

PARADIGM SHIFT

2018-2019 #1

Trickle Down or Trickle UP Development Strategy?: Questioning IMF/WB Development Model!

In the world today few countries have been able to escape the “structural adjustment “and “conditionalities” of the World Bank, the IMF or the arbitrations of the WTO, institutions that determine what the rules are, and who is rewarded for submission and punished for infractions --**Jim Garrison, President of the State of the World Forum**, cited in

Confessions of an Economic Hit Man by John Perkins

Comment:

According to the 2018 global Multidimensional Poverty Index of the UNDP and the Oxford Poverty and Human Development Initiative over 270 m. people in India moved out of poverty in the decade since 2005-06 and the poverty rate in the country nearly halved over the 10-year period. However, these figures fail to reflect the real conditions of the marginalized and disempowered sections of society! For instance,

- ❖ the Global Hunger Index for 2018, at least 1 child in 5 children under the age of 5 are 'wasted' – that is, these children have very low weight for their height, reflected acute under-nutrition. (The only country with a higher prevalence of child wasting is the war-torn nation of South Sudan.)
- ❖ The World Bank's 1st Human Capital Index placed India at the 115th position, lower than Nepal, Sri Lanka Myanmar and Bangladesh!
- ❖ Child marriage continues to remain all-pervasive phenomena. Studies reveal that Rajasthan has the highest incidence of child marriages. One study, based on the 2011 census, states that 2.5 per cent of marriage of minor girls were reported in the State. Next followed 15 other States including Meghalaya, Arunachal Pradesh, Bihar, UP,

Gujarat, Sikkim, MP, West Bengal, Nagaland, Assam, Maharashtra, Tripura, Dadra and Nagar Haveli, and Karnataka. In terms of numbers, 69.5 lakh boys and 51.6 lakh girls were married before their respective legal age. The study shows a minor decline of 0.1 per cent in the marriage of minor girls. The decline in rural India, between the 2001 and 2011 census was marginally higher than in the whole of the country. “However, the incidence of child marriage among girls rose substantially in urban India from 1.78 per cent in 2001 to 2.45 per cent in 2011...the absolute number of girls married below legal age was 5.1 m.(1)

Evidently, the main issue of development is neither the numbers game nor (even) rapid economic growth! Instead, it is about the slow movement -- a value-based, trickle-up societal change.

India has often followed a model that will trickle down. Now is the time for a trickle up! Thus, there is the call for a systematic reordering of the delivery mechanism -- to shift from bureaucratic delivery to participatory development. Rural policies adopting this approach should be designed and enforced in the way best adapted to the needs of the local communities they serve.

Capacity building is an essential component of the trickle-up approach. It involves

- ❖ Awareness raising, training, participation and mobilization of the local community;
- ❖ Participation of various groups in chalking out a local development strategy and
- ❖ Establishment of clear-cut criteria for selection at local level of appropriate action to deliver the strategy.

Although there is much public discussion of involving stake-holders for appropriate development of society in which the poor live, poor people rarely get the opportunity to develop their own agenda and vision. All this therefore calls for a paradigm shift. The entire participatory paradigm illustrates that people are active participants in plans and programmes that outsiders have designed

Authentic development involves a transformation of the state of human being. However, such a transformation must have the active engagement and participation of the affected local community. Such a development is one that transforms groups and communities without adversely affecting their livelihood and social lifestyles. The forests, for instance, provide the community with food, medicine and livelihood – a sustainable road map to the food security, health care and employment. Genuine development must not translate into development of the privileged class and caste and by this very elite group. It must be development as seen by those whose lives are to be transformed.

Transplanting cultures has been the knee-jerk response of so-called development experts. Experiences has however, shown time and again, that nothing could be as damaging as the imposition of an alien culture. Thus, the failure of so many development processes over the years largely stem from lack of insight, connectivity, etc., in a society designed to change. Among the other such failures is the example of the World Bank and IMF whose approaches on development

demonstrates their flawed perspective and schemes to eradicate poverty of the Global South even leading these countries into a debt trap.

I

“The Road to Development”

Claim # 1. Global South is poor because the poor in these counties lack capital. Only by an infusion of capital from WB and IMF will eradicate poverty and lead to “development” of these countries.

Reality: Over the years the massive wealth transfers to governments in the Global South have failed, in general, to help the poor. Only in a few cases, if any, in which IMF/WB efforts have resulted in improved living standards and sustained economic prosperity. Over 40 years of international aid transfers have left Latin America with a foreign debt of \$430 b., sub-Sahara Africa with per capita incomes lower today than were in the 1970s, and India with an annual per capita incomes of around \$300.

One of the reasons for this failure is that primarily most development agencies lend to government, and not to individuals. “The recipient governments are often—through their lopsided and destructive economic policies – the very cause of the economic problems that the aid seeks to rectify. International aid is, in effect, a subsidy to bad economic policies. It succeeds, not in eradicating poverty, but in extending and prolonging bureaucratic control over the poor of the Global South. Governments who would have been forced to change have instead been kept afloat by loans from the World Bank/IMF combine and allowed to continue their destructive policies. Much aid has been wasted in poorly planned, ill-administered projects of little benefit—such as crop-storage depots built where peasants never go, for funds allotted to buy a profitable private bus-line in India for instance. Billions of dollars

How the IMF SAPs (in) dependent countries

Although each SAP is said (by the IMF) to be designed by the countries for themselves, certain underlying premises are common to all of them. These can be grouped into four categories, and should be understood as the minimum conditionalities demanded by the IMF in return for a loan:

A

Opening up of the economy, and "Globalisation'

- ❖ Trade policy reform that liberalizes the inflow of imports
- ❖ Devaluation of the currency
- ❖ Allowing easier inflow of foreign capital.

B

Redefinition of the role of the state

- ❖ Privatisation and marketization of the economy
- Privatisation of Public Sector Units
- ❖ Reduction in subsidies to essential items (Food, Transport, Water, Electricity and so forth)
- ❖ Reduced expenditure on Social Sector (Health, Education, Drinking Water Employment generation, Poverty alleviation, and so forth)
- ❖ Reduction in Plan outlay.

C

'Disciplining labour'

- ❖ Reduced expenditure on employment generation
- ❖ Introduction of 'Exit Policy', to lay off workers
- ❖ Allowing wages to lag behind prices
- ❖ Introduction of anti-labour legislation.

D

Raising share of profits in the economy for the rich

- ❖ Concessions to the rich and large scale sector (Indian and foreign)
- ❖ Withdrawal of concessions to the small scale sectors.
- ❖ Selling profitable public enterprises to the private sector and closing loss-making ones.

Source: Sapping India- Sapping the Indian People, NCHR, July 1992

have “aided” elites of the Global South to possess grand estates and hold Swiss bank accounts.

Even when the WB/IMF combine lecture the Global South on the need for free trade and markets they simultaneously give the foreign governments the very means to resist that which they advise. It is analogous to lecturing a drug addict on the need for reform while giving him cash to buy more drugs (2)

Colonizing the Global Economy

❖ “The IMF argued that Africa should continue doing what it...does best, the production of cheap raw material for the developed (countries) in exchange for more expensive goods...American Civil and human rights leader Jessie Jackson denounced the effects of what he called “economic colonialism of the Global South. “They no longer use bullets and ropes”, he stated. “They use the World Bank and International Monetary Fund.”

The national liberation movements against colonial domination and exploitation led to ending direct colonization of the Global South by western colonial powers. In its place however a new globalised economy was generated by the Bretton Woods Conference in 1944 which gave birth to the IMF, WB and later to the WTO.

Offering the myth of economic aid, Western Government extended their power and control of the Global South under the umbrella of the IMF Fund. After World War II, the US emerged as the global super power. As it became clear Europe could no longer maintain their colonies, a strategy for a new economic relationship between Europe, the US and the Global South had to be created. In 1944, at the Bretton Woods Conference in New Hampshire, a new economic structure was formed. It was at this Conference that the WB, IMF and the International Trade Organisation (ITO) were founded.

In 1945 the emerging Global South joined the UN and accepted international financing under the control of the UN. Leaders of the Global South did not repudiate the debt or obligations that the former colonizing powers had committed them to. They decided to work within the boundaries of the market policies and condition placed upon them. However, in 1950 the WB and IMF, prodded by the US, announced that their polices would no longer be accountable to the UN. This gave the IMF and WB arbitrary power over the Global South

Loan Addicts of the IMF/WB Combine

❖ “The idea that developing countries should feed themselves is an anachronism from a bygone era. They (should be) relying on US agricultural products, which are available in most cases at much lower cost”.
–John Block, US Agricultural Secretary

Creating a world that works for all must begin with an effort to undo the huge damage inflicted by the erstwhile colonial powers with their economic policies. The thrust of these policies is best illustrated in the SAP programmes imposed on poor countries of the Global South by the IMF/WB combine via the so-called conditionalities.

The World Bank was originally intended to focus on financing the post-World War II reconstruction of Europe, using capital subscribed by member States against which it could borrow in international financial markets at favorable rates and then lend out for development projects. When Europe declined in mortgaging the future of its economy to foreign bankers, the World Bank decided to market its loans in the newly independent countries of the Global South. At first, that too proved a very difficult task. So the Bank invested in training and education to indoctrinate scores of bureaucrats and economists, of the region, in an economic ideology and paradigm that equates

development with export-led economic growth fuelled by foreign borrowing and investment—the fundamental flaw that continues to remain its sacrosanct policy to this day.

Originally, the loans were used to finance infrastructure projects and imports beyond the means of the country's export earnings. Eventually, ever-larger new loans were needed just to service payments of interest and principle due on previous loans. The more the borrowing, the greater the need for still larger loans, and borrowing became something of an economic addiction.

In the 70s, the OPEC sharply raised oil prices and hence the cost of energy imports. Northern banks, bloated with OPEC deposits, lavished loans on the Global South often prodded by the World Bank. Soon the costs of debt service exceeded repayment capacity by such a huge extent that it threatened a global financial crisis if not collapse. Beginning with Mexico in 1982, the WB and IMF decided to launch SAP as their main response. Together they reoriented national economies to focus on debt repayment and to further open their natural resources, labor and markets to TNCs. The “Adjusted” countries were pressured to raise the export of their natural resources become more import-dependent, and increase the foreign ownership of their economies. Once the countries accepted these “conditionalities” the IMF/WB rewarded them with more and more loans, thus deepening their indebtedness -- very much like a fireman pouring kerosene on a burning building, to stop the inferno.

As can be gleaned from the above, the results have been disastrous, not only in human and environmental terms, but also in economic terms. In 1980, the total external debt of the whole Global South was \$609 b; in 2001, it totaled \$2.4 t. The World Bank has since provided hundreds of billions of dollars in low-interest loans to subsidise the TNCs to establish control over the natural resources and markets of assigned countries. Often World Bank-financed roads, power plants, and electrical grids primarily to serve interests of the MNCs establishing operations in the service areas of the loan-financed facilities rather than to serve the local communities. Indeed, the World Bank “has become the major contributor to global greenhouse gas emissions through fossil fuel projects “that mainly benefit the global TNCs.

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Paradigm Shift is a quarterly factsheet to highlight the shifts in various socio-cultural and political fields that affect especially the marginalized communities including transgender people.

Paradigm Shift also aims to unpack the unsustainable development practices, outsourced to India -- adversely affecting the environment -- and responsible for where humanity finds itself today.

Next Issue: Transgender People



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