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The World Bank: A Critical Primer by Eric Toussaint, Pluto Press, London and Ann Arbor, MI, pp. 314, £16.99

The World Bank – A Critical Primer was originally published in French in 2006 as *Banque mondiale: Le Coup d' Etat permanent.L'Agenda caché du Consensus de Washington*, by CADTM[1]-Syllepse-Cetim,Liège-Paris-Genève. The actual writing of the book commenced in March 2004 and was completed in two years time. The author, Eric Toussaint, has taken a chronological approach in analysing the World Bank from its inception up to 2006. A team of 11 persons worked on this English language translation, which was published in 2008 by Pluto Press. The book, spanning 314 pages, consists of 24 chapters. It contains figures and tables, a World Bank datasheet and a glossary. The stated aim of the book is to reveal the political, economic and strategic motives of the US government with regard to the World Bank. The organisation's policy has been placed in its political and geostrategic context. The author says that issues related to the World Bank's support of the productivist model and its impact on the environment; the Bank's view on poverty and the triumvirate of the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) would be taken up in a subsequent book.

The book gives a good background to the inception of the World Bank. A plan submitted in 1941 by the then US Treasury Secretary (Harry White) to the then US President (Franklin Roosevelt) bore the idea for the creation of the institution and its twin, the IMF. By the time the Bretton Woods Conference was organised in 1944, three proposals *vis-à-vis* the Bank had been withdrawn from the initial draft. These pertained to the creation of unitas, a currency specific to the World Bank (John Maynard Keynes had suggested bancor around the same time), making stabilisation of commodity prices a mandate

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[1] CADTM stands for "the Committee for the Abolition of Third World Debt". The author of the book under review is the President of the CADTM.

of the World Bank and allowing the Bank to advance loans from its own capital. It was decided that the Bank would on-lend the money that it obtained from the private banking sector rather than lend out of its own capital.

The World Bank effectively began operations in 1946. As early as 1949, as mentioned in its fourth annual report, the Bank recognised that political and social tensions caused by poverty and unequal distribution of wealth were obstacles to development, as was poor distribution of land and its twin effects of inefficiency and oppression. The author states that the Bank, however, did nothing to embrace the social dimension evoked in the annual report. In the first sixteen years of its existence, it failed to support any project aimed at redistribution of wealth and granting of land to landless peasants. It was only in the 1960s and 1970s that the Bank supported a small number of projects intended for improvement in health, education and provision of drinking water. The author analyses the projects accepted or rejected by the World Bank. It is deduced that, with a few exceptions, the Bank was unwilling to support industrial projects designed to satisfy the domestic demand of developing countries as that would have resulted in reduced imports from the industrialised countries. The exceptions to the rule were a handful of strategically important countries that possessed real bargaining power.

The book notes that the Bank acted in violation of international law by making the newly independent African states in the 1960s liable for debts incurred by Belgium, France and Great Britain for the purpose of colonising them. These debts are null and void and the states that have been victims of this violation have been exhorted to demand reparations from the World Bank for the same. The book notes that the UN agencies enjoy immunity from the International Court of Justice in The Hague. A suggestion is, however, made that citizens' associations representing the victim nations could seek judicial redressal for these nations. The author mentions qualifiers for the same.

The author has taken great pains to show how the US has near complete domination over the World Bank in terms of its policies, programmes and practices. The IMF, which is the Bretton Woods twin of the World Bank, was created as a result of intense negotiation between the US and the UK, so the US and Europe exercise joint control over it. The Bank was, however, largely an American creation. The World Bank's structure, general policy direction and the manner of granting loans have almost always been determined by its largest shareholder. Though the World Bank is a development institution, it has a voting structure which undermines its effectiveness and legitimacy[2]. Till date, the US remains the only country to have a *de facto* veto right at the World Bank.

When the Bank was created, the US had 35.07 per cent of the voting rights. Following the modification done in 2002, the share of the US is 16.41 per cent. For the first four decades of its existence, the majority required to modify the statutes of the World Bank was 80 per cent, held by at least 60 per cent of the member countries, which gave the US an effective veto. With the wave of newly independent countries in the South, the number of member nations of the World Bank gradually increased and thereby diluted the weight of the US vote. The US, however, took care to preserve its right of veto: in 1966, it had only 25.5 per cent of voting rights but this percentage was still sufficient for the purpose. As the situation began to get untenable, the definition of 'qualified majority' was revised in 1987 such that it favoured the US. Japan negotiated a significant increase in its voting rights with the US, placing it as the second most important country ahead of Germany and Great Britain. The US acceded to a reduction in its voting rights in order to increase the share of Japan, provided that the required majority for amendments

[2] In February 2009, as part of governance reforms, the governing board of the World Bank decided to accord a seat to sub-Saharan Africa on its Executive Board and raise the voting power of developing countries in the Bank to 44 per cent. As a further step, it has been agreed that the World Bank should undertake a comprehensive and intensive work programme to realign Bank shareholdings, moving towards an equitable voting power between developed and developing countries.

was raised to 85 per cent. Thus, while Japan was content, the US was able to retain its *de facto* veto power.

The author has given an entire new spin to the success of South Korea. Now, South Korea is often cited as a shining example and one of the strongest Asian tigers, countries that developed courtesy the export-led model of growth. The book attributes Korea's success to a combination of several factors such as a high degree of intervention from the state, state control of the banking sector, enforcement of authoritarian planning, strict control of currency exchange and capital flows, state-enforced prices for a wide range of products and the protection afforded by the US by allowing Korea to pursue policies that it condemned elsewhere. The US perceived Korea as a strategic military zone to counter the spread of the Communist bloc. The country did not have to resort to external financing from 1945-61. This is because of the grants that it received from the US, totalling more than what Britain, France and the Benelux countries individually received under the Marshall plan. It was also higher than the total loans extended by the World Bank to the newly independent developing countries during the same period. Until 1961, about 71 per cent of the investment by the state in Korea was financed by the aid received from the US. A substantial part of it was devoted to building of roads, bridges and other infrastructural overhead that furthered industrial development. Besides, the orders placed by the US expeditionary corps in Vietnam accounted for 20 per cent of South Korea's exports in the early 1970s. To begin with, the country had adopted an import-substitution model for growth and the changeover to the export-led model happened over a transition period of 25 years.

The author maintains that the World Bank was culpable in bringing on the Mexican debt crisis of 1982. Three factors had induced the crisis. One, the steep hike in federal funds target rate effected by the Federal Reserve of the US in October 1979. Two, the sharp fall in oil prices subsequent to the peaking of the second oil shock in 1980. This impacted Mexico's export earnings as petroleum accounted for a substantial part of its exports. Third, contraction of unsustainable level of debt by the country. While the first two factors were external, the third factor highlights the role of the World Bank in the Mexican debt crisis. The volume of World Bank loans to Mexico had quadrupled between 1973 and 1981. Mexico also borrowed from private banks with the backing of the World Bank. The volume of loans from private banks to Mexico had increased by six times between 1973 and 1981. In an assessment done in November 1979, the World Bank had noted that there had been an increase in Mexico's external public debt and especially in its debt service ratio, which was estimated to be as high as two-thirds of the country's exports in that year. The Bank, however, did not find that as a cause for alarm. In 1981, a year before the crisis broke out, the World Bank granted Mexico a loan worth US$ 1.1 billion, the largest loan granted by it since 1946.

At a few places in the book, the reader is likely to get confused about what the author is trying to convey. The few errors aside, the basic premise of the book – to highlight what it perceives as shortcomings in democracy, transparency and accountability of the World Bank (the so called "double discourse") – could have been stated more concisely.

The appendix to the book has an interview with the author. Eric Toussaint discusses the structural adjustment programme that is advocated by the Bretton Woods organisations and the after shock therapy. The book should provide sufficient ammunition to those who are fighting for fundamental reform to redress the democratic deficit at the World Bank and give real power to the developing countries.

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