clear *why* the Bank's partisanship or natural bias is a political hot potato on the world stage. These debates over the Bank's political alignment have led to speculation of its reform, and need for reform, throughout various different institutions; it is in this that the dialogue regarding the Bank's partisanship finds its true importance, as in order for the Bank to progress its true ideological foundations must first be highlighted. Thus there are various benefits to establishing *how* partisan the World Bank is, even if it's actually being partisan has never really been in question.

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