Preface – an economic pilgrimage

This book has been part of a personal pilgrimage. In 1993, I traveled to Cambodia for the first time with the International Human Rights Law Group to monitor national elections run by the United Nations Transition Authority for Cambodia (UNTAC). For the rest of the decade, I was involved with various Cambodian projects under the rubric of “Law & Development” – first the Cambodian Defender’s Project, later Legal Aid of Cambodia, and finally founding and directing of the Program for Cambodian Law & Development at the University of Michigan Law School. This work was similar to other projects taking place across the globe in so-called transition countries. While there was discussion in Cambodia about the appropriate blend of civil (French) and common law (English/American) traditions, the template we were working from was clearly a Western legal template. We were seeking to enforce rights and breathe life into the paper institutions created by Cambodia’s new Constitution; a document that itself was modeled after contemporary best Western practices for establishing free markets and an open liberal democracy. The year 1993 also marked the beginning of what would be an 11-year accession process for Cambodia to become a member of the World Trade Organization (WTO).

In the summer of 2003, I found myself back in Cambodia. I had burned out on the near-impossible and perhaps ill-conceived venture of Law & Development. I was transitioning between academic positions and starting a new research agenda focusing on international public health and economic development. When not in the field, I spent most of my time on an old riverboat moored on the Tonle Sap River. The riverboat had its own interesting history, having previously served as a nightclub, dance hall, and brothel. It was now the headquarters of the Cambodian operations of an International Nongovernmental Organization (INGO), whose generous director let me share desk space and intermittent internet access.

The boat was a whirl of activity. It was home to a wonderful union of sex workers, proudly organizing under a banner that declared “Sex Work is Work.” As a lawyer, they looked to me to advise them about their “rights,” but what do legal rights mean when one of the greatest sources

of their harassment and physical abuse came at the hands of the police? Who do you call to enforce these rights? This group of strong women and transgendered men are some of the smartest, funniest, and most creative people I have ever worked with. They were on the front line of the fight against HIV-AIDS, trying to increase condom use. That summer, they were also mounting an important international battle over medical ethics in a controversial clinical trial of the use of antiretroviral drugs as an HIV prophylaxis in high risk groups, run by the a major US teaching hospital and funded by a leading international sponsor.¹

The riverboat is also where I had my first substantive encounter with the World Bank. As discussed in greater detail in Chapter 5, the World Bank and International Monetary Fund (IMF) initiated the Poverty Reduction Strategy process in the late 1990s as a precondition for debt relief for Highly Indebted Poor Countries (HIPC)s. Cambodia started the process in 2000 and issued its Interim Poverty Reduction Strategy Paper (I-PRSP) in early 2001, holding a 2-day workshop that April to discuss the paper's contents and solicit input from stakeholders and civil society members. Unfortunately, at that point, the document was available only in English and had not yet been translated into Khmer (Cambodia's national language). Cambodia's National Poverty Reduction Strategy (NPRS) was finalized in December 2002, presented to the World Bank and IMF Boards in January 2003, and formally launched in March of that year. Over the summer, various INGOs organized training sessions for local Cambodian Nongovernmental Organizations (NGOs) to increase their ability to participate and influence the implementation process.

Much of this training happened on the riverboat. The boat was abuzz with acronyms and terms that sounded like a foreign language to me – Poverty Reduction Strategy Papers or PRSPs, Structural Adjustment Programs or SAPs, Sector-Wide Approaches or SWAp, and Country Assistance Strategies or CASs. In quieter tones, sometimes almost in whispers, there were also discussions of the “Washington Consensus,” “neoliberalism,” and “the matrix.” The “matrix,” I came to learn, was the appendix to most PRSPs, consisting of the lengthy spreadsheet used by the World Bank to implement its Comprehensive Development Framework (CDF). The CDF, in turn, tried to neatly plan each necessary step of development in terms of discrete tasks and an established timetable.

Beyond the acronyms and whispers, there was deep passion and heated debates over some of the most important issues of our day. What is the meaning of development? Does free trade and market liberalization actually improve the lot of the world's poor? Were World Bank and IMF policies effective in creating economic growth? What was the empirical evidence? What was the real meaning of terms like “pro-poor growth?”

How sincere were recent calls to engage civil society in the PRSP process and could authentic participation really take place given the inherent constraints of the process? Could real change take place at the World Bank or were the high-profile reforms being implemented under the Wolfensohn Presidency (1995–2005) simply window-dressing for the same old Bank policies?

Mid-summer, an e-mail that had been circulating between INGOs and Civil Society Organizations (CSOs) engaged in development landed on the riverboat and entered our deliberations as well. The e-mail concerned a June 23, 2003, video conference between the World Bank's Trade Team and various CSOs across the globe. The e-mail and the video conference illustrated the still deep divide that existed between representatives of the International Financial Institutions (IFIs) and members of civil society.

While the specific discussion concerned the economic effects of trade liberalization on the poor in the context of preparations of individual country PRSPs, it captured many of the more general disputes that animated controversies surrounding World Bank policies. The following quotes come from a summary of the video conference by a Belgium CSO that was attached to the e-mail. The substance, however, perfectly tracks the World Bank's own minutes of the meeting.² After summarizing the World Bank's positions on trade policies in the ongoing WTO Doha Rounds, questions were solicited from CSO representatives. A representative of a Belgium organization made the following comment/question:

[M]uch conditionality within IFI lending arrangements is placed upon the uniform trade policies within PRSPs, without knowing the specific effects of the policies within these countries. With this in mind, we would like to know:

In what ways, if any, is the World Bank attempting to promote analysis of the full impact of trade into the PRSP process, in a country owned, participatory manner, and in what ways are they using their influence to promote capacity building in pursuit of real CSO participation? and

Why is the World Bank still attaching lending conditions to the formulaic policy of trade liberalization, without *ex ante* impact assessments? Or, going further, in light of the fact that many leading economists have questioned the causality between trade and growth, why is there no assessment into alternatives to blind liberalization in the pursuit of growth and poverty reduction?

Uri Dadush, head of the World Bank Trade Team responded:

I want to address the PRSP issue first as I see this as very important. We are encouraging more inclusion of trade issues within the PRSP. However, I have to state that PRSPs are country owned, it is up to individual country authorities what is put into PRSPs, we at the Bank have very little influence in their final content.

Secondly, with regard to conditionality, on the whole it is a myth that we tell countries what policies they have to follow. Conditionality in that sense doesn't happen. In the couple of years that I have been head of the trade team, I have never had a case come across my desk where we have told a country specifically which policies they must follow.

In the next round of questions/comments, the Belgium representative returned to the issue:

Firstly, I know that PRSPs are supposed to be country owned, however, to suggest that the World Bank has little or no influence in their content is hard to believe. If you look at all the PRSPs that do discuss trade, they virtually all mirror the section on trade policies in the 1000 page handbook that the World Bank has produced to assist countries in the production of their PRSPs. This uniformity of policy points to a situation of the Bank influencing PRSPs, despite them not having a direct interventionist influence...

Secondly, I would just like to make clear to participants of this discussion who may not be familiar with these issues that conditionality is not a myth and it does still occur, maybe not as much as it once did in the World Bank, but the World Bank on the whole still attaches conditions to its loans ... Even if these conditions are not always set in stone as requirements, we must consider the unequal power relations between the Bank and most of these countries, in that they are likely to adopt things that the Bank "strongly urges" for fear of losing the much needed funding. This can be evidenced by the extent to which PRSPs reflect the PRSP sourcebook as stated earlier.

Mr Dadush was next to reply:

I must once again reiterate that I have never once come across an example of trade conditionality in a World Bank programme and I would very much like it if you get back to me on this and show me where we impose trade policies on [Lower Income Countries] LICs.

With regard to the PRSP source book, all I can say is that this is our view on how trade should be used to combat poverty, we do not enforce such policies on countries, if they want to include then in their PRSPs then that is their free choice. Quite frankly, I am glad that so many countries have followed our advice. Maybe their agreement with our preferred policies shows that we are right and that they are good policies.

Richard Newfarmer, a member of the World Bank Trade Team, added his own thoughts:

I would really appreciate it if you could look into the sourcebook and show me which parts of the policy are not pro-poor and will not result in poverty reduction, because in my opinion, it offers good advice for the achievement of poverty reduction and growth.

Not surprisingly, the parties came to no resolution during the course of the video conference. I believe both the World Bank Trade Team and the members of the INGOs and CSOs were acting in good faith. The e-mail triggered discussion on the riverboat over the meaning of participation and pro-poor growth; whether conditions were voluntarily adopted or imposed; and whether policy should be driven by economic theories or empirical assessments tailored to individual countries.

These are obviously complicated questions. But, at the same time, I was struck by the psychology of the exchange. These groups were talking past each other, not to each other. In my own work, I start by assuming the sincerity of actors and then ask “what unites them?” and “what separates them?” All members of the video conference were committed to the objective of poverty alleviation, but they had very different opinions about how best to go about that objective. What begins to explain these differences? It is not just politics. Some might think that these individuals are simply role playing, given different scripts and inhabiting different international institutions. This is not persuasive to anyone who has worked with groups from either side. These people are deeply committed to their work. While some degree of self-selection is likely at play as to which organization people chose to work for, that does not explain why the divide between institutions is so great in the first place. In some respects, it is remarkable that these conversations take place at all. Indeed, World Bank–civil society consultations are another innovation of the Wolfensohn era. At least as evidenced by this video conference, however, the trust that such consultations are supposed to create was still an aspirational goal.

A year later, the Bank President and his Chief Economist would jointly publish a paper more openly acknowledging the “inherent tensions” between “a voluntary, country-owned statement of priorities (the PRSP) and the mandatory, externally driven judgment about its quality and feasibility” by institutions such as the Bank.³ The paper notes that “in practice, different power relationships and local chemistry determine how much one actually influences the other. It is too soon to evaluate this evolution in the way of delivering aid.”⁴ This is a more accurate

assessment of the situation, but at least on the riverboat in 2003, the camps seemed very far apart indeed.

I recall thinking that I should have better answers than I did. My own graduate training consisted of a joint JD/PhD program in law and economics at the University of Michigan. I had a strong suspicion that part of the explanation for the divide had to involve issues of professional socialization. Economists are simply trained to think differently than other people. Moreover, models in economics often have greater power than models in other academic disciplines, but these models may also exercise greater power over their practitioners and adherents. I felt these things, but did not have clear means of understanding or articulating how or why these influences might contribute to the conversations I was listening too.

At another level, I felt embarrassed that I did not know more about the World Bank and did not have more to contribute to the substantive discussions. So I listened, with some degree of skepticism, and I started to read. Unfortunately, the reading often reflected the same deep divides and lack of engagement as the conversations taking place on the boat. This was particularly true for materials describing the World Bank's SAPs of the 1980s and early 1990s. It was also true about the popular and scholarly materials leading up to the political backlash against globalization characteristic of the "Battle in Seattle" at the 1999 WTO Ministerial Conference.

There was, however, an important sub-theme in the literature. Many inside and outside the Bank were making the claim that things were different now, largely due to the efforts of James Wolfensohn, Clinton's 1995 nominee to be Bank President. Wolfensohn had taken up the mantle of reform and claimed that he was committed to charting a new course for the then beleaguered institution. This just raised additional questions. Could the Bank change? Would the Wolfensohn era reforms take hold and be effective? What role should a "new" Bank play in the causes of economic development and the fight against poverty?

Most of my work that summer consisted of examining developing country access to antiretroviral drugs to treat HIV and Cambodia's broader struggle against AIDS. Still, when I returned home, the debates on the riverboat about the World Bank and PRSPs echoed in my mind. That fall, I started teaching a new course on International Organizations and Public Health, giving my study of the World Bank an immediate ongoing avenue. Public health is one of the better success stories of effective international collaboration and policy progress (although much more certainly needs to be done). In this setting, one could see the Bank working more effectively alongside the World Health Organization

(WHO) and the Global Fund to Fight AIDS, Tuberculosis and Malaria. One could also see an intellectual movement on the part of the Bank away from rigid and fairly ideological positions staked out in the 1993 World Development Report, “Investing in Health.”⁵ This was especially true in the area of health-system development. If change was possible in public health, was it possible elsewhere?

Two other strands of my work kept bringing me back to the Bank. First, I have a long-standing interest in institutional economics, in contrast to more traditional neoclassical economics, as it relates to issues of law and policy. Institutional economics has played an increasingly important role in thinking about economic development and how it impacts issues such as governance. Second, my work in Cambodia led me to a greater appreciation of the role that worldviews play in producing order, meaning, and coherence in any society. This might be most obvious in examining some of the indigenous communities in the Cambodian highlands, but the concept is generalizable to Cambodian society writ large and, by extension, to American and Western societies as well. In reading reports written by the Asian Development Bank (ADB) about the economic development of indigenous communities in Cambodia, I was struck by how development economics can function as its own distinct worldview.⁶ If economics can function as a distinct worldview, particularly in the field of development economics, then a detailed study of the World Bank would permit an ideal assessment of how these dynamics play out in practice. How might the epistemic constraints inherent in the discipline of economics itself affect the possibility of reform at the World Bank?

I will end this Preface with a caution raised by an anonymous reviewer. A review of an early version of the manuscript made the fair observation that my claims about economics functioning as a worldview potentially constraining the Bank’s ability to reform may simply be a projection of my own worldview, although the reviewer used the term ideology. This raises an important concern. Part of that review raised echoes in my mind of the World Bank–CSO video conference discussed above – groups with common concerns talking past each other, not to each other. Was my own writing simply reproducing the dynamics I observed in others? I believe that these types of problems are co-produced. They demonstrate limitations on the part of the speaker and the listener, or, in my case, the writer and the reviewer. I was also a little surprised by the comment. My past writing and reflection about how economics can function as a worldview and how it can constrain how one thinks about complex problems has, in large measure, been a process of self-discovery – my own pilgrimage as an economist. If I belonged to a “tribe,” as the reviewer suggested, I

would have self-identified with the tribe of PhD economists, including those working at the World Bank. Economic theories and models are powerful, but such tools have the power to reveal *and* the power to obscure.

In seeking to better understand these constraints and how they function, I do not seek to make accusations or cast aspersions. I would ask even the skeptical reader to read with some degree of empathy and be willing to engage in some degree of introspection. The reviewer made a particularly constructive recommendation, suggesting that the book be written in a manner that sought to seduce Bank economists by the nature of the argument. In making revisions and additions, I have tried to keep this suggestion in mind. While I seriously question my own powers of seduction, I would like to engage all who care about economic development and poverty alleviation, particularly those working at the Bank. To the extent that one may never completely escape the confines of their own worldview, I will try to be transparent about my biases and beliefs. As statisticians know, even biased data can have utility, so long as the biases are known and are consistent. The pilgrimage that started on the riverboat in 2003 continues.

NOTES

1. Peter J. Hammer and Tammy Sue Lundstrom, *The Trials of Tenofovir: Mediating the Ethics of Third World Research*, in *THE MIND, THE BODY AND THE LAW*, 7 UTS L. REV. 184 (2005); 4 SANTA CLARA J. INT'L L. (2006).
2. WORLD BANK TRADE GROUP, MEETING NOTES, WORLD BANK-CIVIL SOCIETY VIDEO DISCUSSION ON TRADE (June 23, 2003), at <http://siteresources.worldbank.org/CSO/Resources/Jun03VCMN.pdf>.
3. JAMES D. WOLFENSOHN AND FRANCOIS BOURGUIGNON, DEVELOPMENT AND POVERTY REDUCTION: LOOKING BACK, LOOKING AHEAD at 11 (October 2004) (Prepared for the 2004 Annual Meetings of the World Bank and IMF), at http://siteresources.worldbank.org/PRESIDENTSITE/Resources/jdw_bourguignon_english.pdf.
4. Id.
5. WORLD BANK, WORLD DEVELOPMENT REPORT: INVESTING IN HEALTH (1993). The July 2012 appointment of Dr Jim Young Kim to run the World Bank makes the connection with global public health and economic development even more relevant to the Bank's future.
6. Peter J. Hammer, *Development as Tragedy: The Asian Development Bank and Indigenous Peoples in Cambodia*, in *LIVING ON THE MARGINS: MINORITIES AND BORDERLINES IN CAMBODIA AND SOUTHEAST ASIA* at 155–158 (Peter J. Hammer, ed.) (2009).