Under New Management: Historical Context and Current Challenges at the World Bank

Michael Goldman
Associate Professor of Sociology
University of Minnesota–Twin Cities

As a global institution of power and authority, the World Bank over the past years has become supreme. It handles some of the world's worst crises through the Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Global Program for Avian Influenza; the carbon trading and emission reductions market; the Alliance for Forest Conservation and Sustainable Use; the Global Water Partnership; the Millennium Development Goals; and the Education for All campaign.[2] It oversees worldwide initiatives to reduce onerous debt in highly indebted countries and restructures countries' capacities to fruitfully engage in the global economy. Simply put, the World Bank is the go-to agency for leadership, expertise, and finance in the battle over global problems within the terrain of what is being called global civil society.

In a different way, the World Bank also has a large impact on the ways local governments in borrowing countries govern. From small states like Laos, Mozambique, and Guatemala to big borrowers such as China, India, and Pakistan, the Bank trains thousands of professionals on the national, provincial, and municipal levels every year in governance, decentralization, the rule of law, judicial and parliamentary reform, adjustment and support for World Trade Organization (WTO) policy, and cost recovery from public goods and service delivery. Professionals worldwide seem to be marching to a similar beat, and the networks of global institutions and of state bureaucrats, development professionals, and even advocates of the rights of the "absolute poor" seem to be in synch.

By contrast, there looms an equally large, but far more ominous list of cautionary warnings. How, for example, should we interpret the stunning results of a 2005 survey of World Bank employees in which only 48 percent expressed favorable views toward the direction in which World Bank senior management was leading the institution?[3]

Michael Goldman as an associate professor of sociology at the University of Minnesota–Twin Cities. He is the author of *Imperial Nature: The World Bank and Struggles for Social Justice in the Age of Globalization*.

How should we understand Paul Wolfowitz's response to social movements that argue that the World Bank's most devastating projects are in the extractive mining, oil, hydroelectric dam, and large infrastructural sectors, when he announced that the World Bank will dramatically increase its lending to these areas? Why are Latin American leaders—from Venezuela to Uruguay—discussing full disengagement from the World Bank and International Monetary Fund (IMF), with overwhelming support from their populations?

Attempting to explain these colliding worlds, one set of seasoned observers suggests that the World Bank is suffering from a bad case of mission creep: in trying to accommodate diverse constituencies and political demands, the World Bank has set its standard for performance so high that it can never live up to it.[4] Other scholars argue that while trying to accommodate demands from social movements, the World Bank has also become captured by an even more powerful constituency: the U.S. government.[5] As a consequence, the World Bank has politicized the development agenda, lending to U.S. allies for U.S.-benefiting projects and ignoring the enlightened and prudent science upon which the Bank built its reputation. Caught in an ever-tightening vise between social justice advocates and U.S. industry and State Department lobbyists, the World Bank, critics argue, accomplishes nothing well.

One set of seasoned observers suggests that the World Bank is suffering from a bad case of mission creep.

To better understand the current but to-date brief era of Paul Wolfowitz's presidency, this article will highlight what Wolfowitz has inherited and what he is trying to change. What has endured over time, and why? Scholars and activists critical of the World Bank tend to focus on its disasters but do not ask how, in spite of so many failures, the World Bank has become the go-to institution with the expertise to supposedly solve our global problems.

The best way to grapple with these questions is to revisit the World Bank's history and highlight the key enabling and constraining factors contributing to the World Bank's global power and authority. Although Paul Wolfowitz only took over the helm in June 2005, noteworthy changes since then have increased the World Bank's enormous reach and scope. Wolfowitz's World Bank has pushed forward an expansive lending agenda that emphasizes the fight against corruption and for good governance; increased investment in large infrastructure in power, mining, and transport; direct loans to municipal agencies to finance "world cities"; and a larger role for private firms in loans to public-sector service providers. Yet, the World Bank continues to suffer from a battered image. The future of the World Bank may be determined by these volatile cross-cutting political currents, and for this reason, the coming years of Wolfowitz's tenure may perhaps be the most significant in the World Bank's history.

The World Bank Wolfowitz Inherited

Recent changes at the Bank are best understood within the historical context of its phenomenal growth and the expanding global institutional terrain which it helped form, and in which it currently thrives. For starters, it is important to appreciate that the Bank of the 1950s and 1960s did not focus on what we currently understand as development or poverty alleviation. At that time, without much fanfare or press, the Bank loaned relatively small amounts of capital to post–World War II European countries and their former and current colonies to hire U.S. contractors to rebuild infrastructure that had been destroyed or had languished during the war. Up until the 1970s, the Bank was largely run by Wall Street bankers, staffed by former colonial officers, and viewed as prudent, conservative, and risk-averse.[6] Wall Street had a clear revulsion for anything but the most "sound" financial investment for the Big Five countries controlling the voting power inside the Bank—the United States, Japan, Germany, the United Kingdom, and France.[7]

But the trend had begun to change by the late 1960s. Turmoil in the global political economy, with the U.S. economy floundering from the high costs of the Vietnam War, collided with the concerns of large investors of OPEC petrodollars, European currencies, and Japanese yen looking for value and hesitant to invest in the United States or in their own overvalued home markets.[8] Adding to this historical rupture were post-independence Southern countries suffering from both a precipitous drop in economic investment from the North and an increase in mass movements demanding access to the basic rights and public goods that liberation had promised.

As president of the World Bank, former U.S. secretary of defense Robert McNamara transformed the Bank's role from a small prudent investor to a global lending behemoth. In the first five years of McNamara's tenure, the Bank financed more projects (760 versus 708) and loaned more money ($13.4 billion versus $10.7 billion) than it had during the previous 22 years combined.[9] Together with his new treasurer Eugene Rotberg, McNamara invented a secure and profitable arena for huge institutional investors through a unique brand of bonds—very large, multi-currency "global" World Bank bonds.[10] Fifteen years later, the Bank was successfully borrowing $10 billion a year.[11] As a consequence, the Bank's power allegiances became much more dispersed, as it never borrowed too much in any one place or currency and worked to create new markets and investment tools in new locations around the world.

This innovation not only spurred an ever-expanding market for global bonds and a flush source for raising capital, but also aided McNamara in his effort to finance his new vision of the global South: as a source for untapped and undervalued natural resources that could fuel a tremendous growth spurt of Northern industrial output and profit.

McNamara proposed a massive lending portfolio that linked infrastructural projects such as dams and power plants to a more integrated policy-based agenda—for example, "rural modernization" that financed schools, clinics, roads, markets, and credit banks. He helped finance and promote the capitalization of agriculture, the "green revolution," which he advanced as the best offense against the rising tide of "red revolutions" and mass poverty that were sweeping across the postcolonial South.[12] While Wall Street became enamored with this high-reward investment strategy, Northern governments and a new development community of anti-poverty and anti-famine advocates became intrigued by the idea of a multi-billion dollar investment campaign to fight the global "war on poverty."

Ironically, it was the demand side of World Bank expansionism that required even greater ingenuity and infrastructure. Since the Bank's capital is loaned with substantial strings attached, the potential borrowers of the global South—already economically vulnerable and dubious of these neocolonial ventures—had to be courted and cultivated. True to his reputation as one of the United States' elite "best and the brightest," McNamara introduced the ideology of "global expertise" by creating a virtual business in training professionals to do World Bank–style data collection and analysis.[13] He matched the Bank's new increases in mega-projects and capital-intensive policy portfolios with new training institutes in the South promoting the World Bank's development project writ large, enlisting parliamentarians, engineers, planners, and agronomists. The Bank began to cultivate champions in every node along the development production line, training Third World elites, setting up agricultural research institutes, and creating quasi-public agencies to oversee the capitalization and transnationalization of production systems that were once local.

Ten years of explosive growth for the Bank eventually hit a wall. The more it loaned to capital-strapped countries, the more its investments spurred development in which Third World countries became consumers of First World industrial inputs, putting Third World governments into debt. Borrowing governments had great difficulty paying back the large dollar-based loans with their local currency-based revenues.[14] By 1986, Third World debt had risen to $1 trillion and countries were borrowing large amounts from the Bank and IMF just to service the interest on their old loans.

Ten years of explosive growth for the Bank eventually hit a wall.

Instead of collapsing under the weight of a global debt crisis and the loss of clients able to borrow, the post-McNamara World Bank brilliantly reinvented itself as the global arbiter of debt and state fiscal management. Mobilizing its own political knowledge and lending machinery, the Bank arose as the leader of structural adjustment, a set of policies that gave the Bank access to the most intimate sovereign space of government: that of the financial functioning of the nation-state. What was supposed to be a short-lived "shock therapy" to help countries adjust to oil and commodity price hikes instead became a never-ending cycle of debt-servicing loans, further interventions to promote export-oriented production and policies (reforming tax and tariff structures), privatization of public enterprises, and restructuring of the government itself.

The Bank's ability to grow from the crippling debt crisis is a testament to the strength of the professional-class institutions McNamara built up. The Bank allotted contracts to high-end service sector firms such as Arthur Andersen and Price Waterhouse to design the restructuring, and to local professionals, academics, and government officials to assist them. Ever since McNamara transformed the Bank, it has continued to create new space within the global arena for such professionals to thrive and enact certain global agendas.

The Wolfensohn Era: Making His "Knowledge" Bank Listen

Although James Wolfensohn inherited the dead-end agenda of structural adjustment when he became World Bank president in 1995, the Bank itself still had some political steam left in it. World Bank bonds still maintained their high Triple-A ratings, and Wall Street enjoyed the risk guarantees the Bank offered. After the fall of the Soviet Union and its allied political regimes, new countries and entities became potential World Bank clients. But as the Bank turned its attention to the new project of state reform, a much larger and more vociferous constituency mobilized against the Bank's draconian policies of currency devaluation, subsidy and safety net elimination, union busting, mass layoffs, public service reduction, and government downsizing. Wolfensohn had no choice but to concede to these mass movements demanding justice by opening up the Bank's activities to include NGOs, environmentalists, scientists (besides its own economists), and representatives from the communities affected by its projects.

In his first few years, James Wolfensohn could only focus on the dismal effects of the policies he inherited: a series of highly contentious projects such as the Narmada River dams in India, the Amazonian highways and colonization projects, and the massive resettlement and contaminated mining schemes in Indonesia. Hence, the first symbolic act of his tenure was not to cut the ribbon at some glorious project site, but to cancel a controversial dam planned for Nepal, the Arun 3, before a social movement campaign could fully ignite. While the public message emanating from the Bank was "Wolfensohn means business," the message inside World Bank headquarters was "Don't get zapped by the Narmada effect!" or, as Wall Street says, "Do your due diligence!"

Following in McNamara's footsteps, Wolfensohn emphasized the "science" of loan production, from refining the dialogues with the clients and beneficiaries, to improving capacity in-country and in the World Bank, to establishing environmental and social assessments before loans were approved. His proposals to clean up by promising to change the World Bank's culture from an "at-a-distance," boilerplate-producing, Washington DC–based institution into a decentralized, listening, loan-tailoring, and humane organization were attractive to many observers. He shipped a number of his staff out into the field and held innumerable meetings with NGOs, social movement leaders, academics, and business leaders.

Even though the Bank's sincerity was questioned, its loan portfolio grew. This outreach coincided with the post-1989 global mapmaking, when new potential borrowers and arenas for World Bank lending popped up everywhere. The Bank aggressively intervened on many fronts: judicial, parliamentary, and legal reform; WTO membership requirements leading to the elimination of fundamental subsidies, tariffs, and taxes; capital and currency controls that protected small producers and the working class; and the packaging for sale of these states' dilapidated, but highly coveted and under-valorized public enterprises. Wolfensohn's Bank also financed the creation of a series of transnational networks and institutions through which the Bank empowered champions of this world-altering neoliberalization strategy, propelling the Bank far beyond its historic reach.

But these expansionary times had their rough moments too. Many believed that the extreme policies of the IMF and the World Bank had provoked the 1997 Asian financial crisis. Calls for greater dialogue, oversight, and transparency haunted the Bank in February 2000 when the U.S. Congress released the report of the International Financial Institutions Advisory Commission, headed by conservative U.S. economist Allan Meltzer. The Meltzer report expressed alarming concern that the Bank was not living up to its poverty-fighting mission. The Bank's had funneled 70 percent of its loans to only 11 out of 184 countries, primarily middle-income countries that already enjoyed easy access to foreign capital investment; only 20 percent of the Bank's resources ended up in the poorest countries. Worse, its projects in these poorest countries were failing 65–70 percent of the time.[15] That is, the Bank's mission of eliminating poverty was a dubious one. Its bread and butter loans landed primarily in "financially safe" countries, proving the argument that the Bank was not really in the business of helping the poor, and when it did lend for poverty reduction, it failed.

Feeding the fires of World Bank criticism were accusations of corruption from whistleblowers. For example, it was common knowledge amongst Indonesian specialists that the World Bank looked the other way when at least 30 percent of every World Bank loan disappeared within the coffers of the ruling elite.[16] In southern Africa, the highly publicized Lesotho Highlands Water Project was rife with corruption charges, which were long ignored by the Bank until the Lesotho High Court convicted four companies close to the Bank of paying substantial bribes.[17] Similar claims have been lodged from India, Mexico, Brazil, Nigeria, and most other large World Bank borrowers.

In the dance between Wolfensohn and the activist NGOs, ombudsmen and public hearings emerged as institutional procedures of preference, absorbing and normalizing the engagement of complaint and response. One of the most important ombudsmen created by the Bank in 1993 and legitimated by Wolfensohn two years later, was the Inspection Panel. Staffed by three independent "judges" (but under the control of the Bank president), the Panel received complaints from people who believed their lives were being harmed by World Bank projects. Under Wolfensohn, the Inspection Panel received a steady flow of claims from all over the world. Although only a few cases have actually been taken up, the industry of social and environmental assessment, the public realm of confession and audit, and the science of development have proliferated.[18] Every year, new arenas of expertise sprout up on the audit and reform of the project of development, rather than any substantial overhaul of the system, or the closing down of an arena of worst practices. For example, as a result of the seemingly devastating critique of the Bank's legacy of dam building from the international review panel it had set up (the World Commission on Dams), the Bank has decided to return to the dam building business, as if now, armed with a critique, it is prepared to do better.[19]

The most significant Wolfensohn legacy that Wolfowitz inherited is the highly successful neoliberalization of the world of development, transforming institutions from the global down to the local. For example, in its desire to create a global water policy that would stick, the Bank helped finance and staff a global think tank (World Water Council), eminent panel of experts (World Commission on Water for the Twenty-First Century), the tri-annual World Water Forums, water NGOs, and training courses on themes of full cost-recovery and privatization of water in training institutes throughout the global South. By the late 1990s, the Bank required privatization policies as a precondition to access to its capital. Further, the World Bank required that private management consultants (PMCs) manage most of the large water loans that it provides to local government agencies.

In an odd sort of way, this strategy marries the Washington Consensus' demands for market liberalization of the public sphere with the social justice demands for greater transparency, decentralization, capacity-building, and participation, though not in the way social activists had hoped. Instead, these neoliberal strategies have only further disempowered and alienated both the poor majority whose livelihoods depend on access to inexpensive water, and the governments' water professionals who are now less able than before to manage development in the public interest. The most telling measure of the success (in World Bank terms) of the Wolfensohn era campaign on water reform is that in 1990, only a handful of people in the global South purchased water from European-based private firms. Yet just ten years later, the number required to buy from foreign firms grew to 500 million, and most were customers of just two corporate giants, France-based Veolia and Suez.

By the time current Bank president Paul Wolfowitz took over the helm, however, this water privatization policy fizzled, as most of the slums, *favelas*, and *bastis* never received the promised water and the price hikes for water became too high for the majority of potential customers. Since 2002, most of the large private water contracts have been nullified, Northern water firms have been forced to retreat and statistics on access to clean and safe water have not changed a bit over this decade of water reform.[20] In spite of a full-throttle campaign to deliver water with European expertise and efficiency to the South's largest cities and their majority poor, conditions have not changed except for the unheralded rise in metropolitan debt and the introduction of yet another round of extremely large development loans.

The Clouded Dawn of the Wolfowitz Era

From previous eras in World Bank history, we have seen that the Bank survives and prospers by continuous reinvention, finding new ways to overcome the effects of its interventions, as well as the crisis of demand for its next round of projects and services. The Bank is only as successful as it is able to generate new clients and new strategies of intervention while still maintaining confidence on Wall Street. The Wolfensohn era should be noted for two remarkable and interlinked accomplishments: the creation of lucrative markets for Northern high-end service firms gaining contracts to work inside government and public enterprises, on the one hand, and the widespread recruitment (and creation) of NGOs, the mobilization of eminent panels (e.g., the Inspection Panel, International Advisory Panels, the World Commission on Dams), and the training of borrowing-country professionals, on the other. Although the latter may seem epiphenomenal, it has in fact stimulated new forms of demand for the World Bank and fortified its legitimacy amongst professional classes. By working with and through NGOs, the Bank has managed to go where it could not go in the past—into slums, dense tropical forests, indigenous communities, and even inside government agencies. NGOs are often efficient at supplying services cheaply and enthusiastically, bridging gaps and inventing new modalities of intervention and delivery that the high-priced World Bank staff could never do on their own, such as microcredit, conservation strategies, and the delivering of water, medicine, and public health facilities. The Bank capitalized on local social movement campaigns for transparency, accountability, participation, and good governance, transforming this ethos into a development mandate to sweep out "corrupt" local government and bring in the "clean" and "apolitical" service industry, albeit not from local pools of expertise but from the Northern corporate sector.

Just as the World Bank has adopted NGO campaigns in order to extend its reach and change its own practices, NGOs too have been transformed: to work with the World Bank, NGOs have had to incorporate a neoliberal perspective that they never would have enacted on their own, such as privatizing housing markets they helped rebuild in post-tsunami regions, or capitalizing fragile eco-zones in the forests in exchange for the rights to manage national park systems. Hence, the neoliberalization of the world of development has been, from the Bank's perspective, a resounding, if fragile, success, but at great cost to its supposed clients, the poor majority of the world.

This fragile success of enticing Wall Street while also engaging professionals within civil society is one that requires constant flows of capital, innovation, and hard work. If we shift our evaluation of the Bank away from the common discourse of development (i.e., measuring service provisions to the poor) to the domain that occupies senior Bank officials (maintaining market confidence) we may be able to appreciate the inherent tensions that shape World Bank practices. Confidence, what makes the difference between bull and bear markets, is also the balancing point for the World Bank's career. If the Bank's loans, and consequently its global bonds, were to be considered by institutional investors such as Deutsche Bank as risky, unprofitable, or a source that crowds out foreign investors, there could easily be a run on World Bank bonds. If that were to happen, as some Wall Street firms recently indicated that it could, the Bank could be threatened with extinction. With this vulnerability in mind, let us briefly survey the milieu of shrinking confidence which Bank president Paul Wolfowitz inherited and is currently trying to manage.

Across Latin America, a full-scale rebellion is brewing, as Argentina, Venezuela, Brazil, Uruguay, Bolivia, Ecuador, and others have repelled most advances from the World Bank and IMF, especially on the issue of privatization of natural resource industries such as water, natural gas, and oil. In January 2005, the Bolivian town of El Alto cancelled privatization plans with the water consortium controlled by the Suez Company, and Evo Morales, one of the organizers of the water wars in Cochabamba against the Bechtel–World Bank water contract, has become the country's president.[21] Uruguay's new president, Tabaré Vázquez, won with an anti–World Bank/IMF campaign and supported the successful public referendum for a constitutional amendment to forbid privatization of public goods and services such as water. In Venezuela and Bolivia, the previously privatized energy and oil industries are being nationalized—a policy that is helping to reduce foreign debt and augment the state's ability to meet the needs of the poor majority in these countries. These initiatives are considered the new projects of development in twenty-first century progressive Latin America.[22]

Despite the economic weakness of many African states, leaders have responded to mass demands to nullify privatization contracts on essentials such as water, and the next arena of conflict is over natural resources such as oil, gems, and minerals. Many middle-income Asian countries, especially China and India, can easily raise their own capital and mobilize world class professionals without having to borrow from the World Bank and IMF. Indeed, China now lends to the Bank's borrowers in Africa in order to access precious raw materials, potentially crowding out the Bank and its conditionality-laden loans. Most disturbing is a December 2006 internal World Bank report arguing that the Bank's attempts to fight poverty have failed, demonstrating that at sites where Bank projects were implemented to reduce poverty, especially in the countryside, more than half of the sample sites have had the same or worsening poverty rates over the past decade. As the review of the report in the *Washington Post* said, "the internal report reads like an amalgam of the criticisms that have been leveled against the World Bank for years by outside activists."[23]

China now lends to the Bank's borrowers in Africa in order to access precious raw materials, potentially crowding out the Bank and its conditionality-laden loans.

What has been Wolfowitz's response? Facing disinterest by borrowing countries toward the Bank's stringent neoliberal policies, Wolfowitz has begun to carve out an end-run strategy around central governments straight to provincial, state, and municipal level government agencies that have little experience in borrowing, paying back, or managing large dollar-based loans. This asymmetry between borrower and lender has always been the advantage that enables the World Bank to perpetuate its endeavors as global banker. With each new loan comes a bevy of consultants and policy demands—bringing in U.S.-style accounting procedures, new WTO-mandated tariff and pricing measures, IMF-type reductions in social expenditures, and legal reforms that offer global players greater access to local resources and markets. Markets for land, water, energy, and government services are the main arenas in which World Bank corporate clients have been eager to participate. The making of "world cities" has become one of the Bank's hot new investments, and the complex legal and political changes that the Bank requires in order for Southern cities to get loans for urban planning are exciting and alarming to watch. With bulging slums, decreased access to clean water, increasing waterborne and sanitation-based epidemics, and inadequate infrastructure resulting from twenty years of World Bank–promulgated disinvestment from the public sector, major Southern cities are the new sites where the World Bank sees itself as uniquely situated to intervene.

Because these urban problems seem so large, complex, and global, it may seem logical for the World Bank to get involved. Indeed, Wolfowitz is quite keen on convincing countries with vibrant urban economies to borrow. The miracle city of Bangalore in India is a good example. Having tripled in population and quadrupled in size over the past two decades thanks to the information technology (IT) sector boom, this former pensioner's paradise has begun to borrow hundreds of millions of dollars from the World Bank, the Asian Development Bank (ADB), and the Japanese Bank for International Cooperation (JBIC). Lenders are backing the construction of five satellite towns on the city's periphery to alleviate the growth pressure on central Bangalore, and are also financing the acquisition of land to create an IT corridor larger than the size of Paris, an international airport almost twice the size of Heathrow airport, and a monorail and elevated highway. Combined with the satellite towns, these projects will transform Bangalore from a 280 square kilometer town (in 1980) to one that will occupy approximately 8,000 square kilometers of land, and will be known as "Greater Bangalore." This mega-city scheme should transform Bangalore into one of the largest metropolitan areas in the world.

What about the question of governance? Some of the Bangalore senior civil servants whom I interviewed in late 2006 and early 2007 raised their concerns about the wisdom of taking on these massive loans. Among other things, they are asking why the city should borrow in Northern currencies to hire Northern consultants to tell them how to plan and govern. Is Bangalore not India's science city, and the "Silicon Valley" of Asia—flush with investment capital and the world's top engineers and innovators? The head of a key government agency explained to me that although he was thrilled to be in the thick of these huge investments, he was perplexed as to why he was not allowed to manage them. For each of his agency's large loans, there was a stipulation to hire outside management consultants.

Although the World Bank's new strategy to lend directly to cities in order to empower them to govern and innovate with citizen input and oversight sounds sensible, this is not necessarily occurring. In India's major cities, these large loans are de-democratizing and privatizing already weak local government bodies.[24] World Bank loans help create new agencies (or autonomous wings of old ones) that are accountable to no elected officials or local constituencies but rather to state-level (party-appointed) chief ministers and their appointed committees. The sheer size of these large loans, which add up to billions of dollars, plopped down into the hands of weak local bureaucrats, only fuels the corrupt gold rush dynamics of contract- and land-grabbing. Although most of these projects have a "pro-poor" component, the reality is that these expensive urban projects inflate the value of land, housing, and services, making them even less affordable for the majority. While civic leaders rush to provide citywide WiFi, most Bangaloreans lack access to basic services such as in-house water and toilets. After six years of large development schemes for water and sanitation in Bangalore, water shortages and clogged sewers have only worsened. Moreover, in 1990, the top quintile of the Bangalore population earned five times that of the bottom quintile; by 2001, that gap widened sharply to 14 times. Geographer David Harvey's concept of dispossession through accumulation is being played out in Bangalore: expensive "development" projects are only exacerbating income inequality and land (and housing) access for the majority.

This new lending strategy further postpones the answer to the big question of the past decades in the contentious and asymmetric world of development: when will the World Bank deem the non-elites of India, Nigeria, and Brazil able to manage their own social and economic development? The new global expertise on lending to subnational units identifies multiple "weaknesses" of current municipality governance that require cleaning up, professionalization, and the application of international standards. Enter the auditors, accountants, planners, and, under Wolfowitz, the corruption busters.[25] The question of "cleaning up" mega-city governance is central to the new World Bank, and it brings us to the thorny issue of corruption, Wolfowitz's cause célebré.

Although Wolfowitz's agenda is to root out corruption, the very practices of the World Bank create conditions in which corruption thrives. Dropping a multi-million dollar loan onto a severely underfunded government agency's desk makes misuse a practical inevitability. Let's take the example of land acquisition in Bangalore for urban development projects. With large sums coming in to acquire land in the name of development, there is a mad dash to acquire land by real estate speculators from as far as Mumbai and New Jersey, and land prices are skyrocketing beyond belief. A former senior government officer, now an IT executive, explained to me that his government-allotted house was valued at 10 rupees per square foot (83 U.S. cents) in 1985 and is valued at 9,000 rupees per square foot today (US $205). On the periphery of this expanding city, villages and farming communities are disappearing overnight, and the main role of government officials, as government and press routinely report, seems to be acting as conduit for private developers.[26] Is this the new role of local governments envisioned by the Bank's experts? If the gap between rich and poor is actually widening, and the poverty-alleviation component of Bank loans is failing, then could the so-called corrupting influence in development be the World Bank loan itself?

When looking at the Bank's new analytic framework on corruption, the obvious question is how it is grappling with the gross abuses occurring in the name of development. Unfortunately, it is not doing so. Rather than working from the rich database of everyday experiences where World Bank loans flourish, Bank expertise on corruption is based primarily upon survey data of perceptions of corporate managers doing business in the global South.[27] Hence, this definition of corruption looks at only one small dimension of corruption, relevant to one particular class: the business class. The corruption levels identified by these measures may help explain Northern firms' hesitancy to set up shop, but they fail to explain the life experiences of everyone else who suffers under, among other phenomena, the weight of dispossession caused by development loans. The World Bank's science of corruption ignores the experiences of Southern civil servants' relations with Northern business managers, the majority's relations with the power matrix of international financial institutions' loans, and more. The World Bank's corruption experts fail to ask the question that poverty fighters should ask: how do the people who struggle to access basic resources such as water and land experience the World Bank's global policy of privatized service provision and hybridized government agencies (part public, part private)? Instead, the analysis hones in on underfunded government agencies that do not treat foreign investors favorably. Consequently, these analytic practices confirm and extend the current agenda of outsourcing government and attenuating the more democratic aspects of local state–citizen relations. By contrast, the more important task is to understand the multiple ways that so-called corruption may be endemic to the development industry itself.

Regarding the principle implicit in the development profession—"teach the poor how to fish," or the goal of self-sufficiency—one must consider these corruption debates within the context of the results of sixty years of World Bank–style development. When the World Bank began, most of the capital from Bank loans purchased goods, services, and expertise from Northern firms to rebuild the power, transport, and raw-material-producing industries essential for reconstructing the Northern led, post–World War II global economy. During this "colonial-imperial" era, voting power at the World Bank reflected purchasing power. As mentioned earlier, the United States, Britain, Japan, Germany, and France controlled a majority of the vote in the World Bank, while the whole African continent had virtually no vote. Very little has changed since. Northern firms still win a majority of the foreign procurement contracts; in 2003, a startlingly high 45 percent was channeled to the firms in just the Big Five countries.[28] Much of the money lent to capital-poor, indebted countries returns back to Northern firms to purchase the goods, services, and expertise, at substantial profits in high-value currencies like the yen, dollar, and euro. The current voting structure allows for such a discrepancy: the Big Five still control more than one-third of the votes in the World Bank (38 percent), and with its other Western Europe partners, almost a majority (43 percent total), while the supposed owners of development—45 Sub-Saharan African countries—control an ineffectual five percent of the vote.[29] One result has been a net capital transfer over the past decades from the global South to the North.

Why, after sixty years of lending and advising, are the World Bank's borrowers still unable to build sewers and improve public health care systems, such that they still supposedly need to hire German and British experts and firms to do it? Is this the dismal result of a half century of Bank expertise and lending? What is the basis for this unbalanced system to continue? Wolfowitz's World Bank seems to be merely extending and not transforming these foundational structural inequities. If the structural conditions of the World Bank and its world of development—its dependence upon investment firms buying its global bonds, the Big Five corporate sector insisting upon its expensive goods and services being purchased, and the systemic silencing of the non-elite populations of its largest borrowers—are only intensifying, then what could we possibly expect from this new president? Avenues for further inquiry should perhaps focus on the elephant in the room: how is it that these foundational practices of one of the world's most powerful global institutions are rarely discussed? What is it about the relationship between international finance institutions and professional classes around the world that enable certain scientific and public debates to occur about development, such as a debate on government corruption, but not others, such as these fundamental inequities? These are some questions that any effort to evaluate, reform, or abolish the World Bank and its world of development should seriously consider.

Notes

1. This article reflects elements of my multi-year ethnography of the World Bank, sections from my book, *Imperial Nature* (New Haven: Yale University Press, 2005), and from my recent ethnographic research on the "making of a world city" in Bangalore, India. I would like to thank my astute and supportive research assistants, Wes Longhofer and Ivan Bialostosky.

2. On the AIDS epidemic, see www.theglobalfund.org; on avian influenza, see www.worldbank.org/avianflu; on carbon financing, see www.carbonfinance.org; on forest conservation, see www.forest-alliance.org; on the Global Water Partnership, see www.gwforum.org; and on the Millennium Development Goals, see http://devdata.worldbank.org/gmis/mdg/list_of_goals.htm.

3. World Bank Group, "2005 World Bank Staff Survey," (Washington, DC: World Bank Group, 2005). Available at http://www.bicusa.org/Legacy/WorldBankStaffSurvey.pdf.

4. Jessica Einhorn, "Reforming the World Bank," *Foreign Affairs* 85 (January-February 2006): 17–22.

5. Robert Wade, "US Hegemony and the World Bank: The Fight over People and Ideas," *Review of International Political Economy* 9, no. 2 (2002): 201–229.

6. Goldman, *Imperial Nature*.

7. India was one of the original "five" but was replaced by Japan as soon as the latter became a strategic geopolitical player. Susan George and Fabrizio Sabelli, *Faith and Credit: The World Bank's Secular Empire* (London: Penguin Books, 1994).

8. Fred Block, *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present* (Berkeley: University of California Press, 1977); Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca: Cornell University Press, 1994); Ethan Kapstein, *Governing the Global Economy: International Finance and the State* (Cambridge, MA: Harvard University Press, 1994).

9. George and Sabelli, *Faith and Credit*; Deborah Shapley, *Promise and Power: The Life and Times of*

Robert McNamara (Boston: Little Brown, 1993).

10. Institutional Investor, *The Way It Was: An Oral History of Finance, 1967–1987* (New York: Morrow, 1988).

11. Ibid., 242.

12. Devesh Kapur, John P. Lewis, and Richard Webb, *The World Bank: Its First Half Century* (Washington, DC: Brookings Institution, 1997).

13. David Halberstam, *The Best and the Brightest* (New York: Random House, 1972).

14. Sarah Babb, "The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates," *Annual Review of Sociology* 31 (2005): 199–222.

15. Allan Meltzer, *Report of the International Financial Institutions Advisory Commission*, U.S. Congress, 2000.

16. Jeffrey Winters, "Criminal Debt," in *Reinventing the World Bank*, ed. Jonathan R. Pincus and Jeffrey A. Winters (Ithaca: Cornell University Press, 2002), 101–130; Heather Marquette, *Corruption, Politics and Development: The Role of the World Bank* (Basingstoke, UK: Palgrave Macmillan, 2003).

17. Patrick Bond, "The Politicisation of South African Water Narratives," *Capitalism, Nature, Socialism* 15 (2004).

18. Jonathan Fox, "The World Bank Inspection Panel and the Limits of Accountability," in *Reinventing the World Bank* (see note 16), 131–163.

19. World Commission on Dams, *Dams and Development* (London: Earthscan, 2000); Sanjeev Khagram, *Dams and Development: Transnational Struggles for Water and Power* (New Delhi: Oxford University Press, 2005).

20. Public Services International Research Unit, *Pipe Dreams: Failure of the Private Sector to Invest in Water* (London, UK: University of Greenwich, 2006).

21. G. Barja and M. Urquiola, "Bolivia: Privatized Water Company Defeated," *NACLA Report on the Americas* 38, no. 5 (2005): 41–43.

22. Ricardo D. Salvatore, "Empire of Knowledge," *NACLA Report on the Americas* 39, no. 2 (2006): 8–12. Salvatore is skeptical of whether these new economic policies actually constitute resistance to neoliberal hegemony. Rather, they may merely be "local variations of economic policy within the range of possibilities 'allowed' by mainstream economic theory and by multilateral institutions."

23. Peter Goodman, "The Persistently Poor: An Internal Report Criticizes World Bank's efforts on Poverty," *Washington Post*, 7 December 2006.

24. In the case of water, a few years back, when the Bank recommended privatization of the water delivery service, a strong negative response from the public and some key senior water officials forced the lenders to relent. Nonetheless, by 2007, nine out of ten of the basic procedures that the water department runs to ensure water delivery have been outsourced to foreign and local companies. Based on my interviews with officials and consultants (January-March 2007).

25. Mustafa Baltaci and Serdar Yilmaz, "Keeping an Eye on Subnational Governments: Internal Control and Audit at Local Levels" (Washington, DC: World Bank Institute, 2006).

26. This process is being documented by the state legislature (see Karnataka state government, Joint Legislature Committee on Encroachment of Lands in Bangalore Urbana District report, February 2007).

27. Daniel Kaufmann, "Governance Matters: Governance Indicators for 1996–2005" (Washington DC: World Bank Institute, 2006); Daniel Kaufmann and Aart Kray, "Measuring Governance: Possibilities and Pitfalls" (Washington, DC: World Bank Institute, 2006).

28. World Bank, *World Development Report* (Washington, DC: World Bank Institute, 2003).

29. Ibid.