

Why the World Bank Can't Lead Us to a Just World Order

by Stephen R. Shalom*

Gail Omvedt makes some telling points in her critique. Dependency theorists have been too quick to discount the possibility of capitalist development in the Third World. It is good to be reminded of the dangers of allowing wishful thinking to color our assessments of popular struggles, and it is useful to have our attention drawn to how elites often use populist rhetoric to mask their defense of power and privilege. In a number of respects, however, I find Omvedt's analysis flawed and even troubling.

Omvedt argues that we should not reject structural adjustment (SA) out of hand, but look at the specific requirements of any structural adjustment package. If the SA calls for hurting the people on the bottom of the social order, then we should oppose it; if it eliminates corrupt or inefficient bureaucracies or elite privileges, then we should favor it. This argument, however, ignores the undemocratic nature of the whole process. Structural adjustment programs represent demands imposed from the outside, not on the basis of any democratic principles, but on the basis of control of capital. The World Bank is not responsible to the people of the world, or even to the U.N. General Assembly where "one nation, one vote" obtains; rather it is controlled by those who put up the money on the principle of "one dollar, one vote." This is dictatorship pure and simple, no less dictatorial for its reliance on economic coercion than on guns and tanks.

It is true that sometimes the dictatorial demands of the Bank will be good and sometimes bad, but that's true about any dictatorship. Some of Mussolini's domestic policies were positive; it's good to have the trains running on time. It would be foolish to reflexively say anything Mussolini did was ipso facto a bad policy. It would be quite right, however, to say that Mussolini's rule had no moral legitimacy, and that we didn't want him ruling at all. To have denounced the new train schedules would be silly; to have protested Mussolini's claim to power would have been eminently reasonable.



Of course, if a dictator's policies were inevitably beneficent, it would be hard to get very exercised. But the Bank's policies can hardly be characterized this way. Gail Omvedt acknowledges that the Bank has "at times promoted de-

structive policies," but this seems to me to rather understate the matter. The Bank's fundamental policies serve the interests of the rich nations and the wealthy individuals within them. The Bank uses its enormous clout, for example, to compel an open door for foreign investment. Omvedt argues that sometimes foreign investment is good; I would prefer to say that the unequal world system sometimes makes foreign investment the least objectionable of awful choices. In any event, however, the crucial point is that if people in a Third World nation believed removing restrictions on foreign investment to be the best option available to them, they would do so; little convincing is needed to get people to pursue their self-interest. That the World Bank must use its muscle to pry open the door for foreign investment, on the other hand, suggests that at least some Third World people are not convinced of its benefits.

To be sure, narrow elites may benefit from protectionism and use nationalist rhetoric to advance their interests. But rich countries and the World Bank use a rhetoric of their own to advance *their* interests. They claim that the market and openness to foreign investment are equivalent to political freedom, and that the policies they are trying to impose on poor nations are for the latter's own good. The rich nations, however, are not as selfless as they would have us believe. Consider, for example, the pitifully small amount they dispense in foreign aid and their invariable willingness to overlook human rights abuses when there's a buck to be made. And the fact that every country in the world that has industrialized has done so behind some sort of protection provides further reason to be suspicious of rich nations imposing their free-market will on the poor.

Another major Bank goal has been to force the cutting of government programs, not just oppressive ones, or bloated ones,

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but any ones; and since government represents the main potential way that people can have control over their economic future, to the extent that the Bank succeeds in promoting the hegemony of global capitalism it undermines the prospects for justice, equity, and democracy. Within the United States, Newt Gingrich and his ilk also want to cut government programs and privatize a vast array of government activities. Some of the programs they target are indeed bloated, corrupt, or unresponsive, but the concern of the cutters is that government programs are the one sector of U.S. society where there is a modicum of potential public control, and therefore the programs must be abolished. If this is objectionable in the United States, where the cutters are elected Americans (though obviously elected in a system where money matters), how much more objectionable it must be in the Third World where the cutters are unelected representatives of global capital.

Gail Omvedt is right that the national regimes that the World Bank comes into conflict with are often not themselves democratic. But most regimes are probably more responsive than is the World Bank to the wishes of the local population. This is not because the local elites are more moral or open-minded than World Bank officials, but because protests, strikes, and riots are more threatening to the local rulers sitting in the capital city than to the international financiers headquartered thousands of miles away. And in many cases the local elites *are* democratically elected, which to be sure does not prevent class rule, but does make them somewhat more responsive to popular demands.

If the World Bank is so bad, Omvedt asks, why not call for its abolition rather than merely its reform? After all, she notes, during the Vietnam War we rightly demanded the end to the war, not just its scaling down. Those who saw the Vietnam War as a unique aberration, a mistake, or the policy of a few misguided individuals were indeed expressing their maximalist demand when they called for the end of the war. Those, however, who saw the war as the result of institutional structures of U.S. capitalism—the perspective of many of the founding members of *BCAS*—also called for the end of the war, rather than holding out for the total elimination of the imperialist system, because they understood that the prospects for imminent and fundamental social change were rather remote. Their slogan “Out Now”—for them a less than maximalist demand—did not indicate any inadequacy in their understanding of imperialism or any affection for it, but a realistic assessment of what was possible.

The same logic, it seems to me, applies to the case of the World Bank. Dictatorial institutions like the World Bank have no moral or political legitimacy, yet the likelihood of our being able to get them abolished in any short-term time frame is essentially nil. So it doesn't seem unreasonable that we try to formulate winnable demands while not compromising at all on our analysis. There is no contradiction in having a critique of the World Bank that exposes all the gory truth while our demands call “only” for reforming its worst features. That is the way that leftists always have to get involved in political struggles in nonrevolutionary times: support an increase in the minimum wage or the enactment of national health care as part of a practical, political program while providing an analysis that shows why even these desirable reforms will not eliminate the basic inequities and injustices in the system.

Gail Omvedt is right to say that accepting such realities does not make one a sell out or a betrayer of socialism and the nation, although in any particular case these might be accurate

descriptions. But when she explains what the realities are that many leaders are forced to accept, I think we get to our fundamental difference. We both agree that it is wrong to attribute all of a country's problems, even all of its development problems, to external forces. We both agree that oppressive and corrupt bureaucracies are objectionable. But Omvedt seems to be saying that for many countries the choice is between the market and these oppressive and corrupt bureaucracies, not just because the global economic system at the present time has forced us into accepting one or the other of these alternatives, but because these are actually the only possible alternatives. It is one thing to say that international capitalism imposes constraints that make the only realistic options the oppressive bureaucracy or the oppressive market, or some combination. It is another thing entirely to say that regardless of external factors these are the only two choices for social organization. In short, it seems that Gail Omvedt is giving up on the socialist possibility, which is characterized by the domination of neither the market nor the commissars.

Markets are inherently undemocratic institutions: they produce and allocate goods based on the number of dollars that demand them, not on the basis of need. A million dollars from a wealthy individual creates more market demand than ten dollars from a thousand needy individuals. Even if we started out with equal incomes, markets work by creating winners and losers, thus generating inequality and the resulting domination by the rich. (I am excluding here the possibility that a market might be used simply to provide shadow prices, without actually determining production, consumption, and allocation, though I am skeptical whether a pseudomarket of this sort, detached from actual economic decisions, would actually return accurate pricing information.) Moreover, markets are inherently incompatible with building community: they depend on ruthless competition and penalize those who regard others as human beings. Markets may not be worse than dictatorial state planning, but their inevitable consequence is self-centeredness, inequality, and a lack of democratic control over the economy.

The old categories of left and right, Gail Omvedt says, are losing their meaning. Certainly the events of the past decade have provided critical food for thought for everyone interested in social change. Logically, however, the collapse of the Soviet Union cannot tell us anything about whether a genuine socialism is possible or attainable. The failure of the Soviet system might show the limits of central planning by a Leninist vanguard party, or the internal weakness of a regime based on keeping many different nationalities under dictatorial control, but it can hardly discredit the possibility of authentic socialism, with which it had nothing in common.

Real socialism—a system that is radically democratic, where all the institutions are controlled by the people, where production is based on human need, not profit or the interests of some ruling party—is admittedly not on the immediate agenda anywhere in the world. We will need to struggle for lesser goals: for reforms, for increasing as much as possible the scope of popular control, and for resisting as much as possible global inequality and injustice. But a vision of where we want to go is essential to inform our political work and to be the standard against which we measure political programs and policies. In my view, socialism is that vision, and the need for a left committed to socialism—far from having lost its meaning—is more relevant than ever.

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